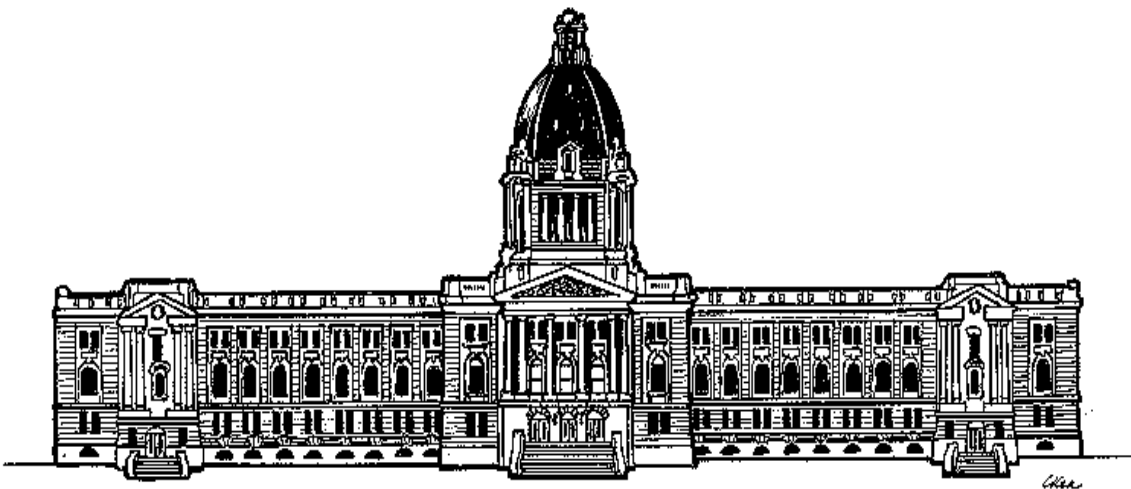




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Legislative Assembly of Saskatchewan

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair
Regina Rosemont

Mr. Scott Moe, Deputy Chair
Rosthern-Shellbrook

Ms. Jennifer Campeau
Saskatoon Fairview

Mr. Herb Cox
The Battlefords

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Warren Michelson
Moose Jaw North

Mr. Corey Tochor
Saskatoon Eastview

[The committee met at 10:02.]

The Chair: — Well good morning. We'll convene at this point in time the Standing Committee on Public Accounts. I'd like to introduce members that are with us here this morning: our Deputy Chair, Scott Moe — Mr. Moe, I should say — Mr. Michelson; Ms. Campeau; Mr. Cox. We're also joined by our Provincial Auditor, Ms. Bonnie Lysyk, and officials from her office.

Our considerations this morning, our agenda consists of consideration of the Office of the Provincial Auditor *Business and Financial Plan for the Year Ended March 31, 2014* as well as consideration of the Canadian Council of Public Accounts Committees, CCPAC, and Canadian Council of Legislative Auditors, CCOLA, conference planning for August 25th to the 27th, 2013. That's going to be held here in Saskatchewan. At this point in time I would . . . Certainly anyone who's tuning in at home can reference the documents we'll be looking at today at www.auditor.sk.ca.

And at this point in time, I'd like to table three documents that have been previously distributed to members: PAC 18/27, Ministry of Advanced Education response to questions raised during October 4th, 2012 meeting regarding the 2010-11 variance explanation, dated October 4th, 2012; document PAC 19/27 from the Ministry of Finance, reporting of public losses for the period from July 1st, 2012 to September 30, 2012, dated November 2nd, 2012; and document PAC 20/27, Ministry of Health, response to questions raised during October 4th, 2012 meeting, dated January 2nd, 2012.

I'd also like to advise the committee that pursuant to rule 141(2), the following reports were deemed referred to the committee: Public Accounts 2011-2012 volume 2 on October 11th, 2012; and 2012 *Report of the Provincial Auditor* volume 2 on December 4th, 2012.

Office of the Provincial Auditor

Business and Financial Plan for the Year Ended March 31, 2014

The Chair: — At this point in time we'll step into our first agenda item. And I welcome our Provincial Auditor, Ms. Bonnie Lysyk, here today as well as her officials that are here with her today. And we'll invite Ms. Lysyk to introduce her report that she's put forward today, which is the *Business and Financial Plan for the Year Ended March 31, 2014*.

Ms. Lysyk: — Thank you, Mr. Chair, and good morning to everyone. Joining me here today is Angèle Borys, chief operating officer and deputy provincial auditor; Heather Tomlin who is our office manager; and Kim Lowe who is the audit principal and our office's liaison with this committee.

The business and financial plan that you have before you was tabled January 17th, 2013 and is available on our website. This document is comprehensive. In addition to our budget requests, it contains information about our office, about our annual work plan, and includes several detailed schedules regarding our expenditures.

This committee needs relevant and reliable information to assess our requests for resources. To address relevancy, this business and financial plan was prepared using reporting principles recommended by the Canadian Institute of Chartered Accountants. It sets out the work required to discharge our responsibility under *The Provincial Auditor Act*. The budget for our office is a reflection of our annual work plan aligned with our strategic plan, explained on pages 51 to 70.

Key to this document is that it also contains an audit opinion, on page 24 of the *Business and Financial Plan*, on our financial forecast by the audit firm Virtus Group, LLP. Virtus Group has reported that our financial forecast is consistent with and reasonable in relation to our annual work plan and our strategic plan that highlights our goals, objectives, and strategies.

An audited forecast has been provided to the Public Accounts Committee for the last 15 years in response to a 1999 request of the Board of Internal Economy to provide it with independent advice to help it assess the office's request for resources. Under *The Provincial Auditor Act*, this committee can approve the estimates that we present or change them. When this committee has decided on our resources, the committee sends the approved estimates to the Speaker. From there, the committee's approved estimates for our office are included in the government's 2013-14 estimates to be presented to the Assembly.

Consistent with prior years' practice, I'm requesting two appropriations. For our first appropriation, as per page 8 of the *Business and Financial Plan*, I'm requesting \$7.937 million as compared to \$7.816 million requested for 2012-13. This request reflects an increase of \$121,000 from the previous year. This increase is attributable to four main items. The first one, in August 2013 we will co-host the CCPAC-CCOLA national conference with the Legislative Assembly. Co-hosting this conference increases our costs by \$53,000 — \$10,000 cash and \$43,000 of resource time. These costs are a one-time cost and will not be included in our request for 2015.

We also request an amount of 37,000 for increased employer premiums for the disability income plan and an amount of \$7,000 for increased employer premiums for CPP [Canada Pension Plan] and EI [employment insurance] increases. As well, an increase of \$24,000, representing the net impact of agencies created and wound up since our office's last business and financial plan. Page 42 provides more information on this.

This plan does not contain an estimate of the general salary and benefit increase that the government may give to public servants for 2013-14. As this amount is not yet confirmed, should the government provide an increase, we will provide a similar increase to our employees by drawing on the contingency fund.

We intend to manage our resources within this budget, taking into account the competitive employment market for our graduated CAs [chartered accountant] and the continuing impact of changes in accounting and auditing standards on our work. We plan to manage the competitive salary market impact on our office turnover by continuing to provide our employees with training opportunities and a positive work environment.

As previously mentioned, Virtus Group has provided assurance that our request for resources is reasonable to carry out our business plan. We used a risk-based model to set priorities and allocate resources for our work plan. It is based on what we know about the government's 2013 revenue and expense spending; the number of government agencies; the state of their records systems, practices, and personnel; the government's use of appointed auditors; external forces; and professional standards at November 30, 2012.

Legislators also need to know how alternative levels of funding for our office would affect our ability to discharge our statutory responsibilities. This is presented on page 7 of the *Business and Financial Plan*.

Now for our second appropriation. I am requesting a contingency or unforeseen expenses appropriation of \$520,000, reflecting a \$4,000 increase from the prior year's amount of \$516,000. This contingency has consistently been calculated as one month's total salary and benefits expense of the office. This contingency appropriation is required under *The Provincial Auditor Act*. Its purpose is to provide our office resources in order to respond to unforeseen expenses such as unplanned work, pressure to improve timeliness of our work, and unplanned salary and benefit increases. If this contingency is used, we will report as to why we used the appropriation and the amount that we used in our 2014 operations report. If it is not used, we will return all money to the General Revenue Fund.

Finally I should add that for 2013, we expect that we will use substantially all of our 2013 regular appropriation and none of our 2013 contingency appropriation.

Thank you for your attention, and I will be pleased to answer any questions you may have.

The Chair: — Thank you very much for that presentation and for putting forward the plan. I'll turn it over to committee members who may have questions or seek clarity on certain points.

I'll just clarify one question before, and I believe it was just in your closing statement. Is that the contingency for the 2012-2013 year? The current year that's coming to a close is not anticipated to be utilized in this current year. Is that correct?

Ms. Lysyk: — That's correct.

The Chair: — Okay. Mr. Cox.

Mr. Cox: — Thank you, Mr. Chair, and Bonnie. Just a couple of questions here. And please forgive me, my lack of knowledge of financial statements is pretty much unlimited. So just a couple of questions. I commend you for holding the costs the way you have been. And I notice on page 9, are you even looking at a cut in salary for yourself?

Ms. Lysyk: — The salary that was put in the budget last year was an estimate of what the average salary for the deputy ministers would be. When that was calculated, it was lower than our budget at that time, than the amount we'd budgeted, and therefore we're just anticipating that it would stay lower than

the previous year's budget amount. And so that's why we've budgeted less for my salary.

Mr. Cox: — Okay. All right, thank you. On page 25, just a couple of things that I'm sure you can explain to me. The line, total operating expense for each of the years, and then I go over to page 30 and the total cost to audit government agencies. That's a different figure. Do you take the salaries out before you do that, or why is there a different figure there?

Ms. Lysyk: — What we do is, the schedule of actual and planned audit costs is indicating the amount of work we've done. So sometimes not all the work in a budget year is done in that budget year; there's a carry-over. So you have, you know, the previous year's work, maybe a year before's work. So we keep a running total of all the work.

So as an example, if an auditee isn't ready and their financial statements aren't prepared for this current year, we may do that work in the next year, but we've budgeted it in the previous year. So we have to go through a bit of a tracking. It doesn't always reconcile perfectly on a year-by-year basis.

Mr. Cox: — So those figures will never jive then because you have some carry-over each time.

Ms. Lysyk: — That's right. That's right.

Mr. Cox: — Okay. Thank you.

The Chair: — That's a good question though, Mr. Cox, and provides some clarity I'm sure to other members as well.

Mr. Cox: — If I may, just another one. I don't mean to take everybody's time here.

The Chair: — You take all the time you need, Mr. Cox.

Mr. Cox: — My understanding of financial statements . . . You show, and even in last year's report you're showing a budget with a deficit. I'm just curious why we would show it. Is that to use up the accumulated surplus because of the change in the Act? Or why do you put a deficit in?

Ms. Lysyk: — No, because this particular statement on page 25 is prepared on an expense basis, and so embedded in there is amortization of our capital assets. So on an appropriation basis, we don't have a deficit, but for accounting on an expense basis, that is why we're showing that. So it's not, really there's no cash involved in that.

Mr. Cox: — No. Okay.

The Chair: — Mr. Michelson.

[10:15]

Mr. Michelson: — I just, you know, I understand the amortization of capital. There seems to be a big difference between the 18 and the 2 on the annual surplus deficit. For 2013, there's \$18,000.

Ms. Lysyk: — Right. Yes, amortization is the difference. So

there was more amortization on capital assets in 2013's forecast than there was in 2014's. So meaning there were more assets that we still had to recognize amortization on, whereas in 2014 there's not as many newer assets.

Mr. Michelson: — Again I just, it seems a wide variation. If you look at 2012, it was 15 plus, and 2013 is 18 deficit.

Ms. Lysyk: — So we have a note in the financial statements. Now I don't have that here. Just bear with me for one minute. Okay, if you turn over to page 26 in note number . . . Under summary of accounting policies 2 b), you'll see that that's how we write off our assets from an accounting perspective — so computer, over three years; furniture, over 10 years; other furniture, five years.

So where we would have more, it's because we have more of a writeoff to take into account. Once something is written off, we wouldn't be booking any more amortization. So that is the reason for the difference.

So you know, it's in one of the expense categories here. So like Angèle was just indicating to me, in facilities equipment, the purchases were higher than the amortization in 2012. So once you have assets and you've used them, you don't take amortization any more because we would have written it off already over three years. So what we've hit here is a year where a lot of our assets have already . . . We've already booked amortization on those assets.

So you're looking on page 25. That is a statement of revenue and expense. If you flip to page 29, that will show you there isn't any revenue over expenditure because that doesn't include amortization. So this is an appropriation kind of picture on page 29. Does that answer your question?

Mr. Michelson: — So I'm assuming then in 2012 there was a lot more capital purchased?

Ms. Lysyk: — Yes. Correct.

Mr. Michelson: — And then the life expectancy was written off this past year, a lot of the old stuff. Or a lot reached its maturity.

Ms. Lysyk: — That's right. There's a netting. Yes.

The Chair: — If we think of it even in our similar context in our MLA [Member of the Legislative Assembly] offices and the budget that we're allocated to manage there, certainly you are required to have a balanced budget from a cash flow perspective out of your MLA office. But if you've purchased, for example, a desk or a new computer at some point through that period, we don't have the accounting that would reconcile it in this sense. But if we did, it would reflect the amortization here as well and the depreciation of that asset, so it would show a similar table. And the auditor could correct me if I'm incorrect here.

Ms. Lysyk: — That's correct.

The Chair: — But in a fiscal year you may spend . . . balance your budget from a cash flow perspective, but your asset, your new asset's depreciated. So you might have a new computer,

but it's not worth the same three years from now that it is today. So that's why you would see a three-year depreciation on computers, or just the same if you've . . .

Mr. Michelson: — I understand that. There's a \$33,000 difference between the two years, and that's what I'm trying to understand.

The Chair: — Sure. Go ahead and probe if you have further questions, Mr. Michelson.

Mr. Michelson: — No. That just seemed to be a wide variation of costs when you look at 2011 was \$1,000 and then 2012 was 15 and then in 2013 is an 18 deficit. Just kind of rang some bells.

Ms. Lysyk: — Yes.

The Chair: — Could I ask a question as well? Would some of this be reflected . . . Of course there's been the space of the Provincial Auditor has been renovated. Does that reflect some of that activity then, by way of possibly furniture or computer assets?

Ms. Lysyk: — Yes. So for 2012 we had more purchases than 2013. That's correct.

If you wanted more information after the committee, what I can do is get a reconciling schedule prepared, and we can provide that to you for sort of supplementary information. Would that work?

Mr. Michelson: — Yes please, if you would.

Ms. Lysyk: — Okay. Okay, we will do that.

The Chair: — I believe Mr. Cox had some other questions down there.

Mr. Cox: — Yes I do, Mr. Chair, please. And again, you know, I'm looking at the expense side. And you're holding the line there, and that's great. But over on page 32, your average cost per audit hour is going up. Are you finding some efficiencies somewhere else, Bonnie, that you're able to hold that line even though your audit costs are going up?

Ms. Lysyk: — Yes, I mean the main reason that our audit costs have gone up, the main contributor to that, if you go to 2011, what happened in 2011 is there wasn't a . . . Fred had left and Brian went into an acting, and there were a few more vacancies in the office that year. There was some turnover and that, so the positions weren't filled.

And then what you have happening between then and 2013 planned is you have our new office space. So we have a new lease that had an increase as a result of the market in Regina plus we have full complement of staff now on board. And so those two reasons are why our rate has gone up.

Our increases even in our budget and overall on our rates are still lower than the firms. So this year, you know, the firms, I think their rate increases were averaging about 3 per cent for their increases to the clients on cost. So our request here is

about 1.55 per cent. And then we also sometimes use the firms for some assistant work. We're getting billed a higher rate than our in-house rate. So I think the lowest we'll ever be billed is about 115, and we're sitting at 110.

Mr. Cox: — No, I wasn't questioning the rate going up. I'm just questioning it's going up and yet you're still holding your costs. So you must be finding efficiencies elsewhere.

Ms. Lysyk: — Yes. You know, what we do is we look at the training, within our training, and we see what we can do there. The cost of living, we haven't given our staff this year any cost of living because we are waiting to see what happens with the provincial government. And if there is an increase, you know, that will go up slightly more because we would provide our staff that increase. So we haven't budgeted for any increases to salaries other than there's a process for our students that there's an understanding of how their salaries will be progressing as they move toward achieving their CA. We also have salary ranges where people inside will move in those salary ranges, and so that's included in here. But yes, generally we try and be very efficient in the way we're doing our work.

Mr. Cox: — These figures, Bonnie, again, Mr. Chair, please, how do you . . . I divide it out like you base it on 69,000 hours of audit hours.

Ms. Lysyk: — Correct.

Mr. Cox: — And divided that out, and I don't get these same figures. Is there something that's not in there or is added in? Like for example in 2014, I get that average cost per audit hour of \$115, and you show it at \$111.

Ms. Lysyk: — So if you look, there's a double star on that page 32. The average cost per audit hour is total expenditure for the year less direct costs, which is audit travel, audit advisors, and report publishing costs.

Mr. Cox: — Okay.

Ms. Lysyk: — So those aren't factored in.

Mr. Cox: — Good. Okay. In 2013-14 you're forecasting 900 less hours of training time, on page 39. We have less trainees, or just less time?

Ms. Lysyk: — Yes, students. We have less students this year. Typically the office would hire four to eight students maybe a year. We've had less turnover in the office, and therefore we've only hired four students. And we have some co-ops, but it's less hiring so less cost to move somebody toward their CA. It costs about \$25,000 per student for somebody to achieve their CA.

Mr. Cox: — Yes, okay. Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Cox, and good questions. Ms. Campeau.

Ms. Campeau: — I have a couple questions actually further to that because you indicated some of the HR [human resources], I guess, issues that your office goes through. You indicated that

there is less turnover, but is there any plans for retention or any kind of HR plan?

Ms. Lysyk: — I think a few of the things that we do for retention is we do provide . . . We have a very positive culture in the office, and I think when people join the office, they just enjoy working with the people that are in there already when they start. So that's been positive. We have a social club in the office that plans activities, keeps morale up. I think the ability for us to provide training is another motivation for people to stay with us because they grow.

The work in the public sector is quite varied. You know, you see different . . . You go beyond the finances, and you look to why things are being done and understanding government better, and I think the work becomes more challenging. And that in itself is a retention feature for people.

We have a flexible work time environment, so people are contracted for a certain, every year, for a certain amount of work. And that work has to be done, but there's a flexibility around when they do it. So for instance, if somebody requires to have a babysitter with their child but the babysitter can't start till 9, then we'll make that accommodation. They start at 9 instead of 8:30 type of thing. So that helps for retention.

We have a promotion . . . We have a defined sort of guide as to when you start with the office, where will you end up in terms of position and salary in six years? What's that career path look like for you? And that's been very good.

I think when people do leave our office, it's because they're choosing a different occupation. You know, they're going into a comptroller role or they're going into private sector because they want to try private sector. So these past couple years we've been quite fortunate. We haven't had . . . We've had retirements, but we haven't had, you know, a lot of loss of staff.

And we have very strong deputies in the office. Like my deputy team and Angèle are very strong. And that provides motivation for people to stay because they're learning from them, right? You know, if you have good mentors, they open the world sort of to you in terms of what you can do. So we're trying those methods.

Salary, we watch the market. I'm not going to say we don't. Angèle watches the market. You know, we have to, in terms of recruiting students out of the university. We're very cognizant of what that looks like. If we thought within our budget we would have a problem in a particular year, we would come back and ask for funds because of market conditions. But for this year we seem to be okay.

Ms. Campeau: — Thank you for that. Also I have a question, and it's on page 66, 4 a), the establishment of an external advisory committee to the Provincial Auditor.

Ms. Lysyk: — Yes.

Ms. Campeau: — I'd just like to know how this is different than the current audit committee. And I did read *The Provincial Auditor Act*, and I know that you have that mandate, you know, if you choose to establish this committee. But I just would like

to know the difference.

Ms. Lysyk: — So this was put . . . We had a strategic planning session in our office about a year ago, and the objective of this was to have a group of people from different disciplines that would, if we needed advice, would provide us sort of feedback on perhaps the audits we're choosing or on a particular audit or their thought about what was happening in the Saskatchewan environment. So that was the impetus by putting this in the plan. We haven't established the advisory committee yet.

And it's funny you're saying that because actually just a few days ago I was kind of just thinking now who I've had an opportunity to meet with in Saskatchewan and whether or not there would be some value in getting this group together. So it was meant to be sort of some, a group of people that we felt had some knowledge to provide us feedback specific to what we're working on.

The audit committee is interesting because, I mean, I first met the new audit committee I think a couple of months ago, a few months ago. And you're right, I mean, there is a forum there of people that we could work with. And so I'll have to think and see whether or not maybe that is a forum that we could use versus this or . . . The other side is that's an appointed committee, so we really haven't had a choice as to who's on that committee and whether there's a true fit with our work.

So I think I'd have to say at this point, still have an open mind as to when we do this, whether we work with that group or whether it's a group we think we need certain specialties on that will help us in a particular year.

[10:30]

Ms. Campeau: — Okay. I would just like to know, I guess, get some feedback from you in terms of how many people you think would be on that committee and if they would be interprovincial, say, CAs or CMAs [certified management accountant] and if there's a significant cost to having this committee.

Ms. Lysyk: — You know, again this is sort of an idea in our plan that hasn't sort of occurred yet. We haven't actualized it yet. But I didn't foresee huge expenditures on it, if we did do it. I thought it would be something that we could just, you know, have people . . . I mean it wouldn't be that we would pay these people. It would be an invitation if you want to discuss, you know, the issues that we like to discuss with you in our office. It would be having people come to our office. Maybe we'd have coffee and maybe doughnuts. And if somebody came from Saskatoon, maybe we would cover obviously mileage. But I didn't anticipate it being a huge additional expenditure.

Ms. Campeau: — Okay. Thank you.

Ms. Lysyk: — Yes. It's a good question.

The Chair: — Mr. Moe.

Mr. Moe: — A question, a follow-up to Jennifer's questions or Ms. Campeau's questions with regards to the selection process of that committee: do you have a view of the size of the

committee and how the selection process, or . . .

Ms. Lysyk: — No. Really it was a thought that maybe five people, you know, one educator . . . I guess I would think about five, you know. And this kind of goes back, some of the offices in Canada, just depending on what they're working on, they get together a group of people that provide input into certain projects that they're working on. This sort of would parallel that.

So it could be a committee that . . . And again, we haven't actualized this, so don't even have the terms of reference identified, drafted at this point in time. But it could be, you know, something that we pull people together for six months, and we meet maybe twice in six months. And then there's another group that we meet with later that have a different discipline background in another year for maybe another six months. So this is still in concept form, is what I'm saying.

Mr. Moe: — Just in follow-up to that, and forgive me for being new to the committee as well, but the role of the audit committee then in a similar sense, how would you describe that or how would the audit committee . . .

Ms. Lysyk: — Well having an audit committee in a Provincial Auditor's Act, this is unique in Canada. It's the only jurisdiction that has an audit committee in Canada, so there's not like a true and tried model or an idea of how this works. I guess my only thought is that, depending on what we're working on, that may be an avenue for us. But the other side is we don't select the members on the committee, so the nature of the members or the disciplines that they're coming from might not necessarily work with a project that we're doing.

So for instance if we're doing something in the area of health, and we want some feedback from outside people on health, you know, that's the type of person we would be talking to versus somebody that doesn't have that background. But I still have an open mind. We haven't had occurrence to need a meeting yet with the audit committee, I guess is where I'm at. Now that's not to say we wouldn't meet with them in the future.

Mr. Cox: — Just to summarize then so I've got it straight, Bonnie, the present audit committee is an appointed committee, and this committee you foresee would be selected by the auditor's office to look at specific things?

Ms. Lysyk: — Yes. Like it's a little bit more informal. I think we're maybe talking about it as being something very formal. But it really is if we just wanted sort of some feedback similar to, you know, the University of Regina has a CEO [chief executive officer] advisory committee where they just have people come who are able to come to different meetings and provide feedback. That might be the same thing that we would do here on a particular topic.

Right now if we do . . . Like this past year we did an audit on nutrition. And we didn't have a committee on that report. We had a nutritionist working with the audit team. But if we had a topic that we thought we needed sort of a number of heads around, maybe that's when we would do something like this. So it's in here as a strategy that we might use, but again we haven't actualized it. We haven't done this yet. But I wasn't envisioning

it as something very formal. It would be more, well maybe we should hear some people's opinions on a few things and we'd organize a meeting.

The Chair: — Deputy Chair.

Mr. Moe: — I would have some more questions and they'd take just a few minutes, and really what they are is to help myself as a new member with my role and responsibility on this committee. And just to go to page 31, where we have some of the expenses and the planned expenses itemized out. Sorry, the page after, page 33. You state:

Our work plan shifts resources between government agencies. We use a risk-based model to set priorities and allocate resources for our work plan. Variance explanations for differences greater than \$75,000 follow:

And for instance, under the Ministry of Environment, as we go to 2014, planned expense of \$327,000 from 187, obviously is greater than 75,000 and the explanation for that is:

... we plan to assess the adequacy of the ministry's processes to regulate: landfills (\$56,000); wastewater (\$56,000); and toxic waste (\$40,000).

There's a few here that are under the \$75,000 and I'd just like to maybe go through them a little bit, just for some clarification and again to myself as a new member. But for instance in Ministry of Advanced Education has went from 2012 at 857,000 to 2013 at 918 and planned in 2014 at 936. Do you have some clarification on that increase, although it isn't the 75,000 that triggers the explanation on the later pages?

Ms. Lysyk: — Okay. So in the case under Advanced Education, we have the Immigrant Investor Fund, an immigrant program, Immigrant Investor Fund. So one of the reasons for the increase is that is an audit that we have identified to do in the next year. So that's the reason for the change there.

Mr. Moe: — Okay. And then if we go to Agriculture, from 275 in 2013 up to 325 in 2014.

Ms. Lysyk: — Okay. So we're looking at, on the finance side we're finding the AgriStability estimates for the public accounts are ... We don't feel the estimates are being done appropriately. We think there's more information that should be used in estimating AgriStability liability at the end of the year, March 31st. So we wanted to get a better understanding of the AgriStability program. So what we're doing is an audit of the AgriStability program to understand what the processes are and what information they have and what better information they could have to assist in estimating the liability at the end of the year.

Mr. Moe: — And with central services, we go back to 2011 where they were actually 448,000, down to 282 in 2012, 307 in 2013, and then down to 243. There's just some variances there, and again, just as a new member, if I could get some understanding as to why some of those variances are present.

Ms. Lysyk: — Yes. In the past there were more, there were more audits done of central services, so for instance IT

[information technology] audits, HR audits, and Public Service Commission. So you're looking at a higher actual in 2011. Yes. And so the variation really is different topics being audited in those years. Is that enough, Scott, for you, or did you ... [inaudible] ... more?

Mr. Moe: — Well I'll just go through a few more here. But as well, the Ministry of Economy again: 223, 275, 298, and then up to 367 which is a \$69,000 increase.

Ms. Lysyk: — Okay. So Ministry of Economy, what we're looking at, the new work that we've done is obviously there was a report that we put out on orphan wells, so we looked at the whole program around orphan wells. We had concerns with the environmental liabilities on orphan wells. So that's one of the differences. There's a new revenue system that Energy and Resources is using for royalty calculations for revenue information in the ministry, so we will be doing more work on that revenue system and looking at the way revenues are estimated.

Nowadays there's a lot more estimates in financial statements. So you know, I said the AgriStability, and here I'm saying the Energy and Resources. So what we're finding is we have to look at the way the ministries are estimating the liability so that we know the correct amounts are being recorded in the financial statements. So that's what we mean by risk when we look at, you know, the lay of the land in the province, where are priorities and where are risks? And we see a lot ... We see more risks on the revenue side. So we're doing a little bit more work on the revenue side this coming up year, you know, ensuring that revenue's booked in the right year.

The Chair: — [Inaudible] ... Ms. Campeau.

Ms. Campeau: — Okay. Just looking at this list, kind of, you know, the question comes up which entities you do audit and how many you audit and looking at the scope of your actual office, and I'm having a little bit of trouble of trying to figure it out. And maybe you can help me with this, maybe providing us with a list of the entities that you do audit and which are legislated audits.

Ms. Lysyk: — Okay. So in the back of each of the public reports — so you have one of the public reports there, I think the one from December — we list all the entities that we audit and we list whether they're directly audited by us or whether they're audited by a firm and we provide, do additional work on those.

There are approximately 270 entities within Saskatchewan. The firms audit directly 117 of those; we do the rest. Doing the math, we audit about 57 per cent of the entities in Saskatchewan directly.

Not only do we do that. With the entities that the firms audit, we keep quite involved in those audits. We're there right at the planning stage. We're there looking at the audit plan. We're meeting with the boards. We look at all the minutes, no matter whether we're the direct auditor or not the direct auditor. We vet the issues that come up by the firms in the audit, so those public sector entities, with them and with the entities. We look at the management letter that comes out of the private sector

audit firm's audit and we work with the firm to understand those issues. Some of that work of the firms is incorporated in our public report. So the report that you're looking at is work that we've done on financial statement year-ends of March 31st. The report that comes out in June is the December 31st year-end audit reports.

So approximately half are in each. I don't have the exact count. Maybe there's a little bit more in the December than there is there.

Ms. Campeau: — Okay.

Ms. Lysyk: — So does that answer your question?

Ms. Campeau: — Do you realize . . . I guess I'm just trying to figure out what percentage you did say. You did mention the primary, the direct audits, but do you have the percentage of reliance approximately, do you figure?

Ms. Lysyk: — Reliance?

Ms. Campeau: — Yes, reliance.

Ms. Lysyk: — That would be, well, 43 per cent of our work is reliance work.

Ms. Campeau: — 43?

Ms. Lysyk: — Is that what you mean?

Ms. Campeau: — Yes.

Ms. Lysyk: — Out of the 50 . . . Out of the entities, there would be 43 per cent reliance.

Ms. Campeau: — Okay.

Ms. Lysyk: — Roughly. That's on a count basis, right? And so you know, there are 270 entities. That's how we determine that percentage.

Ms. Campeau: — Okay.

The Chair: — I just have a couple of questions here as well. It's sort of in line with these questions and just understanding sort of the scope of some of the audits. And there's also changes and transformations that are going on in government, in evolutions.

One of those pieces would be something proposed as SaskBuilds, which is sort of a private contracting model to deliver infrastructure. And it's being put together I guess currently by government. I'm wondering if there's some focus from the Provincial Auditor's office as to the structure of that entity and ensuring structures are put in place that it will ensure value for money. Is there an audit that will be . . . We don't know exactly how this will roll out. Right now I would suspect there would be setting up systems and structures for everything from analysis, analyzing value for money I would hope, and how they're going to analyze projects and tendering processes. What involvement might your office have with SaskBuilds?

[10:45]

Ms. Lysyk: — On page 42 of the *Business and Financial Plan*, we list the impact of the creation or the elimination of entities. On there, we have SaskBuilds listed, and we have a staff cost of about 9,700 attached to that.

So when there is a new entity formed, we do look and understand that entity, the legislation around it. We do in this case look at who's doing the financial statement work. In this case, we'll be involved in some of the financial statement work around SaskBuilds. We'll look at any new agreements that they may have to get an understanding of them.

Government transfers is a huge issue now in Canada in terms of government transfers not only from the federal government to the provincial government and how that's accounted for. There's also an issue of how the provincial government then transfers money into their own entities that, at the end of the day, are consolidated into the summary financial statements. But we do look at how government transfers of money will happen through SaskBuilds. We will look at that.

So sorry, Trent, I've gone on and on. But we have budgeted for some time to be spent looking at SaskBuilds.

The Chair: — Okay. Another entity that comes to mind is the Global Transportation Hub. Is there a focus . . . And I know there's legislation that's been proposed that changes its governance in some ways as it relates to the province. Has there been an assessment or any study of the Global Transportation Hub to date and a full understanding of some of the expenditures? Now I don't know if that falls entirely within the Ministry of Economy now or if some of that would fall within Highways and Infrastructure as well because there's a lot of related infrastructure. And I'm just wondering what your office's involvement has been to date and if there's any proposed analysis and work as it relates to the Global Transportation Hub.

Ms. Lysyk: — So we are involved from an overview perspective in the transportation hub but not at a huge level — probably around 30 hours of work. So we do know we have to spend a little bit more time looking at this, so we'll try and do that in this upcoming year. But right now we spent about 30 hours on that area.

The Chair: — Deputy Chair.

Mr. Moe: — Just in follow-up, value for money audit, is that a performance audit? Is that term used interchangeably?

Ms. Lysyk: — Yes. Years ago, I guess, out of OAG [Office of the Auditor General] Canada, I think it was Macdonell had set up CCAF in Canada, and that was a terminology, value for money was the terminology associated with doing pretty much operational type of audits. Performance auditing, OAG Canada changed the use of the terminology from value to money to performance auditing, and that seems to be a term now that's picked up quite a bit around the world, right? So that is the term for doing audit work that looks at operations, that looks at whether things are done economically, efficiently, effectively. So it is a common term used in legislative auditing in the world.

Mr. Moe: — I appreciate that. I've heard value for money, and I always hear it but I never read it. So I appreciate that.

Ms. Lysyk: — And that's why, because it's not so much used anymore around auditing. It's now called performance auditing, is the new term.

Mr. Moe: — On the performance audit then, when I did read through on page 31 and finishing on page 32, the increases that were asterisked with a number then are on the following pages, 33 and 34, anything that was over \$75,000 change. To me, most of the variance was to do with performance audits of some degree, if I'm not mistaken. Is that a fair comment, a lot of the variations here?

Ms. Lysyk: — Yes. So we have the 69,000 hours. So what we do is we look and see each year where we think there are risks and issues that we believe we should address in the public sector. Sometimes those risks and issues are addressed by doing additional financial statement work. Sometimes those risks and issues are addressed by doing additional IT work and testing of IT systems. Sometimes those additional risks are addressed by doing performance work and looking at whether a program is operating effectively or in accordance with government policy. We'll look and see whether or not ministries are operating in accordance with, in compliance with legislation. So what you're seeing here in terms of the variances is really a mix of where we allocate our resources. So we're dealing with the same static resources, but we're making choices as to where we spend the time based on where we see the risks are in the public sector.

Mr. Moe: — So the decision on what to do a performance audit is made by the Auditor's office.

Ms. Lysyk: — Correct. Correct.

Ms. Campeau: — That's a perfect segue for my next question. On page 63, in measures under organization, the second-last bullet said, "Proportion of time spent on performance work increases year over year toward our target of 20% of available audit hours." How did you come up with 20 per cent?

Ms. Lysyk: — There's an association in Canada I'll call CCOLA, Canadian Council of Legislative Auditors, and information across Canada is shared in this community. So we looked at the operations of legislative auditing across Canada as well as what's done in Australia as well as what's done in the UK [United Kingdom], and Saskatchewan has traditionally had the lowest percentage of work in this area from any other province really in Canada as well as in comparison to the UK and Australia.

So when I was interviewed and hired for this role, one of the questions I was asked was, what do you see being different about the office? And I said, I said, you know, given what's happening in the rest of Canada that it would be appropriate for the office to spend more time on performance auditing because it's an area that hasn't . . . there wasn't as much time spent on.

And the value of us doing that is that things that people take for granted and work on day by day, it's difficult for them to take the time and sit back and look and see whether or not what they're doing is in accordance with policy, is in accordance

with procedures. And so I think we say we can add value to the public sector by doing this type of work similar to that being done across Canada and elsewhere in the world.

Ms. Campeau: — Okay. And also that kind of brought me back to key risks I guess when I was looking at it, when I read that. And then the 1.8, impact of alternative funding levels.

Ms. Lysyk: — What page are you on?

Ms. Campeau: — Page 7. I was just looking at the four bullet points. If unable to obtain sufficient revenues, like these would be the areas that would be cut. Well provide less service. I guess cut is not a very good term for it. But:

. . . not auditing certain agencies in the following sequence:

revolving and other special purpose funds

agricultural marketing boards and funds

certain CIC related Crown corporations

certain school divisions.

So why would these financial audits be listed? And then when I looked at the . . . I reviewed *The Provincial Auditor Act* as well as *The Financial Administration Act*, when your office is legislated to do financial audits. And I'm just trying to wrap my head around it and understand, why would you, you know, put these on the list and then concentrate on performance audits? So I'm just a little bit confused, and I hope you clear it up for me.

Ms. Lysyk: — Yes. No, that's fair. Just to give you some background, this listing and this selection of what isn't considered significant has been a listing put before this committee for probably 15 years. The reason why is because the risks associated with some of these financial statements is lower, you know, one being Queen's Printer Revolving Fund. Dollars are immaterial. The nature of the organization has a low risk component. So if we didn't do it, would there be a huge risk in the public sector? We don't think so.

The Act does enable us to look at operating processes in the province as well as IT, as well as financial statement, as well as compliance with legislation. So we've made a choice, conscious choice. And actually it wasn't just the choice as a result of this target. The office has been doing performance work probably for again a decade, maybe even 20 years, 20 years. So it's nothing new to the office to be doing performance work.

Ms. Campeau: — Okay. But was it in this? Was it in the business plan? Was it identified in the business plan?

Ms. Lysyk: — Correct.

Ms. Campeau: — In the last 15 years it has been?

Ms. Lysyk: — Correct.

Ms. Campeau: — Okay. Thank you.

The Chair: — Mr. Cox, and I see some other members as well.

Mr. Cox: — Thank you. What percentage do we do now, Bonnie, of performance audits?

Ms. Lysyk: — It's about 15 per cent of the 69,000 hours.

Mr. Cox: — Okay. So you're looking at a 5 per cent increase then, roughly.

Ms. Lysyk: — Yes. And we're not asking for additional money for that. We're going to work through our audits. And we kind of assessed where the risks are, and that's how we hope to achieve that 20 per cent.

Mr. Cox: — And then that 15 per cent, that is the lowest in Canada?

Ms. Lysyk: — That is the lowest still in Canada, yes.

Mr. Cox: — Okay. Thank you.

The Chair: — Mr. Michelson, I saw your . . .

Mr. Michelson: — I'm just curious, following what Mr. Cox was asking. So obviously is there a need for more performance auditing then? Do you see that as a need or a place where we're weak in reporting?

Ms. Lysyk: — I think when you look and you see the amount of work over the last, you know, I would say 30 years that the office has done in the area of financial statements, internal controls, that the concepts that the Provincial Auditor sort of pushed in those areas have become quite ingrained in the public sector here. So people are, you know, very conscious of internal controls around their financial statement processes.

When you look at all our reports and our chapters and our work done in that area, you'll see that there are some recommendations. I mean there always will be room for improvement. There's some recommendations but not a lot of recommendations. So what that's telling us is that's telling us those are areas that seem to have less risk now than they did when there was more focus on the financial statement attest and the internal control work.

So what we're seeing though is because you have a whole bunch of factors in fact impact a province. You know, you have in Saskatchewan changing demographics. You have growth. You have, you know, new disciplines coming to be, new financing structures. 3P [production, preparation, process] is coming into play, new targets for the health care sector. All of those are causing people to do things differently, and so we think there's a higher risk.

And there's also downsizing, right? So downsizing, when there's a downsizing in an organization, and be it a province, that in itself creates risk too because there are now people that maybe did things before that aren't doing those things anymore. And whether or not those were important things, we don't know, right? Usually you assume that it's the important things that stay and the less important work you can downsize on.

But all of those factors make a difference. And so what we're saying is we're looking around at what's happening, and we're

choosing areas that we think there would be value for us to go and look and say, is that entity operating according to the policy that the government puts in place? Is that entity operating in accordance with legislation now that there's new legislation or there's really old legislation? And if there's really old legislation, you know, does what's being done there add value to the province? And bringing all that information to the table, to this Public Accounts Committee, so you can have a way of knowing whether things are operating and there is a reduction of the risks in the province as a result of the work we do.

So really, really the majority of the time that the Public Accounts Committee in the last, I would say probably last eight years, from what I can see when I look back at work that was done before I came into this position, most of your time at a Public Accounts Committee is spent on performance audits. So you have been talking about all of this work for a number of years.

So now what we're saying is we think that there is value, because of all the changes, for us to do a little bit more work in that area, so just sort of look at our resources and do that shift but not giving up or putting you in a bad position that you're not going to get complete information on the finances or complete information on the public accounts.

You also note that when you asked me questions about the performance audits and why there were variances. I think Scott was asking me why there were variances. So if we, from doing the public accounts audit, see that there is an area that we think is problematic, so for instance AgriStability estimates, you know, the revenue estimates for oil and gas, we shift and we do what we would call the performance work in those areas to give us more information on the public accounts audit.

[11:00]

One of the ones we have under way right now is a look at contaminated land sites. So what we're looking to see is whether or not there are systems in the province that inventory contaminated land sites. And the reason we're looking into that is to see whether or not . . . if there are any unrecorded liabilities associated with contaminated lands in the province.

So you can see that the two aspects of work kind of meld together too. One feeds the other. So I hope I've gone into that. I can go more, but I'll wait till your questions. I won't go on and on again.

Mr. Michelson: — Well it's, I guess, following that . . . And you talked about making recommendations. These recommendations that you do come forward with, is that based . . . Like I think you indicated that it was based on policy or legislation that's in place now.

Ms. Lysyk: — Yes. So what we do, just to give you on the performance audit side, we'll identify what the audit objective is and we'll identify the criteria. So we'll say, this is what we're auditing to see. So whatever we're auditing, we'll say that these five things need to be achieved to say that this program or this operation is operating effectively.

And then we sit down with the people in the public sector, in

the ministries or in the GBEs [government business enterprise] or in the government organizations, and we'll say, do you agree with that audit objective and do you agree with those criteria? And so if we audit to those criteria, is that going to provide you either a conclusion that you're operating effectively or that you're not? And they'll say yes or no. And we work with them until there's a mutual understanding and we can agree on criteria, and then we audit toward that.

And those criteria could be legislation. Those criteria could be policy, procedures. It could be what are considered good practices in that area of work. And that's basically how you measure.

Mr. Michelson: — So this is all part of the consultation before you put your reports together.

Ms. Lysyk: — Correct. Yes, that's all discussed before the fieldwork starts. Then the audit team goes and they do the audit fieldwork. They sit down with the management team or their key contact in the ministry or in a hospital and they'll, you know, indicate here are what our findings are. We issue a management letter internally to the ministry or to the university or to the school division, and we clear that with them.

We then take what's in the management letter and convert it into the chapter that appears in the public accounts report. That chapter is again vetted with the ministry. Then we send all those. All those reports get sent to the Ministry of Finance and to the Minister of Finance. And before we go to print, we wait and see if there's any comments, and if there's no feedback for any changes, we go to print. And that's how it comes to be that . . . And then that report gets put to you.

Mr. Michelson: — Okay. I know Jennifer alluded to, on page 7, and I think you answered it, about if there was — pardon me for saying this; it almost sounds like a bit of a threat — but if there was not . . . did not obtain sufficient revenue, you'd cut back in these areas. And I'm wondering, you said they weren't high levels of concern. When you say certain school divisions, are there categories of different school divisions or Crown corporations?

Ms. Lysyk: — Yes, like what you'll see on the school division side is perhaps it's a few of the smaller ones, you know, where . . . Part of the reason we do work in the school divisions is because the school divisions now consolidate into the summary financial statements, so we need to understand how the school divisions are handling their finances, how government transfers are working into them. And so there's a number of them we have to do to get some coverage.

We're what you call the group audit . . . There's a handbook section. It's CAS [Canadian auditing standards] 600. And it says that if you are the auditor of a parent, which in this case is the government, auditor of the government, you have to make sure you have certain audit coverages of all the components within the government. So we then make sure that we'd look, in terms of school divisions, at a significant number of school divisions so that we can feel comfortable with the numbers that are rolling in to the summary financial statements from the school divisions.

So in this case, certain ones aren't material and so . . .

Mr. Michelson: — Certain ones aren't . . .

Ms. Lysyk: — Aren't material. They don't have a dollar threshold that would provide a risk that the numbers on the consolidation of school divisions is wrong. So we'd say, well then we don't need to look at those, you know.

Mr. Michelson: — Can I just go back at the beginning of that? It says, as previously noted, we use a risk-based model. Can you explain what a risk-based model might be?

Ms. Lysyk: — Sure. Okay. So you know, we have a listing of all the entities and we'll go through and we'll say, on a number of criteria, whether that entity is scored a 1 or a 4 based on certain aspects. So, you know, how material it is to the summary financial statements, whether or not we know that there is significant change in staff in an area, whether there is new legislation, whether the legislation is old, whether or not we need the entity to be looked at closer because it is such a significant component of the summary financial statements.

New entities will have a different scoring than an old entity. You know, whether or not, under an Act, we are the only appointed auditor under the Act, so therefore if it's appointed, if it's said in an Act that the auditor of a statement is the Provincial Auditor, well then obviously there is no alternative here.

In the ones we've listed here, the alternative is a firm. Right? A firm could do those audits versus us, if that was the choice of this committee.

Mr. Michelson: — Is that a . . . I'm hogging the floor here a little bit, but is that a chart that's kind of used as a standard with auditors?

Ms. Lysyk: — It wouldn't be the exact one we use as a standard, but this method is applied across Canada. Yes.

Mr. Michelson: — Okay. I've got a few more questions but I'll give it up for a while.

The Chair: — Ms. Campeau has a question. We can come back to you, Mr. Michelson.

Ms. Campeau: — Thank you. I love to read and I certainly enjoyed reading this. I'm a nerd, you know. That's why I started a Ph.D. [Doctor of Philosophy]. So I'm just trying to get some information and understand.

You did talk about policy. And we all know about due diligence, and that's what this committee is mandated to do and in terms of asking questions. So some of your answers, I've been trying to process them. And forgive me if it takes me a little bit longer than others to process, but I'm a thinker. So what I'm trying to get out of, you know, what's been said about the performance audits . . . Because I'm still trying to understand that. And even though I've got an M.B.A. [Master of Business Administration], you know, I'm still learning.

So is what you're saying that your mandate of performance

audits is supported by legislation?

Ms. Lysyk: — Yes.

Ms. Campeau: — It is?

Ms. Lysyk: — Yes. I have an opinion that indicates the type of work we've been doing is appropriate under the legislation. So about 20 years ago, just to give you the history, about 20 years ago, I guess, Saskatchewan had a provincial auditor by the name of Wayne Strelieff. And Wayne Strelieff — and I don't know if Lutz before Wayne, but I think Wayne Strelieff for sure — started to look at performance auditing, and it was called value for money I think at that point. So he specifically hired into the office people to do performance audits and value for money. And that's how a nurse was hired into the office and a lawyer was hired into the office. And so this kind of work has been done under the existing legislation for 20 years.

Ms. Campeau: — So there is actual legislation that was passed?

Ms. Lysyk: — Well our Act is a 2001 Act, *The Provincial Auditor Act*, and that's what we operate under.

Ms. Campeau: — Okay.

Ms. Lysyk: — You know, if there was a thought that the Act should be more specific and that wording should be put in there to match the wording of the rest of Canada, that would be fine. The wording that's in there is broad enough but, you know, more specific is fine too.

Nova Scotia just changed their Act, and they have a really good model for a provincial auditor Act. And other jurisdictions have within the scope of the provincial audit office the ability to follow the dollar and audit third parties. We believe we have that ability, but, you know, the Act isn't specific in that, and I would really love if the Act included something like that that allowed the Provincial Auditor's office to follow the dollar. And that would match again most other Acts in Canada.

Ms. Campeau: — Thank you.

The Chair: — Mr. Moe.

Mr. Moe: — Thank you very much for the verification and the guidance you're giving. You know, myself as a new member, I really, really appreciate it, and I'm sure many other newer members do here as well.

Just a couple questions in relation to maybe something Ms. Campeau had asked earlier, or Mr. Cox. We're at 15 per cent now of performance audits; 20 per cent is the goal of the Provincial Auditor's office. That goal is set by the Provincial Auditor's office?

Ms. Lysyk: — Correct.

Mr. Moe: — Has there been discussion about the 20 per cent at PAC [Public Accounts Committee] committee or with the audit committee?

Ms. Lysyk: — Well every time . . . This is a good discussion because every time we put this plan in, it's reflecting the work we're going to be doing. So let's say as a PAC committee you say to me, I don't want you to do performance audits anymore. I guess, as the Provincial Auditor, I would have to take that as guidance and direction from you. I mean, I would encourage you that it is a good thing. I mean, if you look back at the number of reports that have been issued by the office over the years and where there's positive change coming in the public sector, I wouldn't hesitate to say that the majority of the recommendations that have been dealt with at this committee are recommendations from performance audits.

Mr. Moe: — And then the decisions on the performance audits are also the prerogative of the auditor's office, and then the conversation about the committee in 4 a) on pages . . . somewhere later in the book there that we had talked about before was something that you would like to draw into that type of . . .

Ms. Lysyk: — Yes. We select the audits we do because I have teams that are in all the ministries and work with the Crowns. And so we can kind of see where, you know, you can't guarantee 100 per cent we're looking at everything that one would think you need to, but we think we have quite good coverage and understanding of the public sector so that we're doing some good selections in terms of the work we're doing.

If this committee, though, had some choices of work they wanted us to do, then it's definitely within your purview to request the office to consider doing work in different areas. And I definitely would take that under advisement and, yes, that would be appreciated.

When I started, Scott, I did meet with at that point each individual member of the Public Accounts Committee, and I think Warren would attest to that as well as Trent. And you know, I encourage if the other members of the Public Accounts Committee want one-on-one meetings, I would love to solicit your input in terms of where you think there would be value from our office. I mean, I would respect your comments, and I think that would be good for us to hear as an office.

One of our indicators, and we haven't determined yet — it's a new indicator — how we'll solicit and quantify it or whether it will be a subjective discussion with yourselves, but one of the things that's important is what you think of the office, as the committee, and ensuring that we're serving your needs as a committee, an independent committee of the legislature. So you know, by all means I wouldn't hesitate to have one-on-one meetings or even in a forum like this to hear from you in terms of what you think we should be auditing, if you have a different view than what we've put forward.

Mr. Moe: — And again I appreciate your answers. I just had a couple of other topics here on some numbers. One is the Crown Investments Corporation on page 31, which went . . . in '11-12 was 60 to 65, 2013 was 86, and then up to 132. There isn't an explanation on the next pages.

Ms. Lysyk: — Yes. So the additional work we're going to be doing this year is on the Immigrant Investor Fund. CIC [Crown Investments Corporation of Saskatchewan] set up to do that in

the past year. We thought we'd see how it operated for a year and then we would look at the internal controls and the processes used in that operation.

Mr. Moe: — Okay. So that would be in this coming year?

Ms. Lysyk: — That's correct.

Mr. Moe: — Okay.

[11:15]

The Chair: — Sorry, if I could just clarify on that. Now is that related in some way . . . I know there's been changes to that fund, the structure of that fund and as well the province taking on guaranteeing that fund, if you will, and taking it on, so there's a whole liability that's now there for the Province of Saskatchewan. Is some of that a result of that?

Ms. Lysyk: — Yes, well because it's new, because we do understand what's happening in the rest of Canada or what has happened in the past around immigrant investor funds in Canada, so we determined that, you know, it's a good thing to look at from a risk perspective.

The Chair: — Okay.

Mr. Moe: — And then just to go to the second last one on the next page would be government-wide sectoral special issue work. Some of that is explained I guess in point no. 10.

Ms. Lysyk: — So if we have . . . Sometimes we do get inquiries in the office, so people who have an issue or will come and meet with us or send letters to us about issues that they would like addressed. I wouldn't call it a whistleblower kind of thing. I would call it more concerned citizens, I guess. So concerned citizens will come to us. If we think that there's value in looking at an issue raised by a concerned citizen, we will integrate it in the work that we're already doing in a ministry and look at their issue. In some cases that has been incorporated in here, given what we know about some of the issues that have come to us.

In this government-wide sectoral section too, we have just completed a survey of the regional health authorities' governance framework. So we worked with the Ministry of Finance, discussed with the Ministry of Finance a survey. We surveyed the board members and the executives of all the regional health authorities in Saskatchewan. And we're just tabulating the results, and we will be discussing those results with the ministry as well as with the regional health authority boards.

It provides an interesting insight into . . . Board governance is really important from the perspective when anything goes wrong. In my experience, when things go wrong, it always comes, where was the board? Right? And you want to make sure you have a strong governance process in the regional health authorities to eliminate any risks that things could go awry.

So the survey then is just seeing whether or not . . . There's been substantial training provided to regional health authority

board members, and we're seeing whether or not the results of the survey, whether the results of the survey are indicative of success on the training and whether or not, you know, the executive see board members the same way the board members see themselves. And then that provides us a sense of the risk in an organization too.

And then in the next year we're doing, this coming up period, the same with the boards of education will apply. So that's what's in here, I guess part of why I'm going on and on, okay? But it's a survey of the boards of school divisions.

Mr. Moe: — So the health, the health survey would be part of 2012 actual, and the school divisions would be 2013 planned?

Ms. Lysyk: — 2012 actual, that's correct. And part of it in 2012, part of it in 2013; and then the school boards, part in 2013, part in 2014.

Mr. Moe: — Okay. And then the final one on the list, legislative committees and public reports was at 413 to 524.

Ms. Lysyk: — Yes.

Mr. Moe: — That's in note 11.

Ms. Lysyk: — So that is us, like the amount of time we spend working, like the executive group working on the — and the staff that charged to this — working on the preparation of the public reports. Vetting and editing the public reports, prepping to come to the Public Accounts Committee, time we spend at the Public Accounts Committee — that's what's in there.

Mr. Moe: — Okay. And the 413, it says here on the redesigning of our reports and updating our office logo.

Ms. Lysyk: — Yes.

Mr. Moe: — Would that be part of the 413, the 524, and is in note 11?

Ms. Lysyk: — That's part of the 524. So in that case what happens, our timing, you have to, you produce covers. Our reports all have different covers. So when we changed the logo, we used the old covers. Then we converted to new covers. So we had new covers printed for our reports. So that's part of it there as well.

Mr. Moe: — And then just following through to 2013 planned is 480,000 compared to 413 two years previous. I might be stepping out on a limb here and answering a question for you, but would that be 413 plus the CCPAC, hosting the meetings this summer? Would that be part of the reason to go up to 480 at the original outset of the . . .

Ms. Lysyk: — The budget for the COLA conference is in '14, 2014.

Mr. Moe: — It's in '14.

Ms. Lysyk: — It's in '14.

A Member: — It would be the 538.

Mr. Moe: — In the 538.

Ms. Lysyk: — Yes. Because that's the next . . .

Mr. Moe: — Okay.

Ms. Lysyk: — That's what we're before you for approval. Yes.

The Chair: — Mr. Cox, I can come back down to, in this . . . Would you like to hold the floor for . . . Mr. Cox.

Mr. Cox: — Thank you, Mr. Chair. And this is a little bit off topic, Mr. Chair, but just for my own information, you mentioned a moment ago about, like you basically, you decide your audits. Can you just give us a bit of an overview? What's the audit committee's job? Or do you relate with them at all or what do they do right now? Maybe I should know this, but just . . .

Ms. Lysyk: — No, I think that's the case. The audit committee exists in legislation. My understanding, historically the audit committee has never operated. So the audit committee is appointed under the Act but does not meet usually.

In Canada, again I mention this is the only province that has that structure in an Act. Generally the auditor generals go directly to a public accounts committee like this one. I'm sure there's a history to why it was put in the Act. I just don't have that understanding at my fingertips.

Mr. Cox: — I guess going back to I think one of our earlier questions of today, you know, talking about the new external committee you're looking at setting up. That audit committee maybe should . . . Should that not be more involved and could do that sort of job for you?

Ms. Lysyk: — Well I guess the audit committee is appointed, so we don't have any input into the selection of the audit committee. And because we're dealing with audit topics that vary, if we ever did set up an advisory group in our office, it would be topic specific.

Mr. Cox: — Okay. Yes.

Ms. Lysyk: — Yes.

Mr. Cox: — Okay. Thank you.

The Chair: — I think it is worthy to note that a lot of the performance-based audits certainly are where a lot of real change has been driven across Canada and in jurisdictions and certainly here as well. And if you think of some of what's accounted for in those audits, it sets aside sort of the numbers that are there from the financial perspective but looks at some of the other risks that are there, whether it's for the environment or for people. And I think that we can all think of our own communities and think of some of those risks that may be present or may have occurred and that, had we had better systems in place, could have been prevented.

And you know, I just came back from Yorkton yesterday, and I know there was such concern with folks as it related to the Invermay health facility and the displacement of 25 long-term

residents because of significant mould and structural issues, as I understand. It seems to me that those are . . . that there wasn't a system likely in place that was adequate to maintain and ensure that that facility was meeting the needs of the individuals that were in there. So it seems that that's just one small example of where performance audits may play a role in making sure that our assets are meeting the needs of people, are safe for people, and that we can be sort of ahead of the curve as we move forward as a province.

The Chair: — Mr. Moe.

Mr. Moe: — In light of the questions here today . . . And I'd like to thank committee members for asking the questions that they did, and I would like to thank the auditor and her office for providing us with the large amount of information here today. And it's been a great help I know for me, as a new member, and for many others that may have been through this process just once last year but as new members to the Legislative Assembly. So I would like to thank you for clarifying things here today.

What I would suggest is possibly that we go away from today and have members digest some of the information and whatnot that's been provided for us here today and meet in the near future to just provide a summary of feedback possibly and go from there.

The Chair: — That would be . . . So we would have further discussion around sort of the role of the auditor and the performance auditing and the business plan specific, or are we feeling that we can deal with the recommendations and the subvotes that are before us here today?

Mr. Moe: — I think we'd take some of the information that was provided with us today and reconvene as soon as possible to deal with the recommendations that are made here today or to deal with the first order of business that's here today to do with the Provincial Auditor business and financial plan for the year ended . . . [inaudible interjection] . . . Pardon me?

The Chair: — Maybe just to clarify. We can chat a little bit here. I think there are some timelines that we can discuss here to establish some timelines to deal with the financial plan, certainly from my own perspective, and I welcome further discussion here today. In fact I think we could recess if need be and gather some resources and come back in and work through these pieces. I would welcome hearing identifiable challenges that individuals have identified with the potential plan that's put forward.

Speaking as an independent member, not as Chair, I am supportive of the work plan that's been laid out, and I'm certainly supportive of performance audits and recognize the importance of performance audits not just for the public service and making improvements but for the people of the province in all of our communities.

So we can maybe just establish and seek some clarity from our Clerks here right now as to imminent timelines and potential impacts of not addressing this here today. But maybe should we recess here briefly and get a better understanding of what timelines are required to have this sent? Where do we send this? To the Speaker of the Assembly, is that correct? And it's part of

the budget preparation, that process that's required for certainly the Ministry of Finance and also the Legislative Assembly.

Mr. Michelson: — Well, Mr. Chair, I guess like Scott had indicated, there's a fair amount of information that has been brought forward, and I think we as stewards of this auditing, as this committee, have to make sure that we are comfortable with this. And I think maybe if the committee feels that we should take a little bit more time than just a recess, I think that might be in order.

The Chair: — So now we go through committee structures dealing with the \$11 billion budget of the Province of Saskatchewan of course around this same committee table and deal with the ministry estimates, for example, in other committee structures — for Health, for example. Many billions of dollars that we go through and scrutinize that through a few hours, and it's a window of time that exists. Now certainly I, as Chair, you know, this is your committee, so whatever work and scrutiny we need to do.

Now what I would be interested in is I haven't been able to discern any specific concerns. What challenges maybe are members having with the business plan so we can maybe focus our attention in a very specific way and in fact seek from officials that are here before us today that have . . . Certainly I see many individuals that are here today to answer some of the questions that we might have here today. Are there some specific areas that members have concern with?

The plan in general is certainly consistent with the business plan, operational plan of the auditor over the past number of years. I don't see any change to that other than a conference that's going to be hosted here in Saskatchewan.

Not to dismiss the value and the good questions that I've heard here today, but I do think we have the resources. We've got the officials here today that if we have some very specific questions or challenges or concerns, this is a wonderful place to seek some of that clarity. Mr. Cox.

Mr. Cox: — Thank you, Mr. Chair. I guess my concern — and I've mentioned my knowledge of financial statements and these things, the auditor's job, were pretty limited until I got on this committee — and I guess what I'm having trouble and I'd like some time to digest is the proposal to go to more performance audits. I guess when I think of an auditor, I think of somebody auditing numbers, you know. And to jump another 5 per cent which is — what? — 3,500 hours of time basically taken away from doing financial audits to doing performance audits, I just need a little bit of time to digest that, I guess. You know, and I'm not disputing the value of it, but I'm just having trouble getting my head around it I guess.

[11:30]

Ms. Lysyk: — I can comment on that. Mr. Chair, would you like me to comment on the question from Mr. Cox?

The Chair: — Absolutely.

Ms. Lysyk: — Basically we're not taking anything away from anything. All the audits that we have identified and that the

office has done over the years are still being performed. What we're doing is we're working smarter in terms of seeing how we link up the work we do in financial statement with performance work.

Performance work, let me take the connotation away from the word performance. We're doing operational audits which are done all across Canada, all across the world. And in most jurisdictions they are the ones that help the jurisdictions and the members of PAC committees ensure that the ministries and the Crowns and the, you know, health and universities are doing what the government would want them to do, what the PAC committee and opposition would want them to do. So we're actually working for you as a committee. So you know, the important thing is that you're happy with the work.

But I do want to say that the work that we have in front of you is still . . . or the budget plan we have in front of you is still committing to do the same work that was done last year on the financial statement work. We're working smarter; we're IT equipped, and I think I've got a good team of people in the office.

The Chair: — Ms. Campeau. I was going to say Madam Campeau. I don't know . . . Ms. Campeau.

Ms. Campeau: — I myself, I'm not undervaluing performance audits. I know they're important, but what I'm trying to get my head wrapped around is, should your office be doing them or should another entity be doing them? So that's what I'm trying to figure out and that's why I relooked, you know, took a look at the different Acts and legislation. And I'm just concerned that the financial audits that should be done and are legislated, something's going to lose out, no matter much how you say that these are done well.

And even in my own personal life, you know, in order to concentrate on being an MLA, I had to put my studies aside because one or the other would lose. So this is what I'm trying to understand and wrap my head around is what impact that would have on your office and the fact that it's clearly outlined now and there's a specific target of 20 per cent. So that's what I would like to think about.

And, Mr. Chair, you made a good point. They are important, but it's just figuring out if it's the role of the Provincial Auditor's office to do that.

The Chair: — I guess I will say that, you know, certainly with my exposure to public accounts across the country and the role of our federal-provincial or our federal auditors and auditors' offices across the country, this is certainly consistent work. It recognizes there certainly, it's certainly in pursuit I believe of best practice of auditors' offices, and I think there's been a really valuable contribution out of performance audits, both to our country and to respective provinces, and we see it here in the province as well.

And certainly it's supported through some of the bodies that support the public accounts, but also the bodies that support the auditors. But maybe I'll pass it over to our auditor to respond.

Ms. Lysyk: — Thank you for the question. I do want to say that

auditing, performance auditing, is very common and very well performed by legislative auditors all over Canada as well as all over the world. This office in Saskatchewan has performed performance audits in the past and they're really . . . and they've produced very good reports and we continue to look at that. In terms of are other groups doing performance audits, there is no other group right now in the province, in the Legislative Assembly, independent officers, that perform performance audits.

The Act for the Ombudsman was changed to a whistle-blower role as well as expanding a little bit of the scope in the Ombudsman's office. We're totally different. We are independent. We audit the Ombudsman's office. We are independent, which is why we set our audit plan. Because there should be no — how can I put this? — no pressure on the audit office to modify an audit plan because there is a will perhaps by the government in power to have a certain direction taken by the office.

I am very . . . I stand firm by our audit plan. I think it was done in consultation within our office, and I think it does add value. And who do we add value to? I think that the citizens of Saskatchewan would lose out if a decision was made not to do performance audits in this province.

And I want to indicate one other thing because I really do appreciate and I respect all your questions, and all of the questions also cause us to, you know, regroup and think and question, are we doing things the right way?. But I do want to say that we put out a performance report — an audit report, sorry — volume 2 at the beginning of December, and in that report, for the very first time, what we did is we separated out the performance audits that were done in Saskatchewan. Before that report format was laid out, they were all done, but they were kind of blended in a different way, so perhaps they weren't as obvious. The feedback that I've gotten is, in the public sector people found that the audit reports were very good, so the ministries were quite supportive and thought that we provided very solid recommendations, consistent with recommendations that had been provided before.

What I have heard through the grapevine is that perhaps that there are people in the government that have concerns that auditors are doing performance audits because we are identifying in this last report significant recommendations that we think are important — we think the citizens should think are important — for the government to address. And we did take a little bit of a harder stand on the General Revenue Fund and the summary financial statement issue. And I just hope that in terms of looking at our financial plan, because this is a different process right now that's occurring than has occurred in the past many, many years for this office, that this is not a message being put before me that we want you not to do performance work, and we want you not to question the General Revenue Fund and the summary financial statements for the province.

This is the only province in Canada that produces and communicates to the citizens on the General Revenue Fund financial statements. And I just hope the discussion around here, and with all due respect, is not a message to me and to my staff that we should not be operating independently and performing the work that we think is appropriate in this

province. Thank you, Mr. Chair.

The Chair: — As a member of this committee, this report was tabled two weeks ago. We've had ample and adequate time to seek resources, to seek counsel, to seek our advisory groups, to come to this table with an understanding of the work plan ahead.

Deadlines do exist, just to be aware, so there are potential implications that exist with the Board of Internal Economy that I believe is meeting on February 5th, which we would be recommending this to, and then Treasury Board, which I believe is meeting a few days subsequent to that. So there is certainly impacts of this committee not being able to deal with and support the plan as put forward by our independent Provincial Auditor here today.

And I would certainly urge, as an independent member and I guess as Chair as well too, that we resolve questions that exist. We have the resources. We have staff that are here today and that certainly it's my urging that we support moving forward this business plan.

Mr. Michelson: — Mr. Chair, if I could just make one comment on some of the comments that the auditor did make. I do believe that our reporting is done both on the GR [general revenue] and the summary financial statements, so to say that we are just doing it on the summary is probably not totally accurate because we do provide both the general revenue and the summary. They're both there. I just want to make that point because on the record you did say that it was just the one way.

Ms. Lysyk: — Mr. Chair, if I could add. Yes, the province is producing two sets of statements, and that is extremely difficult. And it is difficult because the General Revenue Fund financial statement opinion that we give as an office is qualified, and that is akin to an auditor in the private sector saying that those statements are wrong.

Those statements are used in media releases. Those statements are used in public communications. Those are the wrong financial statements to use to communicate to citizens the financial statements for the province. The summary financial statements are the right one, and we will continue to be asking and recommending to the government to use just one set of books, one set of statements to communicate to citizens in this province like every other province does.

There are decisions that are being made that we're having to deal with from an accounting perspective that are only decisions being thought about because, at the end of the day, the General Revenue Fund statements can show any bottom line that's wanted to be shown because transfers in and out of the General Revenue Fund are controllable. There are no pension liabilities recorded in the General Revenue Fund. There are transfers recorded as revenues and expenses that's inappropriate. They are the wrong set of statements, and it is unfortunate that they are continuing to be used in this province.

The Ministry of Finance has already received information from our office, and we will be issuing another report to sort of, to actually lay out more clearly why these are problematic statements.

So with all due respect, I did say there are both set of statements produced. We are saying that is wrong. That is wrong in communication. There have been communications that compare the General Revenue Fund statements as being balanced to summary financial statements of other provinces. That is wrong. The correct comparison is summary to summary. And I think citizens in this province deserve, deserve to have the finances communicated on one set of financial statements.

Mr. Michelson: — But this has been part of the reporting for decades.

Ms. Lysyk: — But that doesn't mean it's right. And everybody in Canada recognized in the last decade that it was wrong and have changed.

The Chair: — Deputy Chair Moe.

Mr. Moe: — In light of the information that's been provided here today, I'd move that we take some time to digest and read over the answers that were given us here today and that we reconvene next Friday. That would be February the 8th I believe.

The Chair: — I find, as an individual member and as Chair, and where you're the committee and you have . . . There's one member of the opposition. That's me. There's four of you here today. Not sure if each of you are of like mind on this, but it's your committee and it'll be your motion. But certainly I would put onto the record that I think it's irresponsible for us not to be able to deal with this here today when we have resources of the Provincial Auditor before us, when we have a plan that's been before us for a couple weeks with ample time to do the research we require.

We deal with, as I say, \$11 billion of estimates of the provincial government, with a prescribed period of time where debate comes to an end and those proceedings move forward. That spending moves forward. The difference here is we have an independent officer of our Assembly that I might suggest has . . . We also need to be cautious of our approach and tone in respecting that independence, respecting that integrity, and I think we have the full ability to deal with this today. There's implications for Treasury Board processes of government, of budget-setting processes for Board of Internal Economy and for Treasury Board. And I find it highly irresponsible for us not to be able to clearly articulate our questions or concerns, to seek clarity from our independent Provincial Auditor's office that's here today, and to deal with the plan that's before us here today.

Mr. Moe: — As duly elected members and part of being appointed to the Public Accounts board, we do have a responsibility to make the best decisions that we can with the information given, which would be the reason for the motion that I've made.

The Chair: — Thank you for putting forward a motion. I might just have a question to that motion as to what are the specific matters that are unresolved here today.

Mr. Moe: — The volume of information that we've been given here today, the volume of answers that we've been given that we'd like some time to digest and look through, and I would ask

other members of the committee to comment, but I think we need a little bit of time to look at that volume of information and reconvene. I'm going to suggest next Friday.

The Chair: — So the plan is, the plan that's been put forward is consistent with the auditor's work from years past. The volume that's there is certainly, as I look at it, certainly no surprises. And as far as understanding the role of the auditor and the performance audit and those pieces, those are in fact clearly articulated by the auditor and her office.

And I find it, as I say, troubling and irresponsible for us not to be able to deal with this, this plan here today. I'll put my voice onto the record in that position. You've put forward a motion, and as Chair certainly I respect your ability to do that. And maybe I'll just call for any other comments and if there's any other comments or questions as it relates to the Deputy Chair's motion here today.

[11:45]

Mr. Michelson: — Mr. Chair, if you will, I think we've got, other than yourself or myself, we've got relatively new people right across this committee, and I know we went through this last year. Again they were very new at that time. I think it's, I think it's very prudent that if they wish to take some time and we've asked a lot of questions, got a lot of information, I think it's very responsible that this committee do take the due diligence to act in the best interest of the finances of the province and take the time to recess, if it's so needed, and go according to the motion. Thank you.

The Chair: — As stated, the composition of this committee's been in place for some time. We've had orientations. We've had invitations from, to seek further understandings of this committee and the important role of the Provincial Auditor. And I certainly don't recognize, you know . . . [inaudible] . . . to recognizing that members feel ill-prepared, that they aren't ready to deal with this, that they don't understand the role or purpose of themselves as a committee member or the role or purpose of the auditor's office. I don't, unless you're personally identifying those challenges, I don't think those are acceptable at this stage of the game.

As far as I'm concerned, we're provide a service to the people of Saskatchewan, and those appointed to this committee have a responsibility to understand what the role and function of that membership means and to understand the function of the Provincial Auditor's office and find . . . You know, we've certainly clearly articulated that there is timelines at this time of year for government proper as it relates to budget setting. And I find it strange, cavalier, disrespectful to suggest that members aren't in a position to deal with the report of the independent Provincial Auditor of Saskatchewan at this point in time. Arguably obstructionist if we can't state the concerns that we have with the information before us.

Mr. Moe: — I made a motion.

The Chair: — Okay. So Mr. Moe's made a motion. Can you state the motion into the record, Mr. Moe.

Mr. Moe: — Is it Friday the 8th? February 8th?

Ms. Burianyk: — Yes, Friday February the 8th, correct.

Mr. Moe: — So:

In light of the amount and dialogue and discussion . . . amount of dialogue and discussion present at to date, convene Friday, February 8th, 2013.

Is there a time that we'd like to reconvene? Is 10 a.m. all right?

The Chair: — There's no dissent from committee members here. If we're looking at a date, is February 6th . . .

Mr. Cox: — What day is that, Mr. Chair?

Mr. Michelson: — The motion said February the 8th.

The Chair: — All right, so Mr. Michelson states February 8th. As I've stated, you have the majority and you're using it on all accounts. So Mr. Moe has moved:

That in light of the amount of dialogue and discussion present at today's meeting, I move we reconvene Friday, February 8th, 2013.

I'll call the question in a moment. To place on the record, I absolutely don't support the motion that's before us. And I find it irresponsible that we can't deal with the items that are before us here today and support a business plan of the independent Provincial Auditor of Saskatchewan and find it strange that we're reconvening a meeting for which we have officials before us. And if there's valid questions to be asked, we have the full ability to do so right now, but I'm at the will of this committee. But I want to be clear on my great concern for this approach. Call the question. Agreed?

Some Hon. Members: — Agreed.

The Chair: — I guess I would like to . . . So it's agreed by the voting members.

I'd like to put on, record onto the record my vote opposed to this motion, but this motion would then be moved . . . I'd like to record division. So maybe we'll vote by show of hands so we can properly record division on this matter. So all in favour? That would be four members: Mr. Moe, Mr. Michelson, Ms. Campeau, and Mr. Cox. Opposed? It would be myself, Mr. Wotherspoon. Motion is carried.

I guess we'll move along to the next item of business which would be the consideration of the Canadian Council of Public Accounts Committees, CCPAC, and Canadian Council of Legislative Auditors, CCOLA. This would be conference planning for a conference that will be held here this summer. Now we . . . Was there a consideration that this was going to be discussions in camera because of the just the fluid nature of the planning? So I would seek I guess a motion on that front.

Mr. Moe: — I would make a motion:

That we go in camera for the next segment on the agenda.

The Chair: — Agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that this committee move in camera for the second item on this.

[The committee continued in camera from 11:53 until 12:48.]

The Chair: — So reconvening our committee here, coming back . . . What's the proper term?

Ms. Burianyk: — Out of in camera.

The Chair: — Out of in camera. At this point in time I'll entertain a motion for adjournment.

Mr. Moe: — I'll make a motion for adjournment.

The Chair: — Deputy Chair Moe moves. All in favour? So moved. This committee now stands adjourned until Friday the 8th.

[The committee adjourned at 12:49.]