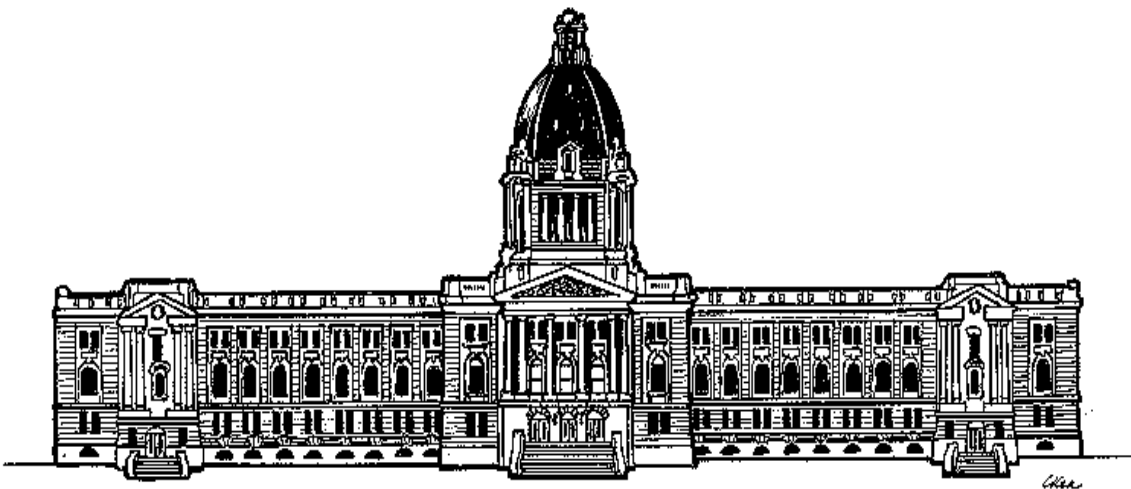




STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

No. 34 – May 18, 2011



Legislative Assembly of Saskatchewan

Twenty-sixth Legislature

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair
Regina Rosemont

Mr. Glen Hart, Deputy Chair
Last Mountain-Touchwood

Ms. Pat Atkinson
Saskatoon Nutana

Mr. Dan D'Autremont
Cannington

Mr. Rod Gantefoer
Melfort

Mr. Warren Michelson
Moose Jaw North

Mr. Lyle Stewart
Thunder Creek

[The committee met at 09:45.]

The Chair: — Well good morning. We'll begin our business here this morning with the Standing Committee on Public Accounts. Our primary business here today is chapter 8, Finance, from the 2010 volume 2 report of the Provincial Auditor. For those that are tuning in at home, we would ask they reference these reports at www.auditor.sk.ca.

And I would introduce that we have a substitution here today. We have Mr. Chisholm that's substituting for Mr. Michelson. Also here today is Vice-Chair Hart, Mr. D'Autremont, Mr. Gantfoer, and Mr. Stewart. Ms. Atkinson at the committee table as well as committee member. And at this point in time, I would ask our Provincial Auditor, Ms. Lysyk, to introduce her officials that are here with her today.

Ms. Lysyk: — Thank you. I have with me here today Judy Ferguson who is the deputy provincial auditor with the office who led the work in the chapter being discussed today; Kim Lowe, our liaison with this committee; Carolyn O'Quinn, audit principal with the office, who was involved in the work on the General Revenue Fund and the ministry; and Glen Nyhus, audit principal responsible for the audit work regarding the Public Employees Benefits Agency.

The Chair: — We have our Provincial Comptroller that's joined us here this morning, Mr. Paton, and Mr. Bayda with that office as well. Thank you for joining us. And at this point in time, I would invite Deputy Minister Layng with Finance to introduce her officials, and then we'll move it back to the Provincial Auditor to make their presentation and subsequently request your comments.

Ms. Layng: — Thank you. On my right is Brian Smith who's the assistant deputy minister responsible for PEBA [Public Employees Benefits Agency]; and on my left is Rae Haverstock, the assistant deputy minister responsible for treasury and debt management. Behind me, starting on the left-hand side, is Nancy Perras who's the manager of business systems planning in the financial services branch. Beside her is Louise Usick who is the director of financial services branch; and beside Louise is Joanne Brockman who is the executive director of economic and fiscal policy branch. And beside Joanne is Ann Mackrill who is the executive director of PEBA, and she's responsible for the pension programs and IT [information technology]. And then in the row behind is Brent Hebert who is from our audit branch, director of audit in the revenue division. And of course you know Terry and Chris.

The Chair: — Thank you very much. At this point in time I would turn it over to the Provincial Auditor's office to make their presentation as it relates to chapter 8, Finance.

Finance

Ms. Lysyk: — Thank you, Mr. Chair. Today we will be covering chapter 8 in the 2010 report volume 1, pages 83 to 111. I will start off, and then once we reach the chapter on PEBA, I will pass the discussion over to or the presentation to Judy Ferguson.

This chapter reports the results of our audit of the financial statements of the Government of Saskatchewan, along with the results of our audits of the Ministry of Finance and its agencies for the year ended March 31st, 2010.

Regarding financial statements, this chapter concluded on page 90 that the government's summary financial statements included in the Public Accounts 2009-10 volume 1 are reliable and that the financial statements of the agencies listed on pages 88 and 89 with the March year end, excluding the General Revenue Fund, are reliable.

As noted on pages 94 to 96, the office continues to have significant concerns with the accounting in the General Revenue Fund and with its financial statements being used as the primary financial statements for reporting on the results of the operations of the government in Saskatchewan for the following reasons: the General Revenue Fund's financial statements are not prepared in accordance with CICA [Canadian Institute of Chartered Accountants] standards. They do not include all amounts owed for pension liabilities, and transfers between the General Revenue Fund and the Growth and Financial Security Fund are improperly recorded as revenues and expenses. Because of this inappropriate accounting, the office qualified its audit report and therefore did not issue a clean opinion on the 2010 General Revenue Fund financial statements.

If the government recorded the pension liabilities and did not record transfers from the Growth and Financial Security Fund as revenues and expenses in the general fund, the 2009-10 annual deficit would have been \$173 million instead of the reported surplus of 425 million, and the accumulated deficit would have been 4.82 billion versus 546 million.

As well the GRF [General Revenue Fund] financial statements do not constitute the government-reporting entity as defined by the CICA. The audit opinion on the General Revenue Fund reminds readers that readers should not use the General Revenue Fund's financial statements to understand and assess the government's management of public financial affairs and resources as a whole. Rather they should use the summary financial statements of the Government of Saskatchewan.

Although in February 2002 PAC [Public Accounts Committee] disagreed with the office's recommendation, the office respectfully continues to recommend that the General Revenue Fund's financial statements record pension costs and transfers in accordance with GAAP [generally accepted accounting principles] for the public sector.

Although this chapter does not contain a recommendation to use the summary financial statements as the primary financial statements, as this is contained in chapter 23 of this report, as your new Provincial Auditor and a chartered accountant, I would be amiss if I did not raise the following point: confirm the office's position on financial reporting in the province of Saskatchewan.

In accordance with CICA standards, if one is reporting to stakeholders on the financial statements of a provincial government, the government reporting entity for a province

includes controlled entities. The government reporting entity for Saskatchewan is reflected in the summary financial statements which received a clean audit opinion in 2010 — not the General Revenue Fund financial statements, which received a qualified opinion and were not prepared in accordance with GAAP in 2010.

Under CICA standards, the General Revenue Fund is a component of the government reporting entity. As contained in the summary financial statements, the 2009-10 annual deficit was 409 million and the accumulated surplus was 2.8 billion. By not focusing attention on the summary financial statements, the public is not receiving a full and clear picture of government operations.

Now moving on. This chapter includes nine new recommendations and provides an update on 20 previously reported recommendations about the General Revenue Fund; the ministry; and the Public Employees Benefit Agency, PEBA, and the pension and benefit plans PEBA administers.

For most of the previously reported recommendations, we have noted reasonable progress with the exception of a GRF issue just noted. Now I'd like to have Judy Ferguson speak to the remaining sections in this report.

Ms. Ferguson: — Thank you, Bonnie, members and officials. The rest of the presentation, as Bonnie indicated, I'm going to focus on the new recommendations in the report. These recommendations actually relate to three areas. The first area notes a lack of an up-to-date service level agreement between the Ministry of Finance and Public Service Commission, setting out the responsibilities for key payroll activities. If you turn to page 91 on the report you'll find that we recommend that the Ministry of Finance maintain a current service level agreement with the Public Service Commission for the provision of payroll services.

The second area reports concerns with information technology at Finance. First, Finance received limited information each year on the adequacy of the Information Technology Office's controls for keeping Finance's computer systems and data available. On page 92 we recommend that the ministry require the ITO [Information Technology Office] to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available.

On page 93 we recommend that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly. Our audit noted that user access to its computer systems was not always being removed on a timely basis.

The third area relates to recommendations about the Public Employees Benefit Agency, commonly referred to as PEBA. PEBA did not comply with its policies and procedures for reviewing and approving the public service superannuation plan's bank reconciliations and journal entries. On page 99 we recommend that PEBA follow its policies for the timely review and approval of bank reconciliations and journal entries for the public superannuation plan.

On pages 102 to 109 we report on the adequacy of PEBA's

controls to secure — that is to protect — the confidentiality, integrity, and availability of its information systems and data for the period October 1, 2009 to March 31st of 2010. We concluded its controls were adequate, except it needs to make improvements in four areas. It needs to periodically review and test the completeness and effectiveness of its IT security policies. It needs to comply with the security policy monitoring software developers' access to its information systems and data. It needs to implement and test its disaster recovery plan. And it needs to implement its approved policies and procedures for making changes to its IT infrastructure. You'll find the recommendations number 5 to 9 on pages 105 to 107 address these four areas.

That concludes our presentation, and we'd be pleased to respond to questions.

The Chair: — Thank you very much. We'll turn it over to Deputy Minister Layng and her ministry to provide comments and speak to these recommendations.

Ms. Layng: — Thank you. With respect to the qualification on the General Revenue Fund, this is not a new issue, as everyone's aware of. The government has elected to report both the GRF and the summary. Not only do we include that in the budget documents that are released at the beginning of the year, but it's reported on at mid-year as well. It's a very transparent process. Government is adhering to the legislation that it tabled at the outset of its administration four years ago which laid out what would be reported, the fact that the Growth and Financial Security Fund would be established. And so this isn't a new issue, and we're comfortable that there is transparency to the public and that because the summary statements are available, that we are being transparent and complete in terms of the information that's provided.

The Chair: — And if we can have questions on this aspect here right now, but there's also the new recommendations that are on the table here today, if you maybe want to focus in your comments there. Or would you like us to maybe just focus in on each one with questions to your ministry?

Ms. Layng: — Sure.

The Chair: — Okay. So we do have the new recommendations. We have the outstanding recommendation that of course has been of significant debate in the Assembly, as well as it relates to compliance with public sector accounting. And we could spend some time on that right now as well if there's questions and if there's comments. Or we could deal with it subsequent to the recommendations, the new recommendations before us here today. Ms. Atkinson.

Ms. Atkinson: — I guess this is to the Provincial Auditor. Given that we're starting to see some fairly significant revenues in the province, and of course they're subject to the vagary of the marketplace, but if the government made a decision to begin to transfer some of those revenues into its unfunded liability, i.e. the pension plan, how much money would need to be transferred in order to make those pensions whole?

Ms. Lysyk: — Pension liability?

Ms. Atkinson: — Yes.

Ms. Lysyk: — At the time of March, at the time of the audit, 5.8 billion is approximately the number.

Ms. Atkinson: — 5.8 billion?

Ms. Lysyk: — Yes. That's the amount of the pension liability.

Ms. Atkinson: — And I guess my second question is this: is Saskatchewan the only place now in Canada that does not include its pension liability in its presentation of information to the public? And they do in the summary financial statements, but they don't in terms of the GRF, I guess. And are we now the only province not doing this?

Ms. Lysyk: — Okay so your question is, is this the only province not including pension liabilities in the GRF?

Ms. Atkinson: — Yes.

Ms. Lysyk: — I can't comment specifically whether the GRF is including pension liabilities in other jurisdictions. Other jurisdictions include the pension liabilities in their summary financial statements and report publicly on the summary financial statements. So in terms of whether GRF statements are prepared, I'm sure GRF statements are prepared in other jurisdictions, but as to whether or not they are prepared including the pension liabilities, I cannot comment. Thank you. We can get the information if you require it.

[10:00]

Ms. Atkinson: — Does Finance know the answer to that question?

Ms. Layng: — Yes. In terms of our survey, the other jurisdictions, with the exception of PEI [Prince Edward Island] and Newfoundland, aren't preparing GRF statements. So we're really consistent with other jurisdictions in terms of including this information in our summaries.

Ms. Atkinson: — Okay. Thank you.

The Chair: — Maybe just because there are new recommendations here before us, but we do have this outstanding recommendation and it has come with significant discussion and debate in the Assembly. But once again here we have from the Provincial Auditor validation of concerns of non-compliance with public sector accounting standards. Quotes from the news release that came along with this report, such as "Other provinces focus on summary-level reporting that includes all government. So should the Government of Saskatchewan." Or a quote such as, "Saskatchewan lags behind the other provinces in its reporting."

Today we heard some of the implications of that reporting, and we know that we are the only province that isn't focusing primarily on that summary basis. And it's not supported by our auditor, our new auditor, previous auditors, and the recommendations exist. I would argue that it's an unsustainable position and an inappropriate position to remain non-compliant as a province. And while in 2002 this recommendation was

disagreed in, certainly I think this is time to reconsider it. It's past time, I would argue.

And at this point in time I would move:

That this committee recommend that this government comply with public sector generally accepted accounting principles as it relates to the General Revenue Fund's financial statements recording pension costs and transfers and ensuring that they're in compliance with public sector accounting standards.

So I would make that motion, and I would urge, request somebody to make that motion. Ms. Atkinson.

Ms. Atkinson: — I'll make the motion.

The Chair: — Okay. And all in favour?

Mr. D'Autremont: — How about a little debate first?

The Chair: — Oh sure, Mr. D'Autremont. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. This recommendation first came forward from the Provincial Auditor in 2002, and so this has gone through the annual reports in 2002, 2003, 2004, 2005, 2006, 2007 when your party was government. I find it amazing that you now have a conversion on the road away from Damascus on this particular issue, and I think your party is being either disingenuous previously or disingenuous now.

Mr. Speaker, Mr. Chairman I mean, this has been debated in Saskatchewan for a long time, and I think the arguments that were put forward previously were valid and continue to be valid. We are reporting the entire financial statements of the government, including the unfunded pension liabilities which have been there since 1935 and actually grew under the previous administration. So you know, I don't know what's changed since 2002 when your government rejected it each and every one of those years that you were in government.

So I disagree, Mr. Chairman, that this should proceed at the present time until there are at least some new and valid arguments to be put forward that the GRF is not representing the financial positions of the people of the Government of Saskatchewan. Because the statements that come down include both GRF, which we are familiar with, and the summary financial statements which do meet the standards set forward by the general accounting practices. So I believe that we are being well served by the current circumstances and situation and see no need for a change.

The Chair: — I just noticed Ms. Atkinson also had a comment.

Ms. Atkinson: — Thank you. I think that Mr. D'Autremont raises some valid observations in that he says, you know, why the change of the NDP [New Democratic Party] at this stage of the game? And I just want to make this observation as someone that's been around this place for a long time, that provincial auditors make observations and sometimes it takes government some years to get to where they need to get to. Let me give you an example. The Provincial Auditor for a number of years recommended summary financial statements. Of course our

government was reluctant to go there, and it took us a number of years to get to the point where we now . . . Our government began to show summary financial statements, and your government has continued that tradition.

There have been recommendations from the Provincial Auditor that they've made year after year after year. And then gradually governments change their public policy position and those recommendations are implemented. And sometimes those recommendations, it takes a while to implement recommendations simply because of the financial situation of the province. I think that this recommendation has been here for eight years. And I suspect it'll be here next year, and it'll continue to be here. And at some stage, the recommendation will need to be implemented because we see jurisdictions across the country gradually implementing this type of recommendation.

And so while Mr. D'Autremont can make his observation, and it's a fair observation, you know. The NDP held the very same position as the Sask Party government does now, and we held that position for five years. But you know, the world makes progress in spite of us. And you know at some stage, a government — and I don't care whether it's an NDP government or a Sask Party government — is going to have to do this.

The question is, how do you begin to implement this very significant recommendation from the Provincial Auditor? And that's why I ask the question. Could, over a period of time, revenues that are generated that are going into the Growth and Financial Security Fund, could some of those revenues begin to, in a planned way, go into our pension plan so that we begin to fund the liability? I don't know the answer to that. I don't know how long it would take.

But I think that the world has changed, and we need to . . . I know the Public Accounts Committee is not going to agree to this recommendation. Fair enough. But I really do think at some stage someone somewhere is going to have to figure out how we implement this recommendation in some form of manner.

So, Mr. Speaker, or Mr. Chair, I just wanted to put that on the public record. I'm sure the former minister of Finance will have something to say about it. I sat on Treasury Board for years, and we certainly had something to say about it. But the reality is that this is a significant recommendation from the Provincial Auditor as summary financial statements. They were significant recommendations from the Provincial Auditor, and we eventually did it. And eventually a government is going to have to do this. Thank you, Mr. Chair.

The Chair: — Thank you. I see comments from Mr. Gantefoer.

Mr. Gantefoer: — Thank you very much, Mr. Chair. It's been an ongoing interesting debate over a huge number of years. But I would like to note that some significant progress has been made over those years, as the member opposite has pointed out, in that originally Saskatchewan was strictly on a General Revenue Fund reporting basis. And clearly that was not adequate to state the overall fiscal position of the entire province. And so we went to, in addition to, not instead of, but in addition to the GRF reporting, we added the summary

financial statements. And the auditor has noted that the summary financial statements as presented are complete and whole and truly reflect the financial position of the province.

I can remember arguing the case whereby we should stick on the summary financial statements and not consider anything else in opposition. Government of the day was arguing that what we have evolved to is more than adequate reporting on both vehicles. When we changed government, it's like our positions changed with us, and the NDP opposition now became the advocates of the summary financial statements and the Sask Party government became advocates of the status quo.

I think that in attending a fair number of Finance minister meetings over the recent past, one of the comments that would occur on the parlour talk or the hallway talk is that maybe Saskatchewan has it right. And there's been some expressions of, not regret, but maybe they went too far in just presenting the summary financial statements without regard to the General Revenue Fund statements because they are two different kinds of statements. Summary, granted, takes care of the pension liabilities and the Crown debt and all of those activities that government's involved with. But GRF is something that quite often the public and the media focus on more closely because it reflects the activities of Executive Council, if you like, in more the deliverance of programs and services to the people of Saskatchewan.

So I would argue that what we have now in terms of both presentations is the best of all possible worlds, and a position that other Finance ministers actually are somewhat looking at and saying that we need to represent all of the financial situations of the province, but we also have a value and a General Revenue Fund focus that highlights more specifically activities in the General Revenue Fund. I think that the position we have now which incorporates both methodologies is a very good one. Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Gantefoer, for your comments. And just as a couple comments to that just as it relates to the work that the official opposition undertook on this file, it certainly wasn't a knee-jerk, position-changing decision when the New Democrats were sent to the seats of opposition. There was a lot of research that went into this file, and as well watching the changing environment, and notably Manitoba that became compliant with as one of the last holdouts on this front.

And I would speak I guess, not as Chair of Public Accounts right now, but maybe more so as in the other role as Finance critic, I would argue that it's not sustainable nor appropriate for us not to be in compliance with these recommendations and with public sector accounting standards, and that other jurisdictions have paved our way. And I have less concern for the flexibility that a Finance minister has in any one jurisdiction and a lot more concern about the transparency to the public and compliance with public sector accounting standards.

If jurisdictions were to simply choose their own accounting systems all across Canada, we'd have no ability to have the transparency for comparison's sakes, for understanding back to the public, or the kind of accountability that should be in place. And I would simply suggest that it's past time that our province comply. And I would note the enhanced reporting and that the

progress that has occurred in this province for many years. It's not as though we've sat static as a jurisdiction, but I'd argue it's past time that we move on this front.

But I don't know if I see any other comments. I do know we had a motion on the floor here by Ms. Atkinson. I do see some other comments. Mr. Stewart.

Mr. Stewart: — Thank you. I'd like to add that reporting the way we do, in both summary financial statements and on the General Revenue Fund, provides to the people of Saskatchewan an accurate comparison of how things were done under the previous administration to how they are done under this government. We're reporting in exactly the same way as the previous government did and that gives the public an ability to see how the two governments compare. It's completely transparent and, you know, we're reporting summary financial statements and the GRF.

I fail to see how it would be more transparent to report only summary financial statements. We're clearly doing both, and I think we're on the right track. We give the public a clear view of the finances in the previous administration compared to the finances in this administration. I just don't see how we could be more transparent.

[10:15]

The Chair: — I see Mr. D'Autremont. I know Ms. Atkinson . . . One of the concerns is that we're recording by or playing by a different set of rules, and then to compare to other provinces becomes a problem. For the past few years, there's been a significant comparison to other provinces. And we've heard about the deficits that have been incurred over the last couple of years in this province, but that's not what we hear as it's been communicated.

What we hear is something very different and what . . . By the manufactured accounting system that we have in this province, it's not fair to compare to other jurisdictions that are reporting in compliance with public sector accounting standards and suggesting that the GRF is somehow in surplus, thus that the province of Saskatchewan is not appropriate when comparing to other jurisdictions that are bound by the responsibility to report in compliance with public sector accounting standards.

So to have this ongoing comparison that's not accurate, appropriate, occurring isn't transparent in any way, shape, or form and leaves the public with a perception that's not correct. So certainly I think being in compliance and playing by the same set of rules as all other jurisdictions does have value. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I do have a question for the Provincial Auditor, but I do want to make a comment. If the current circumstances do not provide transparency, then they haven't provided transparency under your government for many years. So the lack of transparency is not simply one-sided here.

To the Provincial Auditor: in the reporting of the summary financial statements, do they meet the requirements of the generally accepted accounting principles?

Ms. Lysyk: — The summary financial statements are in compliance with GAAP, yes.

Mr. D'Autremont: — Yes, thank you very much. So the chairman's argument then is not about the validity of the statements that are put forward but rather about the emphasis that is placed on the reporting method of the GRF by the media. He's unhappy that the media is reporting the GRF, not unhappy that the summary financial statements are not being recorded by the media. Because the information is available in the summary financial statements. It meets the general accounting standards that the Provincial Auditor is asking for. I think the chairman's argument needs to be with the media and what they're reporting, and not how this government or the previous one was carrying out the statements of the province of Saskatchewan.

The Chair: — This chairman will choose not to argue with the media, but I'll pass this over to Ms. Atkinson for comment. And I see other hands.

Ms. Atkinson: — You know, we could continue to have this argument for some time. And, you know, the observation is correct. It depends on which side of the table you sit on, how you're going to frame the argument. I just want to make this observation, that at some stage, some time, some government is going to have to comply with the Provincial Auditor's recommendation. They are.

Because as the Provincial Auditor says — and this has been going on, as Mr. D'Autremont said, for five years under the NDP and I guess it'll be four years under your government — the Provincial Auditor has qualified their audit reports. And this isn't normal, as the Provincial Auditor says, and it should cause concern for legislators and the public. And their audit advises readers of the errors in the financial statement. So you know, I know this Public Accounts Committee is going to support the government's position, and maybe if I was sitting on that side of the table I would support the government's position, but I think I'd be arguing behind the scenes that it needs to change.

The Provincial Auditor used to report that we didn't have a cash-funded Fiscal Stabilization Fund. It took some time. As we had the money, we cash funded it. It's cash financed now. It took some time to report summary financial statements, but we now report it. At some stage you can't be the only jurisdiction in the country that doesn't do what the Provincial Auditor is asking you to do.

The member opposite says the public's only concerned about the GRF, and that's what the media focuses on. And that appears to be true, but I think it's fair to say that when the government's saying we've reduced debt by 40 per cent, it's not an accurate reflection of what really has gone on in the province. So there's big billboards around the province: we reduced the GRF debt. But there is Crown corporation debt and then there is debt associated by the unfunded liability.

So I would argue that, you know, this is a lost cause, Mr. Chair. We're not going to win this one. But the members opposite who are part of the government need to really think about, how do we begin to comply with this recommendation. Because it's going to come next year and the year after and the year after and the year after, and there needs to be a strategy or some way

to get to the point where we comply.

And so with that, Mr. Chair, I think we should just have the vote.

The Chair: — Do we want to vote? Or do we want further . . . Mr. Vice-Chair.

Mr. Hart: — I have a couple of short comments, Mr. Chair. I've been listening to the comments made by the members of the committee, and I think there's very valid comments made on both sides of this issue. I would guess, as the member opposite and members on this side of the table have suggested, that we'll be dealing with this issue in the future, and we will be dealing with it in the House in the future. We will be going to the people and asking for their vote of confidence. This will be one of the issues that will be raised, I'm sure, and the people will decide as they have decided in the past.

It seems to me that from my somewhat limited understanding of accounting . . . Although I must mention that I have son who is a chartered accountant, and we do discuss accrual accounting and cash accounting. I think this is a bit of what we're discussing here today, and it seems to me, in my mind, that the average citizen understands cash accounting much more so than accrual accounting, but I also . . . The auditor raises some very valid points, but the auditor also says that the summary financial statements do reflect an accurate financial picture of the province.

So the citizens of the province have the information before them in two forms. And so I don't think we're going to resolve this here today, Mr. Chair, but I think it's a healthy debate that we are having, and we will be having this in the future, I'm sure.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Just a short comment on your comment about that it's virtually impossible to compare the financial results of the province of Saskatchewan to other jurisdictions. That's completely untrue. It may not be on line 54 on Manitoba's financial statement, and it's line 54 on Saskatchewan, but the information is all there, very easy to compare. And the former government was able to pull for a number of years the information they needed to make their political points as do we when we're comparing with other jurisdictions.

The Chair: — I would like to comment briefly to that comment. Mr. Vice-Chair, if you could take the Chair because I don't think it's appropriate for myself as Chair to . . .

Mr. Wotherspoon: — I just wanted to just quickly respond to that comment. The concern specifically isn't that we certainly, we have moved forward with having summary reporting available as well. It's where the primary focus lies. And it's inaccurate, and for the message to be carried by the highest level of executive government, that being the Premier and others, to be suggesting and comparing that somehow this province has been in surplus, for example — which it hasn't — by the same reporting mechanisms of other provinces. So it's not comparing apples to apples, and this is part of one of the

main messages that's communicated across to the Saskatchewan public.

And sure enough, you're right. The real numbers exist in this government's reporting and in the reporting that was brought forward by previous governments, but it's where that focus lies. And it's not appropriate to somehow suggest, and we've heard today about the deficits over the last couple of years, but that's not the story that we've heard from our Premier and from government. What we hear is something very different, where they compare that Saskatchewan was somehow this bastion of surpluses while other governments were running deficits. Now by applying the same set of rules and comparing apples to apples, this government's been in deficit in those two years where . . . [inaudible] . . . by focusing on the summary basis.

So that's where my comments lie. And I wasn't going to offer any further comments, Mr. Chair, but when we look at the magnitude of transfers of money from aspects such as our rainy day fund or the growth and fiscal stabilization fund, over \$2 billion over the last four years, these are dollars that have been accounted for as revenues when they've been received and they're transferred and counted for, again, as revenues incorrectly. When we look at the amount of money that we see inter-agency and Crown transfers, Mr. Chair, that have come, that have occurred over these last four years, almost \$2 billion in over a period of time, well over \$500 million a year coming from those Crown corporations to try to cover off expenditures and expenses on the general revenue side, I would argue that the magnitude of this is significant. I'm concerned by, as I've stated in the Assembly, manipulation of the fiscal tools that are available to government, and a financial picture that's not accurate and true of the real state of finances.

And when we talk about this 2 billion from the Fiscal Stabilization Fund, or this almost \$2 billion that have been drained from the Crown corporations, this has all occurred at a time of record highs in revenues in this province, which certainly leads to other questions of sustainability and financial management, but that's not our focus here today. Our focus is about the fact that there has been recommendations as it relates to our non-compliance with public sector accounting standards, and certainly there has been a motion put forward here today by Ms. Atkinson that we support that as a Public Accounts Committee. It seems to me that we should have a vote and determine. It seems to me that the members of the committee will likely defeat that motion, and that's the will of this committee. But it's important to have on the record, I believe, this discussion, Mr. Chair.

The Deputy Chair: — I recognize Mr. D'Autremont.

Mr. D'Autremont: — Thank you very much. I'm glad that my colleague from Turtleford spoke up, as he's been a practising accountant for 25 years and clearly stated that the information was all there and accurately.

And listening to Mr. Wotherspoon's comments, I note that the former administration used to brag, 15 years of balanced budgets — 15 years of balanced budgets under the GRF system that he is now bitterly complaining about. All of a sudden the numbers aren't accurate, the focus is improper, and yet that was the focus of his party for those 15 years that they continued to

use the terms. Well I don't think you claimed the first year as a balanced budget, but for the next 15 years the NDP claimed a balanced budget under the GRF system.

And today, because the member sits in opposition, it's improper. It's wrong. It's not giving the right information. It's the wrong focus. Well it may be the wrong focus in the opinion of the member from Regina Rosemont, but it's his job to change that focus. It's not the fault of the Public Accounts Committee that he disagrees with the accounting methods. We provide both accounting methods with all of the information available, both through the GRF and through summary financial statements. And if his focus does not get reported as he would like it to be reported in the media, then I think he has to search his own soul for how he's doing his job, not for the fact that the rules don't make his job easier for him.

So I think perhaps the member needs to refocus his attention on being able to explain why the rules were perfectly acceptable and worked very well in providing the NDP in government with 15 years of balanced budgets, and why those exact same rules do not work today when all of the information is provided to the public because two sets of information are provided to them — the summary financial statements and the GRF — which the people of this province have become familiar with under the former NDP administration.

[10:30]

The Deputy Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — I guess just in comment to that, a part of it would be simply change with respect to progress, changes of accounting standards and what's expected of public sector governments, but also changes by governments in adopting new systems and systems that comply with this ever-changing environment. So that's certainly part of it.

It was very different in 1991, public sector accounting standards, to what it is now. And I would argue, I would never hide from the proud record of the New Democrats in moving forward, not only bringing around fiscal stability to this province but also moving forward better reporting as it relates to accounting. And this is a further, further steps that's required, and it's about moving forward as a jurisdiction and about progress. It's about proper reporting. And to be static in an ever-changing dynamic world is wrong. To be out of line with the rest of Canada and all other provinces, jurisdictions, territories, and the federal government is inappropriate.

And then the member highlights some of the years where there would have been the tools that were used to provide some stability, in your early 2000s, where at a time you had meagre, meagre budgets to start and then you had challenges such as drought that were a heavy drain on crop insurance dollars. You also had the challenges as it relates to our commodity prices and resource revenue, specifically oil, through those years. And there was a different perspective about creating stability at that point in time through modest budgets to make sure services were provided to Saskatchewan people.

We've got strong revenues. We're concerned by, from a fiscal management perspective, the exploitation of the tools that exist.

And we simply believe it's time for this committee and this government to comply with public sector accounting standards.

The member from Cannington highlights this as being sort of my personal position. Well certainly it is. Certainly I support the position, but this is supported by public sector accounting standards, by the Canadian Institute of Chartered Accountants, and by the Provincial Auditor of Saskatchewan, independent officer of our legislature. So certainly it's not an independent position, Mr. Chair.

I do think we're at a crossroads in this discussion here today and certainly would be prepared to move to a vote on the motion put forward by Ms. Atkinson.

The Deputy Chair: — Mr. Stewart.

Mr. Stewart: — Just before we move on to that vote, I want to clear the record on one issue. Mr. Wotherspoon likes to brag about 15 consecutive balanced budgets under the GRF. The facts are, Mr. Chair, that there were no balanced budgets under the summary reporting process under the NDP. And they are still proud to brag about 15 years of balanced budgets and they want the media to talk about that, but they don't want people to talk about us balancing our General Revenue Fund.

We are now balancing our summary financial statements as well, Mr. Chair, but we certainly balance our General Revenue Fund as the NDP did for 15 out of their 16 years. And it's hypocritical beyond belief to suggest that the NDP should be able to parade around and brag about 15 consecutive balanced budgets under the GRF and then be outraged that we're still reporting the GRF as well as summary financial statements, Mr. Chair. And that's about all I have to add to that.

The Deputy Chair: — Ms. Atkinson.

Ms. Atkinson: — Well this is sort of like dancing on the head of a pin, and so I'm not . . . I would say this, that if you think back in the last 20 years, the Provincial Auditor has made significant recommendations each year. And I think it's a fair observation that public reporting in the province has become much more transparent and accountable.

In 1991, we had to bring in the gas commission to take a look at the province's real finances because we didn't have the types of reporting by government that we do now. I don't think that will happen again, because we've come a very, very long way.

I'll just reiterate my observation. I think at one stage in terms of public sector accounting, if you built a highway — I'm going from memory here — I think you had to cash finance it. And we now have accrual accounting in terms of capital. That stuff was, at one stage you had to report it as money spent in that year. There are all kinds of different tools that government has put in place as a result of public sector accounting changes that have helped government in terms of financing and have, you know, put the brakes on how government finances.

I would just make this observation again. We can have this argument for another 25 years about who did what, when, where, and how. The reality is that we are the last province standing when it comes to this particular recommendation, and I

would say that at some stage the government — the Sask Party government or an NDP government — is going to have to implement this recommendation. And what we need to, what someone needs to think about is how we do it, because it will be implemented. It will be implemented because I suspect that provincial auditors across the country are not going to change this particular public sector accounting rule. So we need to figure out how to do it.

With that, Mr. Chair, I think we should probably vote.

The Deputy Chair: — Are there any further comments from any members of the committee? Seeing none, I will read the motion. Ms. Atkinson moves:

That the Public Accounts Committee recommends that the General Revenue Fund's financial statements record pension costs and transfers in accordance with Canadian generally accepted accounting principles for the public sector.

All those members in favour of the motion, please . . . I'm guessing there's going to be division, so we'll have to do this by a show of hands. Those members in favour, please raise your hands. The Clerk will record these. Those members opposed? The motion is lost. Mr. Chair, would you resume the Chair please?

Mr. Wotherspoon: — Sure.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — This is a process comment. I know that you left the Chair to make your comments and that's acceptable. But on all of these committees of the House, you do not have to leave the Chair. You are a full member of the committee and are entitled to participate from the Chair as the chairman.

The Chair: — I appreciate that, Mr. D'Autremont. That is . . . I wasn't certain of protocol. I wanted to make sure the integrity of the Chair wasn't in question when I did have some comments I wanted to add. Thank you though, Mr. D'Autremont.

We'll move along here now. We have recommendations before us. Specifically, I'm looking here about service level agreements with the Public Service Commission for provision of payroll services, moving through 1, 2, and 3. Maybe if we're just looking at . . . Do we want to go at these one at a time? Maybe if, oh on those first three recommendations, if I could look to the Deputy Minister to speak to what actions the Ministry has taken with respect to those, and when compliance could be expected by this committee, or if compliance has occurred.

Ms. Layng: — Okay. With respect to the service level agreements, we agree with the auditor's recommendation. This was an oversight that the service agreement was not signed in '09-10. The agreement was signed in October 2010 and we continue to comply with this into the future.

With respect to the controls and the service level agreement with ITO, ITO is in fact rewriting their service level

agreements. The ministry has communicated all of our needs with respect to business continuity and disaster recovery. In 2010-11, the ITO entered into an agreement with ISM Canada Inc. and with CGI Information Systems and Management Consultants for data centre operations. And we believe that this initiative will address any of the concerns that the auditor may have.

With respect to removal of user access, we agree with the recommendation again from the auditor. We believe that we now have adequate processes in place. We are monitoring a departure list from the public service as employees leave the public service to ensure that we are aware, and are alerting ITO with respect to their removal.

And we're also looking at a process of review of stale accounts on a biweekly basis. So if accounts have been inactive, we're ensuring that they're reviewed. So we believe that we have addressed the concerns.

The Chair: — Mr. Vice-Chair, Mr. Hart.

Mr. Hart: — Yes, Mr. Chair. With regards to the auditor's recommendations 1, 2, and 3, I believe that the Finance ministry is in compliance with recommendations 1 and 3. And so I would move that the committee concurs with the recommendation and notes compliance on recommendations 1 and 3. So we'll deal with that one first.

The Chair: — All in favour?

Some Hon. Members: — Agreed.

The Chair: — So moved that recommendations 1 and 3, that this committee concur and note compliance. Mr. Hart.

Mr. Hart: — And I would further move, Mr. Chair, that with regards to recommendation no. 2, that the committee concurs with the recommendation and notes progress.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee concurs with recommendation no. 2 and notes progress towards compliance.

Moving along, we've got recommendations as it relates to bank reconciliations. Maybe I would look to our deputy minister again to speak specifically to these recommendations, noting actions towards compliance and whether compliance from the ministry's perspective has occurred.

Ms. Layng: — Okay, thank you. So these recommendations start on page 97, and they're all with respect to PEBA. I'll give an initial response and if you have questions, I'll probably ask Brian to fill in any details that I may not have.

With respect to the no. 4 recommendation around approval of bank reconciliations, PEBA does have a written policy. It does agree with the recommendation that there should be timely review. On a monthly basis there is peer review of the monthly financial statements and journal entries and bank

reconciliations, and then on a quarterly basis PEBA's director of financial services performs a detailed review. Shall I just go on, and if there are questions . . .

The Chair: — Just move through the remaining recommendations and speaking specifically to the, just quickly, to the action and then whether compliance has been achieved.

Ms. Layng: — With respect to review of completeness of information technology policies, PEBA is reviewing the completeness of its policies annually, and it is defining for its employees a set of defined roles to look at IT security issues. So I would say that we agree with the recommendation and we are moving forward to address it.

Under the periodic test effectiveness of information technology, PEBA would agree, or Finance would agree with this recommendation, and the first scheduled test of the effectiveness of the information technology is scheduled for 2012-13. And so I would again say that they've done some internal work and we're making some progress on this one.

With respect to security policy of monitoring access, PEBA has in fact changed its policy so that a developer no longer has ongoing access, but only has periodic access when some work is actually being done. So on this recommendation I think our view would be that we've complied with the recommendation.

On the recommendation with respect to a fully functional and tested business case continuity plan and recovery plan, PEBA has made progress in terms of dealing with this and plans to have a regular testing plan in place by the end of the next fiscal year. So again I would say that we're making progress on this one.

[10:45]

With respect to implementation policies and procedures for changes of ITO infrastructure, the policy and the company procedure for changes to it, to the technology, were implemented as of March 2010. So on this one we would say that we have complied with the Provincial Auditor's recommendations.

With respect to communication of investment expectations, this isn't a PEBA recommendation; this is back to the Ministry of Finance under treasury and debt. And this recommendation was that Finance set out its investment expectations in sufficient detail to make possible measurement and evaluation of its investment performance . . . [inaudible interjection] . . . Oh, sorry. I'm told this is not a recommendation, so I don't need to speak to it. So sorry about that. This is my first time at Public Accounts with my new hat on.

The Chair: — Deputy Minister Layng, we appreciate your forthcoming way with us here today, and that sort of transparency to the public is appreciated. Thank you very much for your comments. I believe Mr. Hart's ready with some motions here.

Mr. Hart: — I am, Mr. Chair. I will make two motions. I will move a motion of compliance, and then I will move a motion of progress. So, Mr. Chair, I would move that with regards to the

auditor's recommendation no. 4 and recommendation no. 7 and recommendation no. 9, that the committee concurs with the auditor's recommendation and notes compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — So moved that this committee concur with recommendations 4, 7, and 9 of chapter 8 and note compliance. Mr. Hart?

Mr. Hart: — Mr. Chair, I further move that, with the regards to recommendation 5 and 6 and 8, that the committee concurs with the auditor's recommendation and notes progress.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that this committee concur with recommendations 5, 6, and 8 of chapter 8, Finance, and note progress towards compliance. At this point in time, I believe that concludes that new recommendations before us here today. Looking to committee members to see if there's any further comments.

I know we have another order of business to look at, and that's the national public accounts committee. But at this point in time, I'd simply like to thank ministry officials from the Ministry of Finance and Deputy Minister Layng for taking time with us this morning.

Ms. Layng: — Thank you.

The Chair: — Just to move along here with the national committee on public accounts, the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors, now of course this portion that affects this committee is the CCPAC [Canadian Council of Public Accounts Committees] portion. There's an annual meeting in Halifax, Nova Scotia August 28th to 30th, 2011. Historically this committee has participated in those discussions, and they've been found to be quite valuable for committee members. I would look for a motion here to support membership of this committee to attend this conference, contribute to the discussion from a national perspective, but also bring back those learnings to our committee and jurisdiction. Mr. Hart.

Mr. Hart: — Mr. Chair, I would move:

That this committee send three members to the conference, made up of one opposition member and two government members.

And I would like to explain the rationale behind the motion. I know traditionally that, I believe, in the past when the numbers in the House were fairly close that there was two members from each side, and that type of ratio was reflected in the number of House committees where the government of the day had one more member than the opposition. Now the numbers are more on the one-third, two-thirds, and perhaps that type of representation from this committee would be more reflective of

the representation in the House. I would move that motion and would suggest that we have a discussion on that motion, Mr. Chair.

The Chair: — Just maybe in response, I know historically this committee has been different than the other splits on other committees, and I believe it's been with the purpose . . . I know we did a little research on this last time we got into this discussion, and we sent equal representation from either side of the Assembly to this conference.

Notably different about this committee is that it's the only committee that the opposition chairs, and it is a different nature of a committee. And even if we look at the general activity of this committee, certainly I would argue that, as an observation, that it would appear that the opposition member takes a lead role. And when I say member, because there's only one member left after one of the other members is occupied as Chair, takes a lead role in the questioning of the day, and I certainly, for anyone who's observing these proceedings will certainly, I believe, make that observation as well.

I would argue that we recognize the difference aspect of this committee, recognize the reason that the opposition is the Chair of this committee, and understand the importance of having this committee equipped, meaning all members, to have a productive committee. And I believe we do have a productive committee here in this province. So I wouldn't support the . . . to break from the historical trend of sending what I believe has been equal representation from either side of the committee, and I would support sending either one and one or two and two. But I think it's a poor precedent to make to change that, and those are my comments. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. When these committees were changed and restructured, but even before that with particularly PAC, the chairman, in my recollection going back to 1991, was a full participant in the questioning and fact is, led the questioning for the opposition in PAC back in the early '90s. And probably until we changed the committee structure, the chairman was the lead. So the chairman certainly can fully participate.

So in the case of the . . . Because PAC represents still the electoral decisions that were made in the last election, and the committee . . . otherwise the committees would be structured equally, but they're not. They're structured, including PAC, with proportional representation to representation in the House. So the argument that this is, PAC is different, it is to some extent. But membership on PAC still reflects the membership as a result of the last general election, so that the number of government members is reflected in the percentages in the House and the number of opposition members is reflective of the number of seats in the House. So I would have to submit that that argument that PAC needs to be equal in that sense, that's not a valid argument because the seating in the committee is not equal. It reflects what's happening in the House. So I would disagree on that point.

But the chairman, as I pointed out quickly there earlier today, can participate fully and should participate fully in this committee, whereas the other . . . And that's the one area of difference between this committee and the others is that the

opposition is indeed the Chair of this committee and, I believe, needs to participate fully. When we restructured these committees, we restructured them that the members of these committees needed to be more fully participatory.

And I understand the constraints from executive government that they don't necessarily want committees operating independently, and that's regardless of what party is in power. But I think, as committee members, we can if we wish take some more control of the actions of our own committees. And I would encourage you as the chairman to be more fully participatory, and that's why I commented that you did not need to leave the Chair to express yourself as the chairman.

But I think that the structure of the committees is reflective of the standings in the House, and I think that's the direction that we should take as our guideline on these kind of selections.

The Chair: — And I believe Ms. Atkinson has a comment here. And we do have a motion we can get to voting as well.

As Chair, I support a different principle on this, and that's to have both sides equally prepared coming into this committee. I certainly, as Chair, I value the opportunity to participate and contribute to this committee as well. And as a general observation, it's fair to say that the lion's share of questions come from the opposition in this committee.

And there's a very important purpose that we should never overlook of this committee in holding a government — when I say government, not in a political sense — to account in ensuring the efficiency and economy of government programs and ensuring the protection of the public dollar. And I believe we should recognize the unique aspect of this committee and be sending equal representation from either side.

But I've made my comments. And there's a motion on the floor, and certainly we can vote on that. Ms. Atkinson, did you have any other comments?

Ms. Atkinson: — I do. You know, last year we had the same debate, you know, whether it should be two, two. And I think that we had the same debate year before and the year before. And last year I decided to go to the public accounts committee meeting in Quebec City because I thought it was important because I fundamentally was the only person that was really asking questions of the officials. So the committee structure isn't quite working the way I think the original recommends of the committee structure, Mr. Thomson, Mr. D'Autremont, envisioned. But I did go and I used my MLA allowance to go.

You know, there is an advantage in a sense to having more people at these public accounts committee meetings in that I think that the most valuable thing I learned is that in some parts of Canada the public accounts committees are not functional at all. And I think that we have a fairly collegial atmosphere here, even though we may disagree. I mean we haven't gotten to the point where the Chair never calls a committee meeting.

And so you know, Mr. Wotherspoon has put forward his view of the world. You have your view of the world. But I think there is a pretty significant argument to be made that this committee is a bit different than the other committees of the legislature.

This is a long-standing committee. We've kept this committee around for a very long time, and I think if you look at the work that we do, I mean we're pretty well on target in terms of meeting the requirements of this committee, in terms of getting the work done. And I think that it's not a bad thing. And of course if I want to go, I can use my MLA allowance to go. And the government has its position, but in terms of collegiality, you know, it's not a bad thing to have fair representation from the opposition.

But I'll leave it to the government members who have their point of view, but once again I think in terms of collegiality, fiscal responsibility . . . [inaudible interjection] . . . Yes, okay. Well you know, nice try. Nice try.

The Chair: — [Inaudible] . . . take Mr. Chisholm up on his fiscal responsibility, go one-on-one, two members, be a lean, efficient team out there.

Ms. Atkinson: — You know, if it was about fiscal responsibility, we wouldn't see some of the decisions we have seen over many decades in government. But anyway we'll leave it to the committee and the members opposite, you know, who I think it's about payback, you know. Payback, payback.

The Chair: — As Chair . . .

Ms. Atkinson: — How long does the payback last? You're in office.

The Chair: — As Chair at this point in time, I'll take the committee back here. Mr. Hart, I believe, has a motion.

Mr. Hart: — Mr. Chair, I'll withdraw my original motion and put forward a new motion.

[11:00]

The Chair: — Sure and that new motion would . . .

Mr. Hart: — The new motion would read as follows:

That the Standing Committee on Public Accounts authorize the attendance of the Chair and Deputy Chair at the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors annual conference to be held in Halifax, Nova Scotia on August 28th to the 30th, 2011; and further,

That if the Chair or Deputy Chair cannot attend, they be authorized to designate another committee member to attend in their place.

I so move, Mr. Chair.

The Chair: — Moved by Mr. Hart. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed. With no other business before us here today, this committee, I would certainly now welcome a motion of adjournment. Mr. Gantefoer.

Mr. Gantefoer: — So moved.

The Chair: — All right. So moved. All in favour?

Some Hon. Members: — Agreed.

The Chair: — This committee's now adjourned.

[The committee adjourned at 11:01.]