



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Mr. Scott Moe, Deputy Chair
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Ms. Jennifer Campeau
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Mr. Herb Cox
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Mr. Glen Hart
Last Mountain-Touchwood

Ms. Laura Ross
Regina Qu'Appelle Valley

Mr. Corey Tochor
Saskatoon Eastview

Mr. Trent Wotherspoon
Regina Rosemont

[The committee met at 09:00.]

The Chair: — Hi, everybody. I would like to call this meeting to order. We'll start by introducing members. I'll start with me. I'm Danielle Chartier, the new Chair of PAC [Public Accounts Committee]. And we'll go around the table. We have Herb Cox, Corey Tochor, Jennifer Campeau, Glen Hart, Scott Moe, and substituting today for Trent Wotherspoon is David Forbes.

Today we have a very lengthy agenda and we don't have an adjournment time for today's meeting. So I'm wondering if everybody would be in agreement to adjourn at 4 p.m. today. Agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thank you. So we shall proceed with our agenda here today. And again welcome on this very cold and . . . well not snowy, but just darned cold day.

So our first item of business is to table the following documents. We have PAC 29/27, Ministry of Health, reporting of public losses for the period from July 1st, 2013 to September 30, 2013, dated November 1st, 2013. We have PAC 30/27, Ministry of Finance, reporting of public losses for the period from July 1st, 2013 to September 30, 2013, dated November 1st, 2013. And pursuant to rule 142(2), the following report was deemed referred to the committee on December 4th, 2013. Copies have been distributed to members. That is the 2013 report of the Provincial Auditor volume 2.

I'd like to introduce or announce our officials who are here today. I've got Judy Ferguson, the Acting Provincial Auditor. And she'll introduce her officials in a few moments. We've got folks from the Provincial Comptroller's office. We've got Lori and Jenn.

And I would like to introduce the first agenda . . . Oh no, actually we've got . . . Would Judy like to introduce her officials. Sorry.

Ms. Ferguson: — Sure. Thank you very much, Ms. Chair. With me today I've got Ed Montgomery. Ed's responsible for the area of Parks, Culture and Sport. Behind him is Kim Lowe. Kim helps coordinate the Public Accounts Committee meetings with the Clerk's office. And Rosemarie Volk who again is responsible for her portion of what we're discussing here this morning on the first agenda item. Thank you.

The Chair: — Thank you, Ms. Ferguson. So our first agenda item is Parks, Culture and Sport. We'll be reviewing the 2010 Provincial Auditor's report volume 2, chapter 21; 2011 Provincial Auditor's report volume 2, chapter 25; 2012 Provincial Auditor's report volume 2, chapter 17; 2013 Provincial Auditor's report volume 2, chapter 17.

And with that we will . . . Actually the ministry's officials who are here, I'm sorry I didn't introduce you. We've got Lin Gallagher, the deputy minister; Twyla MacDougall, assistant deputy minister; and Nancy Cherney, assistant deputy minister; and Lynette Halvorsen . . . Pardon me. Nancy Cherney, assistant deputy minister, parks division. And Twyla is with the

stewardship division. And Lynette Halvorsen, the director of corporate services.

And now I'd like to ask the Provincial Auditor to make her presentation on the chapters being discussed.

Parks, Culture and Sport

Ms. Ferguson: — Thank you very much. Ms. Chair, members, officials, first I actually would like to extend our thank you to the deputy minister and her staff for the co-operation that we received during the course of this work. Thank you very much.

In the four chapters on your agenda just outlined by the Chair here, we report the results of our audits of the ministry and its agencies for the years ended March 31st, 2010 to March 31st of 2013. So there's a series of years here.

Before Ed starts his overview, I just want to advise the committee that we've resolved the refusal of access reported on our 2010 report, chapter 21, where we are now obtaining appropriate access to the information that we require in the course of our audits. In these chapters we also reported the status of recommendations related to compliance with the lottery agreement and on parks capital asset planning follow-up work. So I'm just going to turn it over to Mr. Montgomery.

Mr. Montgomery: — Thank you, Ms. Ferguson. I'll deal first with the new recommendations we made in chapter 1 of the 2010 report volume 2, then I'll move on to our follow-up work which we performed in both chapter 21 of our 2010 report volume 2 and chapter 25 of our 2011 report volume 2. There are no new recommendations in chapter 17 of both our 2012 and 2013 volume 2 reports.

Chapter 21 is on pages 333 to 343. We made four new recommendations for the ministry and two new recommendations for the Western Development Museum. The ministry or the museum implemented all of these recommendations. On page 333 we recommended that the ministry establish rules and procedures for the collection of commercial lease revenue in arrears. A lack of rules and procedures for the collection of commercial lease revenue may result in lost revenue.

On page 338 we recommend that the ministry maintain a current service level agreement with the Public Service Commission for the provision of payroll services. The lack of a current signed agreement increases the risk that the ministry may not receive the payroll services it needs.

On page 338 we recommended that the ministry follow its processes for removing unneeded user access to its information systems and data promptly. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the ministry's systems and data.

The next two recommendations are for the Western Development Museum. On page 340 we recommend that the museum establish procedures that require independent review and approval of journal entries before changing its accounting records. Lack of independent review of journal entries increases

the risk that the museum's accounting records may not be accurate and that it may not detect the loss of resources due to fraud or error promptly. On page 341 we recommend that the museum establish written procedures for purchasing and selling goods and services and authorizing staff to approve agreements. Written procedures provide guidance to staff over the use and approval of agreements and the selection of suppliers.

On page 343, as Ms. Ferguson previously mentioned, we reported that we had been refused access to audit accounts related to public money. We wanted to ensure that our office could obtain audit assurance over Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the lottery agreement. Sask Sport Distributors and the Western Canada Lottery Corporation operate lotteries on behalf of the ministry. Therefore, on page 343, we recommended that the ministry direct Western Canada Lottery - Saskatchewan Division Inc., Sask Sport Distributors Inc., and the Western Canada Lottery Corporation to allow the Provincial Auditor access to audit their accounts related to public money.

As noted on page 474 of chapter 25 of our 2011 report volume 2, our office reached an agreement with the ministry and Sask Sport Inc. to allow us to obtain the audit assurance we require related to Saskatchewan's share of the lottery revenue and expenses. On page 341 to 342 of chapter 21 and pages 474 to 476 of chapter 25, we report on follow-ups of seven recommendations made in our 2009 audit of the ministry's processes to supervise compliance with the lottery agreement. In chapter 21 of our 2010 volume 2, we report that the ministry has met four of the seven recommendations. In chapter 25 of our 2011 report volume 2, we followed up on the three outstanding recommendations, and we report that the ministry has met one recommendation and that we have replaced the two previous recommendations with one new recommendation.

Based on discussions with the ministry, we have re-evaluated the two recommendations noted on page 475 of chapter 25. We noted that the ministry's agreement with Sask Sport Inc., parent company of Saskatchewan Lotteries for the marketing of lottery products in Saskatchewan and the administration of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation, does not require Sask Sport Inc. to report payee lists to the ministry. In addition the agreement requires Sask Sport Inc. to provide annual audited financial statements to the ministry for Saskatchewan lotteries and trust fund. These financial statements are also tabled in the Legislative Assembly.

As a result we have replaced the two outstanding previous recommendations with the following new recommendation set out on page 476. We recommend that when the ministry renews its agreement with its lotteries marketing agent, that the ministry make the amendment to require the lotteries marketing agent to make payee lists available to the ministry.

As reported in chapter 17 of our 2013 report volume 2, the ministry has partially met this recommendation. The ministry has indicated that it plans to meet this recommendation when it renews its current agreement with its lotteries marketing agent, Sask Sport Inc., that expires on March 31, 2014.

The last matter included in chapter 25 of our 2011 report volume 2 is a follow-up on a 2009 audit in which we assessed

the ministry's processes for planning capital assets in provincial parks where we made three recommendations to improve the ministry's processes. In our follow-up work in 2011, we found the ministry had more work to do to implement these recommendations.

In summary, these four chapters contain seven new recommendations for the committee's consideration. The first six recommendations can be found in chapter 21 of our 2010 report volume 2 starting on page 337. These recommendations have been implemented. The seventh recommendation can be found in chapter 25 of our 2011 report volume 2, page 476. The ministry has partially implemented this recommendation. Also as I stated earlier, there are no new recommendations in chapter 17 of both our 2012 and 2013 volume 2 reports. That concludes my comments on the chapters before you today.

The Chair: — Thank you, Mr. Montgomery. And now I will pass it off to the ministry officials to make their comments.

Ms. Gallagher: — Thank you. And thank you for the opportunity to present today. On behalf of the Ministry of Parks, Culture and Sport, we would like to thank the Provincial Auditor of Saskatchewan for their audit of the ministry and of the Commercial Revolving Fund. We appreciate the advice provided on management, governance, and on effective use of public resources.

As the auditor has already pointed out, for many of the responses for the four years, we have already addressed. So my presentation today will focus on those recommendations that are still outstanding.

In the Provincial Auditor's report for 2012, it was recommended that the Ministry of Parks, Culture and Sport require the lotteries marketing agent to make payee lists available to the ministry. The current lottery agreement, as outlined, expires on March 31st, 2014, and prior to the expiration of the agreement we will be seeking approval to proceed with a new agreement that includes a revision to address the recommendation.

[09:15]

The ministry has consulted with the lottery stakeholders and engaged the Provincial Auditor to discuss the proposed wording to be incorporated into the agreement with the lottery marketing agent. The auditor is satisfied with the proposed revisions and believes this allows the ministry to provide an enhanced stewardship function and oversight by providing an annual payee listing of all money paid out to the trust fund on an annual basis. We value the opinions of our lottery stakeholders and are pleased that we have been able to come to resolution that all parties can agree to. The funding provided by Sask Sport is extremely valuable to our communities.

Since 2009 when the Provincial Auditor made the recommendation regarding capital asset planning, the ministry has made progress towards implementing solutions to address their findings. I will start with the recommendations addressing projected use levels of capital key assets . . . or key capital assets. Sorry.

The Provincial Auditor recommended that the ministry include in its capital asset plan for the provincial parks system the projected future use levels for key capital assets. We are pleased to report that the ministry regularly tracks park visitation trends and have continued to see a strong demand for facilities and programs in our provincial parks. Park visitation has reached an all-time high in 2013 with 3.7 million visitor days. As well, a senior research analyst has been assigned to conduct surveys of provincial campers that will inform future trends and market analysis. This has helped to identify visitor needs and expectations to accommodate the changes in larger camping units, and the ministry has used this information in developing parks' capital plans. Survey results indicate we are meeting the needs of our visitors with visitors to our parks indicating a satisfaction at 88 per cent.

The ministry also has better access to information regarding the use in our provincial parks. In 2012, the ministry entered into an agreement with a third party to offer an online reservation option to our customers. The reservation service allows us to access park-specific data to monitor trends which is used for decision-making purposes.

The additional two outstanding recommendations include the operation and maintenance of key capital assets and the estimated life-cycle cost, which I'll address together.

The first of these two recommendations was for the ministry to set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system. And the second was that the ministry include estimated life-cycle cost in its long-term capital asset plan for the provincial park system.

Parks, Culture and Sports recognizes the importance of timely maintenance to protect and preserve the ministry's capital assets for their expected life as well as incorporating life-cycle costs of the existing assets into the ministry's long-term capital asset plan.

We are pleased to share here today that the ministry has hired a project manager and a senior asset manager to implement an asset management system. This system will entail a strategic portfolio management system, a planning process aimed at improving capital management and prioritization of our projects. The ministry's capital budget has grown significantly over the past number of years and Parks, Culture and Sport is committed to improving our capital asset management and planning.

The ministry is focusing efforts to finalize the requests for the proposal to acquire asset management software by March 31st, 2014 with procurement expected early in 2014-15. The main objective of this system will be to optimize value to position the assets for long-term sustainability to support government's goal of growing tourism in the province. Investing money wisely in our provincial parks will continue to provide a great many memories for future generations in our park system.

In conclusion, I'd like to thank you for the opportunity to comment on the recommendations of the Provincial Auditor. We recognize that, when implemented, these recommendations will improve our stewardship, as well as improving the

planning and management of our capital assets. Thank you.

The Chair: — Thank you, Ms. Gallagher. I'd like to open up the floor for questions. Mr. Forbes.

Mr. Forbes: — I have three questions. The first, the capital asset system that you're talking about implementing in the spring, how much is the cost of that? It's a computer system, is that what I . . . or is it a paper and pencil system?

Ms. Gallagher: — It will be an electronic system that is advised by surveys that are done by humans to go out and feed into the system. And I'll just check with my official on the cost. Yes, I have seen estimates for the overall system, but we're implementing it in pieces. And the first initial implementation will be around a couple of hundred thousand dollars; we've budgeted 200,000.

Mr. Forbes: — 200,000. And so what is the total package going to be costing?

Ms. Gallagher: — Well at this point in time, we have to acquire the system. So we're doing that work now so we won't have the final cost. And then there will also be additional cost for our staff to be going out in the field and assessing. So I don't have those costs at this time till we've acquired the system and planned out the full implementation.

Mr. Forbes: — Great. Thank you. And as well, in terms of the lottery agreement that expires on March 31st, 2014, do you anticipate that it will be signed before March 31st? The new agreement will be in place before then?

Ms. Gallagher: — That's our intent, yes.

Mr. Forbes: — Yes. And it looks like, you feel it will happen?

Ms. Gallagher: — Yes. I think we're on track.

Mr. Forbes: — And providing no unforeseen. But things are going well?

Ms. Gallagher: — Yes, things are going well.

Mr. Forbes: — Okay. Good. Thank you. And I just have a question for the auditors. On page 130 of — and I think this is from the 2013 report volume 2 and the table on 5.1 — and under partially implemented, the status, the we, is that the auditors who plan to do the follow-up?

Ms. Ferguson: — Yes it is. You know, as indicated by the deputy minister there. They have made progress since we've last had a look here, and so we'll looking at that in our next cycle of follow-ups here.

Mr. Forbes: — I just want to be clear about who's doing the work.

Ms. Ferguson: — Yes.

Mr. Forbes: — Great. Thanks a lot. Those are my questions.

The Chair: — Thanks, Mr. Forbes. Mr. Moe.

Mr. Moe: — So yes, I just, with listening to the first six recommendations I guess, in chapter 25 of 2011 report volume 2 . . . Oh sorry, no. Wrong one. Chapter 21 of 2010 report volume 2. We'll try that one. Do we want to deal with all six together? Because it does sound like there's compliance with all six of the recommendations. Do we want to deal with all six together, or do we want to slip . . . treat the Western Development Museum ones . . .

Ms. Ferguson: — Our office is fine with dealing with them all together, in that they have all been implemented from our perspective.

Mr. Moe: — Okay. If we want to deal with . . . So I would make the motion that with the 2010 report volume 2, chapter 21 with regards to Tourism, Parks, Culture and Sport, with recommendations by the Provincial Auditor 1 through 6, that we concur with the recommendations and note compliance.

The Chair: — Do we have a seconder? Oh we don't need a seconder. Okay. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. Now we are on to . . .

Mr. Moe: — We have one more here to deal with with this grouping of four. With regards to chapter 25 of the Provincial Auditor report 2011 volume 2, and we had had a question by Mr. Forbes with regards to the agreement that'll be, the intent is to be signed. And the auditor has looked at the wording of the agreement, so I would make the motion that we concur with the recommendation and note progress towards compliance with that recommendation.

The Chair: — Thank you for the motion. Does everyone . . . Okay. I need to repeat the motion here, that the committee recommend:

. . . that when the Ministry of Tourism, Parks, Culture and Sport renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry.

The motion is that it's been partially implemented, and so we concur and note progress. Is it agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thank you. Carried. Thank you, Mr. Hart. And I think those are all the recommendations that we have to deal with under Parks, Culture and Sport. Are there any final comments?

Mr. Hart: — I just have a couple of comments dealing with the capital asset planning and so on. I wonder could you just elaborate, when we're talking about capital assets in the parks, I wonder if you could just explain the type of assets that you have and assets that the auditor expressed concerns about asset use and so on. I mean, you know, the first thought that comes forward is, you know, camp sites and recreation facilities. But I'm guessing there's more that you manage. And if you could

just perhaps expand on that subject.

Ms. Gallagher: — So we in the parks have a whole variety of assets as you've outlined. Assets include infrastructure. So we may have water treatment. We may have sewage lagoons, those types of facilities, as well as we have administration centres. We have shower and washroom facilities. So it would run the full range of different assets that we have within our provincial park systems.

As you know, the parks have been around for a number of years, so the assets range in age and life expectancy. And so part of our work is to determine what are the top priorities for us for applying our capital dollars to make sure they go the furthest to meet visitor needs. Our priorities are generally to replace existing facilities where they're outdated and have met their life expectancy. We do keep a certain percentage of our capital funding for looking at new and emerging trends. We try to balance those. And our work right now is certainly to get an assessment of where all of our facilities are at and continue to prioritize, which we base that on a variety of . . . depending on the park, the level of visitation. We may have OH & S [occupational health and safety] concerns. We may have environmental concerns.

So we prioritize our capital plan, and it's developed with all of the input on all these different factors that we have to take into consideration.

Mr. Hart: — What is the value of your capital assets approximately throughout the parks system? Do you have that figure with you?

Ms. Gallagher: — Yes, I'll just double check, but I'm pretty sure . . .

Mr. Hart: — Sure. You know, it doesn't need to be exact.

Ms. Gallagher: — So 370 million including infrastructure.

Mr. Hart: — Okay great, so it's significant then and so on.

Ms. Gallagher: — Yes, yes.

Mr. Hart: — And I think I heard you say that you are working towards implementing this capital asset planning. And the recommendations that the auditor has outlined and that aren't fully implemented, you're working towards developing those kinds of plans and dealing with the capital assets as suggested in the auditor's report.

Ms. Gallagher: — Yes, we've always had a fairly robust capital management process, but to put some more rigour around identifying the age of the assets and having that in one collected area, we're working on that. We now have a manager for the program and we're acquiring a system to allow us to do that electronically. That's a very robust system.

Mr. Hart: — Good. Good, thank you.

[09:30]

The Chair: — Well thank you to the ministry officials for your

time today. It's much appreciated. And with that I think we'll take a quick recess in order to bring in the next set of officials. So thank you very much.

We're now on our second item of consideration here. We've got Saskatchewan Liquor and Gaming Authority. We'll be looking at several items here. We've got the 2011 Provincial Auditor report volume 2, chapter 19A; 2012 Provincial Auditor report volume 2, chapter 21; the 2013 Provincial Auditor report volume 2, chapter 22.

And on liquor procurement, we've got the 2012 Provincial Auditor's report volume 1, chapter 17; the 2013 Provincial Auditor report volume 2, chapter 47.

And on monitoring charitable gaming on reserves, we have the 2012 Provincial Auditor report volume 2, chapter 53.

And on responsible use of beverage alcohol, we will be looking at the 2013 Provincial Auditor report volume 2, chapter 46. So with that I'd like to pass it off to Ms. Ferguson for her comments.

Saskatchewan Liquor and Gaming Authority

Ms. Ferguson: — Good morning. Thank you, Madam Chair, officials, and members here. We're very pleased to present the results of the . . . Basically we've got seven chapters from four different reports. I've got with me this morning Carolyn O'Quinn who's responsible for the audits relating to Saskatchewan Liquor and Gaming Authority.

What we'd like to do is, before we launch into our presentation, is just to tell you how we're going to cover this presentation. We're actually going to break it down into three different parts. And what we'll do is we'll pause after each part to allow the committee to consider the new recommendations in that part as opposed to trying to tackle all seven chapters in one fell swoop. So I'm going to present the first part and Carolyn's actually going to present the two following parts.

So part 1, if you go to chapter 19 of our 2011 report volume 2, we report that Liquor and Gaming has implemented two of the recommendations relating to our 2006 audit of succession planning.

In chapter 53 of our 2012 report volume 2, we report that Liquor and Gaming has implemented three recommendations with respect to our 2010 audit of processes to monitor charitable gaming on reserves.

In chapter 19 of our 2011 report volume 2 and chapter 46 of our 2013 volume 2, we report that Liquor and Gaming has implemented the one recommendation and partially implemented the other recommendation relating to our 2006 audit of the processes to encourage responsible use for beverage alcohol.

So in that group there's one new recommendation that you'll find in chapter 19A of our 2011 report volume 1 on page 90, and it's at the top of the page. So just to recap, that recommendation actually flows out of our annual integrated audit for Liquor and Gaming.

The Chair: — Thank you, Ms. Ferguson. Now to the Saskatchewan Liquor and Gaming Authority officials, I'd like to welcome you here today and thank you so much for your time. I'll start by introducing Mr. Barry Lacey, the president and CEO [chief executive officer] of SLGA [Saskatchewan Liquor and Gaming Authority]. And if you would like to introduce the officials that you've brought with you today, that would be great. And then go ahead and make your comments.

Mr. Lacey: — Thank you and good morning. I'm fighting a little bit of a cold here today so I'll work through that hopefully this morning.

With me here today to my left I have Jim Engel, our vice-president of corporate services. And to my right is Lee Auten, vice-president of partnerships and supply management. And with me this morning in the back to my left is Tim Kealey, vice-president of performance management, and he's also SLGA's chief financial officer. Sitting next to Tim is Val Banilevic, our director of financial services. And my back right, Warren Fry, senior director of liquor and gaming partnerships at SLGA.

I'll keep my remarks fairly short here this morning, given the amount of work we have before us. We're pleased to be here this morning to discuss the various chapters of the Provincial Auditor's reports related to SLGA and later the Saskatchewan Indian Gaming Authority, as noted in the committee's notice of meeting.

Just with respect to the SLGA chapter that we're discussing right now, I guess I'll keep my remarks to SLGA accepts the Provincial Auditor's recommendations and their reports before you here today with respect to SLGA. We appreciate the work that's been done by the auditor, and we have addressed or are in the process of addressing all of the recommendations made in the auditor's reports. And with that I and my officials would be happy to answer any questions you have of us today. Thank you.

The Chair: — Thank you, Mr. Lacey. I'd like to open the floor to questions. Mr. Forbes.

Mr. Forbes: — Could you provide us clarity, which recommendation, when you were saying there was one . . .

Ms. Ferguson: — So if you go to the 2011 report volume 2, chapter 19A, page 390.

Mr. Forbes: — At the top of the page.

Ms. Ferguson: — Very, very top of the page.

Mr. Forbes: — Right.

Ms. Ferguson: — So the recommendation is that we recommend Liquor and Gaming follow its processes to control its bank accounts. And you'll find that later we report actually that they've implemented that recommendation.

Mr. Forbes: — I just have some questions about the ATMs [automated teller machines] and that will be addressed maybe further on, later on.

Ms. Ferguson: — The ATMs. Yes, it's in a separate piece, isn't it? Yes, it's actually in the series here. It's actually on page 387 of the same report, and we've actually recorded that they did implement that later on. So what we've reported is that in this report that there was a loss of 1.2 million. They recovered the insurance proceeds of point five million through insurance proceeds, and then later on they substantially recovered the rest of it.

Mr. Forbes: — Right. And you're satisfied with the progress they've made around . . .

Ms. Ferguson: — Yes, we are.

Mr. Forbes: — Monitoring ATMs and all of that, that area?

Ms. Ferguson: — We are. Yes, we are.

Mr. Forbes: — Okay. Good.

Ms. Ferguson: — We're good.

Mr. Moe: — Just with regards to the ATM question that Mr. Forbes had and that is on page . . . What page am I on here? 388, I believe. And that was a recommendation that was made in 2009 report volume 3, it says here. Is that correct? And in June 2010 PAC agreed. So that's been before this committee. And then with the follow-up audit, you've found that they're complied with?

Ms. Ferguson: — Yes.

Mr. Moe: — Okay. Thank you.

The Chair: — Further questions? Does anyone have any further questions? Okay. We will need to vote on the 2011 report volume 2, chapter 19A: "We recommend that the Saskatchewan Liquor and Gaming Authority follow its procedures to control its bank accounts."

Do I have a motion?

Mr. Moe: — I would make a motion that this committee concur with the recommendation and note compliance.

The Chair: — Okay. So it's moved by Mr. Moe that there's been concurrence, or that the committee concurs and he'd like to note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We will be moving on to the next portion now, and I'll hand it over to Ms. Ferguson again.

Ms. Ferguson: — Thank you very much. And actually I'm going to keep moving it down the table here to hand it over to Ms. O'Quinn.

Ms. O'Quinn: — Sure. I will be covering I guess part 2 of our presentation of the recommendations. And part 2 I guess focuses on the integrated audits, so this would be chapter 19A of our 2011 report volume 2 which Judy's already covered, chapter 21 of our 2012 volume 2, and chapter 22 of our 2013

volume 2. So these chapters would contain the results of our annual integrated audits for the fiscal years ended March 31st, 2011, 2012, and 2013. For each of these particular years, we have concluded that Liquor and Gaming's financial statements are reliable and that they've complied with relevant authorities.

In these chapters we also noted that by March 31st, 2013, Liquor and Gaming had implemented three prior recommendations related to improvements in the areas of assessing SIGA's [Saskatchewan Indian Gaming Authority Inc.] compliance with its operating policies, as mentioned, recovering losses from ATMs at SIGA casinos, registering of casino ATM suppliers, and it also made progress towards complying with its IT [information technology] policies.

So in chapter 21 of our 2012 report volume 2, we make two new recommendations. On page 156 of that chapter, we recommended that Liquor and Gaming develop and implement an enterprise risk management plan. The current gaming strategic plan does not include a formal risk assessment. If risks are not identified, documented, and mitigated to an acceptable level, Liquor and Gaming increases its risk of not meeting its organizational goals and objectives. We reported in our 2013 report, chapter 22, that by March 31st, 2013, Liquor and Gaming had not yet implemented this recommendation.

Also on page 156 of chapter 21 of 2012 volume 2, we recommended that Liquor and Gaming complete its review of SIGA's expenses on a timely basis. As part of its monitoring of SIGA, Liquor and Gaming's audit service branch annually reviews SIGA's expenditures to determine if they're reasonable, if they comply with approved policy, and if they have adequate business purpose. Liquor and Gaming's audit of SIGA's expenditures from October 1st, 2010 to September 30th, 2011 was not completed until September of 2012. More timely reviews would allow Liquor and Gaming to highlight specific concerns to SIGA sooner. We're pleased to note that as reported in our 2013 volume 2, chapter 22, by March 31st, 2013, Liquor and Gaming had implemented this recommendation.

In our 2013 report volume 2, chapter 22, we make one new recommendation on page 161. That recommendation is that Liquor and Gaming develop security policies and procedures for monitoring its information technology security. IT security policies and procedures should outline who is responsible to monitor and respond to security threats and security incidents, the level of response required, and the appropriate documentation required.

At March 31st 2013, Liquor and Gaming had not developed policies and procedures to formally monitor security and respond to issues when they arise. This increases the risk of unauthorized access to its IT systems and data without detection.

Now I'll pause for your consideration of the three new recommendations that I mentioned, and you'll find these recommendations on page 156 of our 2012 report volume 2 — there's two recommendations there — and page 161 of our 2013 volume 2, chapter 22.

[09:45]

The Chair: — Thank you very much. I'd like to open up the floor. Oh actually too . . . Do you have any further comments with respect to this?

Mr. Lacey: — No, I think I'll just stick with my overall opening comments with respect on many of the issues in front of us. We have addressed and implemented and recognize there are some outstanding recommendations that we're actively working on resolving, and I'll leave it to the committee to determine where best to use their time.

The Chair: — Thank you, Mr. Lacey. I'd like to open up the floor for questions. Mr. Forbes.

Mr. Forbes: — I just have some questions about the recommendation about developing and implementing an enterprise risk management framework and plan. So it's not implemented yet; that's what the auditor is reporting. But you've accepted that, it sounds like, so what is your plan? What are the parameters of your plan? Can you tell us a little bit about it and when you do anticipate having it in place?

Mr. Lacey: — Yes, thanks. We're currently . . . You know, maybe I'll back up and talk about risk and identifying risk and managing risk. You know, the piece that the Provincial Auditor has identified here is that we have not implemented a formal, structured framework in which to do this piece. I think the committee can appreciate that as issues come up, as initiatives come up, intrinsically you're managing risk and looking at ways in which to implement processes and procedures to mitigate that risk. But we need to do more work, and we recognize that is on putting a formal structure in place that documents that piece. And you know, that also ensures we recognize that you don't miss anything or a better chance you don't miss anything when you have a much more formal structure in place.

[09:45]

So we currently at SLGA are revamping our whole strategic planning process and our performance management processes at SLGA, and we see risk management and a broader enterprise risk management framework being integral and part of a broader strategic planning framework. So in fact we, you know, over the last six months, have been working hard in putting this new strategic planning framework in place. An enterprise risk management framework will be part of that or a subset of that.

And these things do take a little bit of time to get them right, especially when you're bringing in new processes and new frameworks. But my expectation is by the end of '14-15 — which is next fiscal, not too far off, three months off — that we will have addressed this recommendation.

Mr. Forbes: — Can you give me some examples what would be risks in your area?

Mr. Lacey: — There can be, you know, a broad number of risks. Obviously we're a heavy cash-based business and we have product that is very transferrable. So obviously ensuring that we have good processes, both internal controls but also monitoring processes would be a good example of that piece.

More broadly, you would have risks with respect to our relationship with our third party service providers, whether that be WCLC [Western Canada Lottery Corporation] who runs our video lottery terminal with us, and with the Saskatchewan Indian Gaming Authority who we have a relationship with with respect to the six First Nation casinos. Associated with those obviously are risks around those relationships. You have reputational risk. So I would say, more broadly, there's a lot of risks associated with it.

You know, we're beginning a new warehouse capital project. It's a fairly significant project. So there's risks with respect to large capital projects and ensuring that those projects are built within the scope of what you intended within the time frame and within the cost piece. So it's fairly broad and fairly encompassing.

You know, I do have to admit we have been looking at a risk management framework for some time now. I think the Provincial Auditor's report does note that we, you know, beginning in 2010 we started to more formally look at this piece. And one of the challenges is, is how deep do you want to go into the organization with that risk management framework? Do you want to keep it at a strategic level or do you drive a formal piece right down into the front line? And there's a cost benefit to that piece, to be quite frank, because you can incur substantial cost and time with respect to developing and monitoring that framework.

So I'll be honest. That's part of the piece that we need to work through in the next year here is to look at how deep we want to go and ensure that we are appropriately mitigating our risks at the right level. It's a long answer. Sorry about that.

Mr. Forbes: — It's a very important one and hugely, so I appreciate the answer. And I'm just wondering if other provinces, provincial liquor organizations have . . . Have you looked at other provinces? Do they have this kind of pieces, this kind of . . .

Mr. Lacey: — Yes, thank you. I'm told that we haven't done anything formally to date yet, but there are opportunities for officials from the various liquor jurisdictions to get together. There's various subcommittees, and I'm told that at least verbally we've been talking about what they have in place and how they manage risks.

Mr. Forbes: — And then I guess I just would like you to reflect a moment on the recommendation that's on page 161, the recommendation “. . . develop security policies and procedures for monitoring information technology security.” What kind of steps do you anticipate that you'll be looking at there?

Mr. Lacey: — Thank you for that. And I'll ask Mr. Engel to start that off for us.

Mr. Engel: — Thank you and thank you for the question. Of course the information technology area is constantly evolving and moving very quickly. So we do in fact have policies in place, although we appreciate that they're not as up to date as they need to be, and as well that we haven't fully implemented some of them in terms of . . . For example we have policies in place that require collection of data that needs to be monitored.

And we're not doing as good a job in doing some of that monitoring as we should be.

So it's not to say that we don't have a structure in place to deal with IT security risks. We take the auditor's perspective to heart and understand that we could be doing better, and we need to do better than we have been. So some of those, you know, specific risks are things . . . For example we, on any given day, any given week, about 70 or 80 per cent of the email coming into our system is actually turned away and it's blocked by our various firewalls and virus detection software and so on. So using that as an example, we know that we have a fairly high success rate in terms of blocking.

Again it's a staggering amount of email that comes into an organization that is not intended for any defined business purpose. It's spam or solicitations or whatever other things might be coming in. We're not doing as good a job in monitoring the logs of that material that's being turned away. Again in a perfect world, you would be looking at the logging of those messages that are turned, that are blocked and looking if there's any systemic issues there, whether . . . I'm told you can actually identify if someone is making a systemic attempt at trying to hack into your system, for example.

So it's that sort of monitoring where we are again not doing as well as we could be or should be. But those are the types of things that we have to do a better job at in the future.

The Chair: — Thank you, Mr. Forbes. Mr. Moe, you had some questions?

Mr. Moe: — I was just going to, I guess to stay on this recommendation that we were on on page 161, I read the recommendation: "We recommend that the Saskatchewan Liquor and Gaming Authority develop security policies and procedures for monitoring information technology security." And you had indicated that you do actually have a policy in place. It just needs improving; is that what I hear there?

Mr. Engel: — The last major security review we did was in 2008. It was a security infrastructure program implementation, or SIPI is the acronym for that. But again in this particular environment because the nature of information technology and the nature of threats related to information technology change so rapidly, you know, again we appreciate that this becomes almost an annual exercise of having to update policies and monitoring processes. So again we appreciate we are not doing as well as we could.

Mr. Moe: — Okay. Just trying to think how we'll word a motion on that. If maybe the auditor would have some comments.

Ms. Ferguson: — [Inaudible] . . . critical as, you know, as Mr. Engel had indicated, like a critical actually security policy would be that there is an expectation for a regular review. You know, some organization, it is actually requiring an annual review. Some organizations, depending on what risks they're facing from an IT perspective, that may be a different time frame than that.

So it's those types of things that, you know, we would be

envisioning for this organization to have.

Mr. Moe: — It just made sense to me, the policies and procedures for monitoring the information and technology security as opposed to the actual plan.

Ms. Ferguson: — Yes.

Mr. Moe: — Okay. So and then back to recommendation no. 1 on 156: "We recommend the Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan." It looked like this recommendation has been made and there's been some thought that has gone into it. And possibly if we were here in 2014, you had said that you should have a plan in place. If we were here a little later, you'd probably have some progress on that, but at this point there would be no progress on that. Am I correct in saying that in those comments?

Ms. Ferguson: — You could probably note progress.

Mr. Moe: — Note progress?

Ms. Ferguson: — Yes.

Mr. Moe: — Okay. And then with respect to recommendation no. 2, also on page 156. I didn't . . . Could you possibly give us some clarification as to progress or implementation on that?

Ms. Ferguson: — If I may assist on that one?

Mr. Moe: — Sure.

Ms. Ferguson: — If you actually turn to our 2013 report volume 2, the chapter 22, page 162, you'll find actually the status at the end of March for both of those recommendations. And for the bank reconciliation one, our office is — the monitoring of the SIGA's expenses on a timely basis — our office is satisfied that they have met that recommendation.

Mr. Moe: — Okay.

The Chair: — Mr. Hart.

Mr. Hart: — So just to be clear then, so the only outstanding recommendation in this part is the one dealing with the "implement an enterprise risk management." Is that the only one that you feel is outstanding, that hasn't been implemented?

Ms. Ferguson: — From our 2012 report, yes, that's correct. And we do have the recommendation with respect to the one that we just discussed under the terms of security policies.

Mr. Hart: — Okay. Okay.

The Chair: — So we have three recommendations on which we need to vote. So with respect to the 2012 . . . Oh sorry. Any further questions? Mr. Moe.

Mr. Moe: — I'd be prepared to make a motion on these recommendations here now. With respect to the 2012 auditor report, Provincial Auditor report volume 2 on page 156, "We recommend that the Saskatchewan Liquor and Gaming

Authority develop and implement an enterprise risk management framework and plan,” that we concur with the recommendation and note progress.

The Chair: — It’s moved by Mr. Moe that the committee concur with the recommendation and note progress.

An Hon. Member: — It’s agreed.

The Chair: — Agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Sorry. The second recommendation?

Mr. Moe: — On the second recommendation in the same chapter that states, “We recommend that Saskatchewan Liquor and Gaming Authority complete its review of Saskatchewan Indian Gaming Authority’s expenses on a timely basis,” that this committee concurs with the recommendation and notes compliance.

The Chair: — So for 2012 report volume 2, chapter 21, recommendation no. 2, Mr. Moe has moved that the committee concur and note compliance with recommendation 2. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. And now we have the 2013 report volume 2, chapter 22. We have one recommendation that we need to deal with. Do I have a motion? And what are the committee’s wishes?

Mr. Moe: — Just do a . . . on this one here, we noted we didn’t think there was progress on that. Is that correct? So with regards to chapter 22 . . . Am I in the 2013 Provincial Auditor’s report?

The Chair: — Yes, 2013.

Mr. Moe: — Recommendation number one, “We recommend that Saskatchewan Liquor and Gaming Authority develop security policies and procedures for monitoring information technology security,” that we concur with the recommendation and . . . just concur with the recommendation.

The Chair: — Okay. So for the 2013 report volume 2, chapter 22, recommendation 1, Mr. Moe moved that the committee concur with the recommendation. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. So now we will move on to the third part of the SLGA report, and I will pass it off to Carolyn O’Quinn.

[10:00]

Ms. O’Quinn: — So as noted, I’ll move on to discussing the results of our audit relating to the effectiveness of Liquor and Gaming’s liquor procurement processes. So in our 2012 volume 1, chapter 17, we concluded that for the year ended February 29, 2012, Liquor and Gaming had effective processes to procure

liquor except in certain areas. We made seven new recommendations as a result.

In our first recommendation, on page 147, we recommended that Liquor and Gaming make its procurement and pricing policies public and provide the breakdown of liquor price. In our 2012 audit we noted that Liquor and Gaming’s pricing policy was not made public. The public did not know how liquor was priced and how much of the retail price of a liquor product is related to the cost of the product and how much is comprised of taxes and mark up. We believe that making this information public demonstrates good government transparency.

We’re pleased to note, as reported in chapter 47 of our 2013 report volume 2, Liquor and Gaming had implemented this recommendation by posting its pricing policies on its website in September of 2013.

In our second recommendation, on page 151, we recommended that Liquor and Gaming document what it uses and how it uses information it has to ensure that its product selection meets customer needs. While we noted that management does monitor customer demand — including use of periodic satisfaction surveys, analysis of sales data, receiving supplier-driven research, and operation of a special order desk — Liquor and Gaming had not documented its specific objectives related to product mix or to meeting customer demand.

An overall documented strategy would ensure Liquor and Gaming aligns its liquor procurement with customer demand. As reported in chapter 47 of our 2013 report volume 2, Liquor and Gaming had not yet implemented this recommendation. It is currently reviewing its product selection, and we understand it plans to integrate customer feedback and sales data into its product selection process in 2014.

In our third recommendation on page 152, we recommended that Liquor and Gaming develop written procedures for staff to use to objectively select liquor purchases. Although Liquor and Gaming did have selection criteria when deciding to list products, it had not provided staff with guidance on how to apply these criteria in an objective way. Without formal written procedures, there’s a risk that Liquor and Gaming does not list products based on the best value to the organization. As reported in chapter 47 of our 2013 report volume 2, Liquor and Gaming had not yet implemented this recommendation. We understand that it is developing a new product scoring tool for implementation in 2014.

On to our fourth recommendation on page 153. We recommended that Liquor and Gaming’s listing committee keep minutes supporting its decisions on product listings and delistings. Liquor and Gaming’s listing committee is responsible to objectively assess and approve new product listings, approve existing product changes, and to hear supplier appeals regarding listing and delisting decisions. This committee did not keep minutes of its meetings or key decisions. Minutes are useful support should listing decisions be challenged. As reported in chapter 47 of our 2013 volume 2, Liquor and Gaming had implemented this recommendation in that the committee started keeping minutes and records of its decisions in December of 2012.

In our fifth recommendation on page 154, we recommended that Liquor and Gaming formally evaluate new liquor products and share the written results of those evaluations with unsuccessful suppliers. Liquor and Gaming did not have a formal process to assess product applications. We found little documented rationale for some new products selected. Also the feedback that was provided to the unsuccessful suppliers was generic and did not give sufficient information to those suppliers. That is, it did not provide specific reasons as to why their product was not selected.

As reported in chapter 47 of our 2013 volume 2, Liquor and Gaming had not yet implemented this recommendation. We understand that once Liquor and Gaming has implemented its new product scoring tool, it plans on providing the scoring results to the unsuccessful suppliers.

In our sixth recommendation on page 154, we recommended that Liquor and Gaming obtain formal assurance that liquor products in Saskatchewan are safe to drink and that they contain their stated alcohol content. Liquor and Gaming did not conduct chemical analysis on liquor products to make sure that its products were safe to drink and that they contain their stated alcohol content. Instead it relied on the fact that analysis is done in other Canadian jurisdictions and many of the products that are sold in Saskatchewan are sold in other jurisdictions. Liquor and Gaming did not have a written agreement with these other jurisdictions to perform such product testing. As reported in chapter 47 of our 2013 volume 2, Liquor and Gaming had not yet implemented this recommendation. We understand that Liquor and Gaming is currently developing a quality assurance policy for review and approval in 2014.

In our seventh and final recommendation, we recommended that Liquor and Gaming develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality. Because, as noted earlier, Liquor and Gaming had not defined its product needs in terms of product mix and did not set sales targets for products or specific product categories, it could not monitor if the product mix met customer demand or if liquor sales were meeting their targets. As reported in chapter 47 of our 2013 volume 2, Liquor and Gaming had not yet implemented this recommendation. It indicated it is currently planning to develop and document complete procedures for monitoring product performance.

I'll now pause for consideration of these seven new recommendations by the committee. You'll find that the recommendations were initially made in our 2012 volume 1, chapter 17, on pages 147 to 155. All of these recommendations are repeated in our 2013 volume 2, chapter 47, along with their status up to September of 2013. So the committee may find our 2013 report easier to use when considering these recommendations.

That concludes our overview.

The Chair: — Okay. I'd like to open it up . . . Thank you, Ms. O'Quinn, and I'd like to open up the floor for questions. Mr. Forbes.

Mr. Forbes: — I'm just wondering if the officials have any response to this.

Mr. Lacey: — As the Provincial Auditor has noted in their 2012 report, there were seven recommendations in total related to this area. Two we have implemented, and the other five we are actively working on implementing policies and procedures to fully address the other five. And maybe I'll just leave it there and we can . . . this particular area.

Mr. Forbes: — The auditors referred to the next chapter that we're going to review as maybe shining more light on this.

Ms. Ferguson: — That's quite correct. As Carolyn referred to, in our 2013 volume 2, if you go to chapter 47, you'll find that we provided the status of the recommendations there. And as Mr. Lacey has noted, they have implemented two of the seven recommendations, recommendation 1 and 4. And then the other recommendations, they haven't quite . . . They haven't implemented them at the date of our review here, but they are working towards that implementation.

The Chair: — Okay. Any more questions? Oh, Mr. Forbes.

Mr. Forbes: — Will we have a chance to ask questions on that chapter, or should I ask my questions now?

The Chair: — You should ask them now. I think they're . . .

Mr. Forbes: — Okay. Because I find it's a very interesting chapter, and there's a lot of interesting things in terms of . . . I'm curious because of the comments that were made around objective selecting liquor purchases. And how does it work in terms of locally made wine and beer? And I don't know how that works within, or how do you deal with . . . Because we're starting to see, you know, a bit of a provincial wine development. And how are they accessed within the liquor boards? And also beer. You sort of have two levels. And actually I've had a long conversation with Great West about this because their sort of fit between that niche of they're not a craft beer but they're not the two big beer companies in the world. Which I didn't realize at all — beer basically is made by two companies in the world. So how does that fit? Because I think this is important to Saskatchewan people.

Mr. Lacey: — Thank you very much. Maybe I'll just make some general comments, and if there's some detailed ones I'll turn it over to Lee. You're quite right. Especially in the last two or three years, we've seen a number of microbreweries, a couple microbreweries opening up here in Saskatchewan, some microdistilleries. And we have a couple of cottage wineries here in the province. So if you probably went five years ago, you wouldn't have seen the number in the marketplace that we see here today.

So maybe I'll answer at a high level, your question, by making two points. The first off is obviously, products made in Saskatchewan, oftentimes there's an interest by the Saskatchewan residents in those type of products. So if the micromanufacturer has an interest in listing their products to us, we certainly are interested in receiving their applications for that. And that would go through our normal listing process that's been described in this report. But we certainly are interested in seeing any provinces that these individuals, you know, wish to sell through our retail network system.

The second point I would make is, if you're a small manufacturer like some of the microdistilleries and some of the microbreweries that we have here, they also have the ability to sell their product through their front door. And so I guess I'm raising that comment because sometimes for some of their products they choose not to list through us. And that's in part because we apply a markup obviously to their product that sits on our store shelves. Now it is a much reduced markup for microbreweries and microdistilleries.

So I guess the second point I'm trying to make here is, first off, if they're interested in listing with us, we're interested in having their application and reviewing the application on that product. Secondly though, it really is those micromanufacturers' decision what they choose to list for us and not list for us. So I know for example some of our cottage wineries, they will sell through their product, all of their product through their front doors or at their cottage winery.

I do know, I think we carry one or two of their products in our store system in select stores, like Swift Current, for example, with the cottage winery out there by Maple Creek. We do have a couple of products in our store because of the tourism going through there and the knowledge that that cottage winery exists out there, but the reality is for example in that case, they sell most of their product all through their front door and as a result they don't access our retail channel that much.

But there are others, like Great Western and a new brewery — I think they just opened here in Regina, for example, the District — who we've just recently put their product on our shelves a couple of weeks before Grey Cup when they were ready to go there.

So that's kind of a very high level piece. If there's more detailed, if you'd like to delve into it a little bit more, I'd be happy to do so.

Mr. Forbes: — I could spend all day talking. No, but I won't. But I am curious. There's a couple of things. I think the federal government House of Commons passed a private member's bill about allowing wine to flow, larger amounts of wine between each province. And some provinces see this as a great thing; others don't see this as a . . . because of the impact it has on liquor boards. Are you familiar with what I'm talking about?

Mr. Lacey: — Yes, we are.

Mr. Forbes: — Is that an issue here for your procurement and the impact on . . .

Mr. Lacey: — I don't know if I'd characterize it as an issue. Obviously it is something that's changed our environment, or something in our environment that has changed. What you're referring to is about a year, a year and a half ago, the federal parliament changed the federal law that relates to alcohol and the transportation of liquor into and amongst provinces. Having said that, there's provincial laws in place as well that govern that. And so while that law more broadly federally has changed, there still is a prohibition with respect to the transportation of alcohol into the province with the exception of limited quantities that can be brought into the province on your person. So for example, an individual can bring a case of wine, as an

example, into the province on their person — into the province of Saskatchewan.

I would say that, you know, this is a piece that there's ongoing dialogue around the piece. Most provinces have laws in place very similar to ours. And so the vast majority of provinces, there has not been much change even though that federal piece did change a year ago.

Mr. Forbes: — All right. And my last one, just the implication of CETA [Canada-European Union Comprehensive Economic and Trade Agreement] on French wines. Are you . . .

Mr. Lacey: — Sorry. CETA?

Mr. Forbes: — CETA.

Mr. Engel: — I can offer a couple of comments on that. So that's the trade agreement that is currently close to being completed, but I don't believe has yet been completed between the federal government and the European Union. So certainly, you know, we are aware that Saskatchewan trade officials have been actively involved in that process, as trade officials from all provinces across Canada. In terms of the details yet about, you know, what implications that might have for specific products, at this point we don't know. It is possible that our trade counterparts might have some knowledge of that.

You know, the one observation I would make is that imported products coming into Saskatchewan, regardless of their point of origin, we are completely trade compliant in all of our existing practices. So there actually are no additional impediments to products coming from France for example, to use that as an example. The markup that we apply to French wine is the same as the markup we apply to Canadian wine or American wine. So there isn't, from our practices as a wholesaler and a retailer, we don't have anything systemic in our system that disadvantages products from any place around the globe. Okay?

[10:15]

The Chair: — Mr. Forbes, are there any further questions? Mr. Moe.

Mr. Moe: — I'd be prepared to make some motions on these. Is there seven?

The Chair: — We have seven recommendations with which we need to deal.

Mr. Moe: — I'll maybe deal with them individually as we run through them.

The Chair: — Okay.

Mr. Moe: — So with regards to the 2012 Provincial Auditor's report volume 1, chapter 17, with recommendation no. 1, "We recommend that Saskatchewan Liquor and Gaming Authority make its procurement and pricing policies public and provide a breakdown of liquor price . . ." I would make a motion that we concur and note compliance.

The Chair: — Note compliance. Okay. So on the 2012 report

volume 1, chapter 17, recommendation no. 1, Mr. Moe moves that the committee concurs with the recommendation and notes compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Moved. Recommendation no. 2. Do you have a motion to the committee's wishes on recommendation no. 2?

Mr. Moe: — With regards to recommendation no. 2, I didn't hear if there was progress on that recommendation. Do they have any comments on that?

Mr. Lacey: — Progress is being made on that recommendation.

Mr. Moe: — So with regards to recommendation no. 2, I would move that this committee concur with the recommendation and note progress.

The Chair: — So on 2012 report volume 1, chapter 17, recommendation no. 2, Mr. Moe has moved that the committee concurs and notes progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Recommendation no. 3. What are the committee's wishes?

Mr. Moe: — Again I would just ask if there has been any progress made with regards to recommendation no. 3.

Mr. Lacey: — Yes, progress is being made on recommendation no. 3 before you.

Mr. Moe: — So I would make the motion that this committee concur with recommendation and note progress.

The Chair: — So on the 2012 report volume 1, chapter 17, recommendation no. 3, Mr. Moe has moved that the committee concurs and notes progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Recommendation no. 4.

Mr. Moe: — I would make a motion that this committee concur with recommendation no. 4 and note compliance.

The Chair: — So 2012 report volume 1, chapter 17, recommendation no. 4, Mr. Moe has moved that the committee concurs and notes compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. Recommendation no. 5.

Mr. Moe: — Again on recommendation no. 5, I don't think it's concurred with, but would there be progress that has been made on recommendation 5?

Mr. Lacey: — Yes. For the remaining recommendations 5, 6, and 7, we're actively working on addressing the remaining 5, 6,

and 7 recommendations.

Mr. Moe: — I'd be willing to lump recommendations 5, 6, and 7 together then and make a motion that we concur with the recommendations and note progress towards compliance.

The Chair: — Okay. So on report 2012 volume 1, chapter 17, recommendations 5, 6, and 7, Mr. Moe has moved that the committee concurs and notes progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So I think that that deals with all our recommendations under SLGA. So thank you, Mr. Lacey, and your officials here today. We appreciate your time. Oh, and I guess you're still here, so we don't have to . . . My apologies, I should look at the next thing on the agenda.

So we will move on now to our next agenda item, which is Saskatchewan Indian and Gaming Authority. We will be looking at several chapters here. We will look at 2011 Provincial Auditor's report volume 2, chapter 19B; the 2012 Provincial Auditor's report volume 2, chapter 20; 2013 Provincial Auditor's report volume 2, chapter 21; IT threat and risk assessment, the 2012 Provincial Auditor report volume 2, chapter 35. So with that, I would like to pass it off to our Provincial Auditor, Ms. Ferguson.

Saskatchewan Indian Gaming Authority

Ms. Ferguson: — Thank you, Madam Chair, officials, and members. I continue to be joined by Ms. O'Quinn here, the principal that's primarily responsible for the audit of SIGA here. And as indicated by the Chair, we're presenting four chapters from three different reports.

We're going to report the results of our annual integrated audits for the years ending March 31st, 2011, 2012, and 2013, and our audit of SIGA's IT threat and risk assessment processes. The chapters include four new recommendations for the committee's consideration, and they all relate to SIGA's IT threat and risk assessment processes.

Carolyn's going to present these chapters in two parts. She's going to first talk about the integrated audits, which doesn't have any new recommendations, and then secondly about the performance audit on the threat and risk assessment. Ms. O'Quinn.

Ms. O'Quinn: — Thank you. I'll start with a brief overview, as Judy mentioned, of our annual integrated audits for the years ended March 31st, 2011, 2012, and 2013.

For our integrated audit work, we work with SIGA's appointed auditor, which is Deloitte, in order to form our opinions. For each of these years, we concluded that SIGA's financial statements were reliable and that SIGA complied with related authorities. We also noted progress that SIGA had made in addressing seven prior recommendations related to improvements in the area of planning, controlling access to its IT systems and data, and following its policies to control capital assets. We do not make any new recommendations as a result of our integrated audits.

In our 2011 volume 2, chapter 19B we report that four of the seven prior recommendations had been partially implemented,

with three not yet implemented.

In 2012 volume 2, chapter 20 we report that SIGA had implemented our recommendation related to following its computer password setting policy, and we noted that it made some progress on the remaining six recommendations. In 2013 volume 2, chapter 21 we report that SIGA had implemented the recommendation relating to its IT strategic plan and it had made progress on the remaining five recommendations.

I'll now shift over to where the new recommendations reside, which is in the 2012 report volume 2, chapter 35. SIGA has significant investment in IT to operate its casinos, head office, and its ancillary operations. In chapter 35 we set out the results of our audit of the effectiveness of SIGA's IT threat and risk assessment processes for the six-month period ended August 31st, 2012. We concluded that SIGA's IT threat and risk assessment processes were not effective, and as a result we made four new recommendations for the committee's consideration.

In our first recommendation, on page 309, we recommended that SIGA fully document and approve its plan for assessing the risks to its business from vulnerabilities to its information technology systems. While SIGA's IT security policies appropriately included a requirement to analyze threats and risk and develop mitigating controls, it did not have a fully documented IT threat and risk assessment plan. A documented plan would include such things as timelines, expected participants, scope, and the plan steps.

In our second recommendation, on page 310, we recommended that SIGA follow its policies by documenting its analysis of the impact and likelihood of IT risks and develop responses for significant IT risks. We found that SIGA had identified IT assets and their value and had undertaken several initiatives to assess IT threat and risks. However, it had not developed responses for all of the identified risks. Its IT security policies appropriately expected it to do so. Without determining the likelihood and impact of those risks and the planned response to those risks, SIGA does not know if it has sufficiently addressed its significant IT risks.

In our third recommendation, on page 310, we recommended that SIGA report to its senior management the impact of those significant IT risks, the responses taken for those risks, and the estimated residual risk. The report SIGA provided to its management regarding its IT threat and risk assessments lacked an analysis of the impact of those identified risks, its responses, and the estimated residual risks. SIGA needs this information to help its senior management determine if the responses to IT risks are sufficient.

In our fourth and final recommendation, on page 311, we recommended that SIGA assess the effectiveness of its IT risk assessment processes and monitor its significant risks on an ongoing basis. SIGA had not reviewed the effectiveness of its IT threat and risk assessment process, nor had it set out how it plans to monitor its IT risks on an ongoing basis. Assessing the operating effectiveness of mitigating controls and the monitoring of risks on an ongoing basis helps ensure that those risks are effectively addressed and it helps to determine if the level of acceptable risk is still appropriate for SIGA.

In summary, our 2012 volume 2, chapter 35 on pages 309 to 311 includes four new recommendations for the committee's consideration related to SIGA's IT threat and risk assessment process. That concludes our overview.

The Chair: — Thank you Ms. O'Quinn. Mr. Lacey, do you have any comments that you'd like to make before we open the floor for questions?

Mr. Lacey: — Yes, just a few short comments. I've had a little change in officials here with me. It's the same as our previous item before us with the exception that Ms. Lee Auten had to leave. And to the right of me now is — we've had a shuffling of chairs — Mr. Warren Fry. Just with respect to the SIGA chapters before you, both SLGA and SIGA accept the Provincial Auditor's recommendations and SLGA remains committed to working with SIGA in addressing the outstanding recommendations noted here today. In the past SIGA has demonstrated a willingness and an ability to address the issues raised by the Provincial Auditor, and we're confident that SIGA will continue to work towards addressing the most recent recommendations raised here with you today. With that, we'd be happy to answer any questions the committee has of us.

The Chair: — Thank you. I'd like to open up the floor for questions. Mr. Moe.

Mr. Moe: — Just in regards to these four recommendations, they are for the Saskatchewan Indian Gaming Authority, and so as far as commenting on progress that has been happened with any or all of these recommendations, you wouldn't really be able to comment on that at this time then?

Mr. Lacey: — Well we obviously are working closely with SIGA so, you know, I think we can provide the committee some perspective on where they're at.

Mr. Moe: — Sure.

Mr. Lacey: — I think it's fair to say that when we had talked about the SLGA IT security piece, very similar, as Jim had noted here.

This is a constantly evolving piece of work with respect to new technology being introduced into the workplace all the time, changes in computer applications, which then result in further security considerations need to be undertaken. So you know, it's fair to say that this is not an easy piece of work. This is a fairly complicated piece of work to get it right. It does take time to be able to work through these issues. And in our discussions and work with SIGA, they certainly see the need to and agree that improvements need to be made in the areas identified, and are actively working on addressing and ensuring that their overall plan and policy addresses all aspects of pieces that are currently missing as noted in the auditor's report.

Mr. Moe: — Thank you.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. Mr. Lacey, I wonder if you could just briefly explain the relationship of SIGA with your organization. I understand you have agreements in place

and ultimately your organization is responsible for the things that happen in SIGA and their operations. They report to you then, is my understanding.

I wonder if you could just kind of, you know, expand on that general relationship that you have, and then perhaps you could zero in as to what it is you are doing to assist SIGA in this whole area of information technology.

Mr. Lacey: — Well, thank you very much for that question. And perhaps I'll ask Jim to kind of walk through that framework with us.

Mr. Hart: — Sure.

[10:30]

Mr. Engel: — Thanks, Barry, and thanks for the question. So to establish the relationship between SLGA and SIGA, I'll actually take the members very briefly back to the Criminal Code of Canada. What the Criminal Code says is that basically gambling is illegal unless there are certain elements that are allowed through the Criminal Code.

One of the provisions of the code is that electronic gambling, that's not the language the Criminal Code uses, but as we would commonly understand electronic gambling — so slot machines, VLTs [video lottery terminal], those types of devices — can only be conducted and managed, and again that's the language the Criminal Code uses, by a provincial government.

So what that requires is that whenever slot machines or VLTs are in operation, there has to be a provincial agency that has conduct and management oversight for those slot machines. So that is one part of the genesis of the relationship between the province and the FSIN [Federation of Saskatchewan Indian Nations] and SIGA.

And then what happened with that sort of background of the Criminal Code in place, in the mid-1990s the province entered into an agreement with the Federation of Saskatchewan Indian Nations, or the FSIN, that the FSIN would establish an organization, which became SIGA, to be a casino proponent on behalf of all First Nations in the province. So as a result there's that political arrangement, the gaming framework agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations. And then a related agreement, there's a second operating agreement between SLGA and SIGA. So the premise or the rationale for all of that agreement structure that's in place is the Criminal Code and the Criminal Code requirements. And then the operating agreement that is in place between SLGA and SIGA outlines basically the relationship between SIGA and SLGA.

So we have a legal obligation to be the conduct and management agent for those slot machines. So we have to be fairly significantly involved in the day-to-day functioning of those slot machines and the structure around them. What SIGA does effectively is provide the operating environment around what are the province's slot machines. So that's why that ongoing relationship between SLGA and SIGA. So I'm not sure if that is helpful for context.

Mr. Hart: — So just to follow up then, what's your responsibility to assist SIGA in managing its information and technology and some of the shortcomings that the auditor has identified? And what are you doing to fulfill those responsibilities?

Mr. Engel: — So with respect to the IT obligations, similar to other . . . You know, in the past there have been recommendations from the auditor around financial controls and procurement and other things at SIGA as well. And I think from our perspective, our approach and our responsibility is very consistent with those other issues where we see ourselves being in a partnership relationship with SIGA and First Nations around the operation of those casinos. So we don't necessarily view it as . . . You know, the recommendations are made by the Provincial Auditor and they pertain specifically to SIGA, but we see ourselves as having a partnership relationship with SIGA to work together to accomplish the better management practices that the auditor identifies from time to time.

Mr. Hart: — Thank you. Thank you for that.

The Chair: — Are there any further questions? No further questions. We have four recommendations with which we need to deal in the 2012 report volume 2. So with respect to the first recommendation, what are the committee's wishes?

Mr. Moe: — I would just, if I could ask the Provincial Auditor for just a moment with regards to these four recommendations when there is, you know, assessments and policies that are in place and then there's a recommendation done that says that we should increase the assessment or the policy, at what point does this committee consider progress on that type of a recommendation?

Ms. Ferguson: — Well at this point in time our office hasn't done a follow-up of the recommendations. So actually we're not able to comment as to whether SIGA has made progress. As you know, we tend to wait a couple of years, two to three years, to give the organization a chance to do that. In terms of what would be progress, assessing progress, I think basically you'd have to defer to Liquor and Gaming, of which you've already . . . [inaudible].

Mr. Moe: — Because this is a fluid environment when it comes to these IT controls and like you say, on annual basis or maybe even more often than that, you're always trying to improve your control measures. And we're measuring it at a point in time and expecting it to go here.

Ms. Ferguson: — I guess what we're saying is in this area, you know, they need to formalize things more so than they currently do. There's a number of areas where they need to actually better document their rationale for doing certain things and what they're finding. So we're saying that, you know, and they haven't met that basic benchmark as yet at this point and at the point in time that we've done the audit. And so it's, you know, you're quite correct. The area of IT requires a continual look, right? And what we're seeing is that this organization, you know, needs to actually get to the point A so it can do the continual look for the point B.

Mr. Hart: — So, Madam Chair, to the auditor: so as far as the

level of risk in this area with SIGA, what should your assessment be? I mean as discussed, it's an ongoing process to continual upgrade with all the new risks that are involved and so on. But overall what level of vulnerable risk would there be at SIGA? Is it a serious risk or is it something that you've identified but you feel fairly secure that their present capabilities provide minimal risk? Could you give us a sense of what level of risk we're looking at here?

Ms. Ferguson: — I certainly can. Actually what I'll do is I'll refer you to page 307 in chapter 35. And you'll find that in our conclusion we're saying that their processes are not effective, and so that's telling you it is a higher level of risk. So if we say effective except for these particular areas, that kind of lowers it a bit. In this case it's, they're not effective. So they're not making that basic benchmark, you know. So you know, it's that part A, part B thing that I just referred to. You know, we're saying they're not at part A. They're not operating where this type of organization is expected to operate. As was indicated by Liquor and Gaming, the president of Liquor and Gaming, we find in the past SIGA has been very receptive to these types of recommendations. They've accepted these recommendations and we do understand that they're working on them. As an audit office, we haven't had the opportunity to go back and have a look as yet.

Mr. Hart: — So then just a follow-up to Liquor and Gaming, just to summarize then, where is SIGA at as far as addressing these then? I know we've talked about it but maybe you could capulize it specifically with regards to this IT area.

Mr. Lacey: — Thank you. Perhaps just when we're talking about IT at SIGA, I'm going to introduce just another piece here. A lot of the . . . I'll backtrack. With respect to the slot machines and the operation of the slot machines, those slot machines are owned and operated by SLGA through WCLC. The pieces that we're talking about here relate to ancillary IT systems that SIGA would have to run its business, so that would include their financial system as an example. It might include their payroll systems; it might include their player club system as well, right, to track players, etc. So what we're talking about is all those ancillary systems not directly associated to the integrity of the actual slot machines, which we operate through WCLC and who do have a disaster recovery and an IT security plan in place around those pieces.

SIGA, you know, is actively working on this piece. As I mentioned, these things don't necessarily come together overnight. This report was made in the fall of last year so it's been about a year. So over the course of the last year, SIGA has been putting a plan together on how it might address these four recommendations that are before you here today. So we are aware through discussions with them the progress they are making in putting that plan together. In our discussions with them and from the work that we've seen them done, we have confidence that they do take the recommendations seriously. And in looking at their initial plan that they've put together here, it's our understanding that they're trying to target to get all of these pieces addressed by the end of next fiscal, which is '14-15.

Mr. Hart: — Thank you for that. That's most helpful.

The Chair: — Are there any further questions before we move on to voting on the recommendations? No further questions?

Mr. Moe: — I would make a motion. And I would like to thank you for those comments as well. That brought some clarification of these four recommendations by the Provincial Auditor's office. And I think we can deal with all four in one recommendation of this committee and I would move that this committee concur with the recommendations and note progress towards compliance.

The Chair: — Okay. For the 2012 report volume 2, chapter 35, dealing with the recommendation 1 to 4 as a whole, Mr. Moe has moved that this committee concurs with the recommendation and notes progress to compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. With respect to that, we are now complete with the folks from SLGA. So thank you so much for your time again. And we'll take a short recess to bring in the next officials. So thank you very much.

[The committee recessed for a period of time.]

The Chair: — Welcome back, everyone. We will be now looking at Justice, Public Accounts and Justice. We'll be looking at maintenance enforcement, 2012 Provincial Auditor report volume 1, chapter 10; security awareness, 2012 Provincial Auditor report volume 2, chapter 51; the Financial and Consumer Affairs Authority, processes to investigate complaints, the 2012 Provincial Auditor report volume 2, chapter 50. And again looking at the Financial and Consumer Affairs Authority regulating Saskatchewan credit unions, that will be under the 2013 Provincial Auditor's report volume 2, chapter 44. So with that, I would like to pass it off to Ms. Ferguson again for some comments.

Justice

Ms. Ferguson: — Thank you, Madam Chair, members of the committee. I'd just like to introduce who's with me first. I've got Mobashar Ahmad. Mobashar is currently responsible for the Ministry of Justice and the agencies that fall within it. And behind is Tara Clemett who also works on these suite of audits. Thank you.

First I'd like to thank the deputy minister and his staff for the co-operation extended to our office during the work that's presented before you. I'm going to just pause and outline how we plan to cover off the series of chapters that are on the agenda.

So we're going to present the chapters in two parts, pausing after each part to allow consideration for new recommendations by the committee. I'm going to present the first part, which is the status of prior recommendations reported in two chapters in the 2012 report volume 2 and chapter 44 in the 2013 report volume 2. Your committee had earlier considered and agreed with the recommendations in these chapters. Mr. Ahmad's going to present the next part, which is going to be chapter 10 of the 2012 report volume 1, which is really the results of our

audit of the ministry's process to enforce maintenance payments.

So I'm going to start with part one, which is chapter 50 of our 2012 report volume 2, page 371. It contains the results of our follow-up, our recommendations made in our 2007 audit of the Financial and Consumer Affairs Authority, their processes to investigate complaints. We are pleased to report that the Financial and Consumer Affairs Authority has now implemented all of the recommendations relating to this investigation and also with respect to the recommendations from the regulation of credit unions in Saskatchewan.

Moving to chapter 51 of our 2012 report volume 2, which is on page 373, it contains the results of our follow-up of three recommendations that we made in our 2010 audit of the ministry's processes to improve security awareness. Security awareness is an important part of information security. If users are not aware of the policies and procedures they'd need to follow, it may be difficult for them to protect information from unauthorized access. Good processes for security awareness include demonstrating management commitment to security awareness, incorporating security programs in security policies, informing users of their responsibilities and, finally, periodically reviewing the effectiveness of the security awareness policy.

We found that the ministry had made progress towards our recommendations but that it has more work to do in each of the three. At June 2012 the ministry had started to assess its security awareness needs and to document them in a security awareness plan. Also, it held some security awareness activities but it had, as I indicated, it had not actually fully met the recommendations. So we plan to actually follow up those recommendations in our next round of follow-up, so in our 2015 audit plans.

So moving to chapter 44 of our 2013 report volume 2, page 309, it notes that our one recommendation from our 2011 audit of the registrar of the Financial and Consumer Affairs Authority's processes to supervise and regulate credit unions has been implemented. So that one's implemented.

So now I'm going to turn it over to Mr. Ahmad who's going to discuss the results of our audit of the ministry's processes to enforce maintenance payments.

Mr. Ahmad: — Thank you and good morning, Madam Chair, and members of the committee. Chapter 10 begins on page 95 of our 2012 report volume 1. This chapter reports the results of our audit on the effectiveness of the Ministry of Justice processes to enforce maintenance payment for the 12-month period ended January 31st, 2012.

The ministry is responsible for administering the maintenance enforcement program and does so at no cost to those who use the program. Individuals who face difficulties in receiving financial support from their spouses may register with the ministry. The ministry then processes all support payments and undertakes enforcement actions when payments fall behind. When the ministry succeeds in collecting maintenance payments, many families who might otherwise require financial help may not have to do so.

We concluded that the ministry had effective processes to enforce maintenance payment, except for the areas covered in our five recommendations. Our first recommendation on page 99 asks the ministry to establish a formal performance standard for promptly processing maintenance enforcement registrations and monitor compliance with this standard.

We made this recommendation because the ministry had not set any formal guidance and timelines for completing such registration. Prompt registration is necessary so that recipients are receiving payments owed to them.

Our second recommendation on page 99 asks the ministry to keep accurate and up-to-date information for its maintenance enforcement clients. For a proper enforcement it is essential that the ministry have the most up-to-date information on both the payors and the recipients. We made this recommendation because the ministry could not generate a report from its enforcement IT system showing all payors who were receiving social assistance.

The third recommendation on page 101 asks the ministry to establish a formal performance standard for the timely documented review of client files not complying with payment terms and monitor compliance with this standard.

[11:00]

The ministry's enforcement officers may have up to 400 client files to monitor, and reviewing client files in a timely and efficient manner and documenting this review is important. We found that the ministry did not have a performance standard for the timely documented review of files for clients who do not comply with payment terms. Doing so would help ensure recipients do not have to seek financial help elsewhere.

Our fourth recommendation on page 102 asks the ministry to establish a formal performance standard for prompt responses to telephone inquiries from enforcement clients and monitor compliance with this standard. Although the ministry's unwritten guidance to the staff requires them to respond to the phone calls within 48 hours, we found the ministry staff did not always do so.

The fifth recommendation on page 103 requires the ministry to periodically review reports that show who owes outstanding support payments, how much is owed, and how long amounts have been outstanding. The ministry's IT system indicates that \$80 million of accumulative outstanding support payments owed to clients. The system also shows 590 million in total collection for the program since inception.

A regular review of complete and comparative information about outstanding support payments could help decide changes in enforcement actions and could assist in choosing steps needed to collect cumulative support owed to clients.

In summary, there are five recommendations in this chapter for the committee's consideration. And that concludes my overview. Thank you.

The Chair: — Thank you, Ms. Ferguson and Mr. Ahmad. And now I'd like to welcome our officials from Justice, obviously

first Mr. Kevin Fenwick who is the deputy minister and the deputy attorney general. I'd like, if you could introduce those who are with you today and if you'd like to make a few comments.

Mr. Fenwick: — Thank you, Madam Chair, I certainly would. There are a number of individuals from our ministry here with me today. At the front table with me is Dave Wild who is the Chair of the Financial Consumer Affairs Authority. And there are two officials from his office with him here today as well: Dean Murrison and Cory Peters. From the ministry proper, if I can call it that, Lionel McNabb who is the director of the maintenance enforcement office; Cathy Drader who is our director of the information management branch; Dave Tulloch, executive director of the corporate services branch; and Clinton Griffiths, director of risk management and audit services.

I'll certainly be happy to make a few comments, and then we'll ask our officials to assist me with the answers to any questions that you might have in terms of any of the particular details. Just an opening comment, if I can, first of all. Thanks very much for the opportunity to be here today, and thank you very much to the Office of the Provincial Auditor for the good work that they do. We very much appreciate the positive working relationship we have enjoyed and continue to enjoy with the office of the auditor.

I can say that, as a former independent officer myself, I have a keen interest in the work of the independent officers. It has been suggested to me once or twice with a smile that I might wonder what it would feel like to be on the receiving end of some of the reports from one of the independent officers, and my response in all honesty was, I welcome that. I, in my former position, always regarded the relationship as one of a partnership in order to find the best ways to deliver the best public service possible, and that opinion hasn't changed. So we look forward to continuing good working relationships in the future.

We'll address the issues in the same order that they have been, and if we can deal with the matters from the Financial and Consumer Affairs Authority first. I'd like to give you a brief update on the status, which I think is consistent with what you've heard, comment briefly on the key actions taken and planned by the ministry, and then an expected timeline for implementation for any recommendations that remain outstanding. I certainly would invite you to interrupt me at any time if there are questions as we go along as well.

With respect to recommendation number 1, page 374 in chapter 51 of volume 2 of the 2012 report, relating to the ministry assessing its security needs and ensuring its security awareness program addresses those needs, the ministry has now defined a needs assessment protocol and will begin to formally assess its security needs upon approval of its security awareness plan. And we are just literally days away from having that done at the most senior levels. We expect to have it approved by our senior management hopefully by the end of this month, quite frankly.

With respect to recommendation no. 2 found on page 374, the ministry's security awareness program builds off of existing efforts that were already accomplished by the ministry prior to the audit. The ministry has now been revised . . . The program, rather, has been revised with consideration of the auditor's

findings. The program consists of awareness and training events to all ministry staff; IT security policies approved by our ministry information technology management council; processes to monitor, review, and update the program. And this recommendation will also be met, I believe, in its entirety once the security awareness plan is approved by senior management.

With respect to recommendation no. 3 found on page 374, this recommendation relates to monitoring the effectiveness of the ministry's security awareness program. The ministry will continue to review and update all components of its security awareness program. And similar to the two previous recommendations, this will be met once the security awareness plan is approved by senior management, we hope by the end of this month.

Those are all the remarks I have on this particular chapter. Would you like me to pause for questions or move along?

The Chair: — Well why don't we pause for questions as they're two very separate things. Does anyone have any . . . And we have no recommendations with which to deal on this. So does anyone have any questions of Mr. Fenwick? No? Okay. All right. The next portion.

Mr. Fenwick: — Okay. I'll talk then about the issues that involve the maintenance enforcement office, if I could, found on page 99 of chapter 10 of the 2012 volume 1 report. I'd start with an overall comment that our maintenance enforcement program in Saskatchewan is truly the envy of most across the country. We appreciate the comments made by the Provincial Auditor.

And there's one number that I would particularly point out. At the time that this office was first established, a number of years ago now, we had a rate of about 85 per cent non-compliance with the collection of maintenance orders in this province. We've gone from 85 per cent non-compliance to the enviable position we're in today where we have about 91 per cent compliance with maintenance enforcement orders. And we are second in the country in that regard, and truly are looked at from other jurisdictions across the country for the good work that we do. So we're very proud of that. We like being in that leading position.

Having said that, we truly welcomed the recommendations from the Provincial Auditor because it's not good enough to rest on our laurels and stay where we're at now. We want to stay ahead of the pack as it were, and so these recommendations will help us to do that.

Relating to the establishment and monitoring of formal performance standards for prompt processing of maintenance enforcement registrations, I would say that we have now adopted a performance standard of six weeks to get clients registered in their program.

The results of these monitoring efforts show that clients are being registered on average within three weeks, which falls well within that standard. It's not enough to set a standard. You have to measure what you're doing as well and so we're on average coming in at about half the time of what the standard is. So we would consider that that recommendation has been fully

implemented.

With respect to recommendation no. 2 found on page 99, the auditor reported that the ministry needs to keep accurate and up-to-date information for its maintenance enforcement clients. We certainly agree. The issue that we have right now is the question, as you no doubt hear from other ministries from time to time, that we are operating on an outdated computer system which results in challenges relating to keeping that information up to date. The system we have right now I think is based on a 1986 platform, if I recall correctly.

Now although the auditor has highlighted this issue, the ministry already had plans to develop a new system to address the issue. The system has been in development for some time now and we hope to go live with it in the spring of 2015. The recommendation will be addressed when the new system goes live. We can do a little bit before then, but quite frankly not much, and we don't think it makes sense to spend a tremendous amount of money on an old system when we're in the process of developing the new one. So we're well on the way with respect to that recommendation and we hope that the day will soon be coming when we can say it's been fully implemented as well.

With respect to recommendation no. 3, this relates to establishing and monitoring a formal performance standard for reviewing maintenance enforcement files that are not complying with the payment terms. We will use the reporting capabilities from that new system once it goes live to adopt a new performance standard that officers review a default report from the new system every two months. So that will become our standard, but again similar to the previous recommendation, there's limited ability to effect that until the new system goes live.

With respect to recommendation no. 4 found on page 102, it relates to responding to telephone inquiries from maintenance enforcement clients. We think we've always made efforts to call back clients in a timely manner. However as the auditor has pointed out, we didn't have a written standard to give us guidance with respect to that. So we have now adopted a formal written policy which has been developed which requires clients to be called back within 48 hours unless the inquiry relates to same-day payments by the maintenance enforcement office to the client. The plan is to do random audits of our client service representatives to make sure that that 48-hour timeline is being met and so again we consider that recommendation to have been fully implemented.

With respect to recommendation no. 5 found on page 103, this recommendation relates to reviewing reports that provide information on outstanding support payments. The auditor's concern was that the MEO's [maintenance enforcement office] outdated computer system had limitations which made certain information on outstanding support payments unavailable. That is an accurate assessment of the current system and it's one of the reasons we're working on changing it.

The new system that has been referenced will provide additional reporting that will address this information fully, we believe. And so as with the others that I have just mentioned, this will be addressed when the new system goes live.

So overall the ministry feels very confident in the actions it's taken with respect to the auditor's findings. The system that has been referenced several times by me has been the key to addressing the three outstanding recommendations that have been in the works for some time already. It's fair to say we've been working through the issues that the auditor brought forward even without that helpful spotlight being shone on the deficiencies.

And that would conclude my particular remarks. I certainly invite anything that Mr. Wild might want to add with respect to those issues as well.

Mr. Wild: — Thanks, Kevin. Madam Chair, committee members, good morning. Just for clarification, the recommendations were directed toward the Saskatchewan Financial Services Commission. The Saskatchewan Financial Services Commission became the Financial and Consumer Affairs Authority October 1st, 2012. The FCAA [Financial and Consumer Affairs Authority] is a treasury board Crown corporation. I report to the Minister of Justice, which gives us the link over to Justice here.

I'm pleased to acknowledge that all of the recommendations from the two reports have been fully implemented now. I'd be prepared to answer any questions that you might have of me.

The first set of recommendations was with respect to how we investigate complaints from the public with respect to securities matters, so investment matters. And in 2007 the Provincial Auditor made five recommendations for improving our processes for handling complaints. In 2010 with the first follow-up of those recommendations, it was acknowledged that we had implemented three of the recommendations and two were still outstanding.

The two in question were these. One was related to the review of investigation files by members of our commission, now our authority. We're headed by an eight-person body, a board of directors if you like, that we call the authority. I'm Chair of that body. We do create an investigation file every time we get a complaint, and we have implemented a process where a member of the authority reviews the file at its closing. So every file eventually gets closed either, you know, as a result of a hearing with sanctions taken or as a result of no further action being warranted. And each of those files is reviewed by a member of our authority to ensure the process was conducted properly and to ensure that the outcome was reasonable.

The other recommendation which we fully implemented was with respect to performance targets. So we developed a series of performance targets around enforcement. Some are related to the process itself so we have timelines for conducting case assessment, for conducting review, for taking it to hearing. Others are more strategic or outcome-based. So we adopted particular targets for advancing how we're performing the enforcement function. And again the Provincial Auditor has reported those as implemented, and we're pleased to hear that.

The other whole set of recommendations is around how we regulate credit unions. And this was a review that was conducted in 2010 by the Provincial Auditor. The auditor found that we generally oversaw the credit union system

appropriately, so our function was delivered appropriately, but there was a recommendation made to clarify the roles and responsibilities. This came out of a particular way the assignment of the registrar of credit union was made.

[11:15]

There is a statutory provision, a position called the registrar of credit unions. It's in *The Credit Union Act*. It has independent decision-making authority under that Act. At the time of the review, that was assigned to an employee of the SFSC [Saskatchewan Financial Services Commission], now the FCAA, and that created the potential for conflict between the independent authority of that position through the statute with taking direction from me as CEO and the board.

So what we've done is assign all of the statutory positions in our statutes — and there's a number of them: superintendent of insurance, superintendent of pensions, etc. — to me as the CEO and Chair of the authorities. So there's no distinction between the authority of the Chair and the authority of the independent officers within the statutes. And that has resulted in the Provincial Auditor reporting that we fully implemented the recommendations.

I'd just like to again echo Kevin's remarks that we thank the Provincial Auditor's team for coming in and doing their reviews on us. We've always derived great value from those reviews. There's been a series of reviews now on the effectiveness of us as a regulator, and we've learned something from each of those reviews and we've improved as a result of each of those reviews. And we thank the auditor's office for that. I'd be pleased to answer any questions.

The Chair: — Thank you, Mr. Wild, and Mr. Fenwick. I'd like to open up the floor for questions. Mr. Forbes.

Mr. Forbes: — Sure. I have some questions in dealing with chapter 10, the maintenance enforcement, and I found that very interesting. And I'm just curious. I've got several questions about this, but first in the general introductions in 3.1, it talks about how other provinces — Ontario, Quebec, and Nova Scotia — where all the court orders are registered. And in this case, we are a voluntary nature in Saskatchewan. So we have about 40 per cent of the court orders, and 60 per cent are not. Any comments about how efficient or how effective that is at doing it in a voluntary nature?

Mr. McNabb: — I'm Lionel McNabb. The other provinces, Ontario in particular struggles, and I think just from my perspective and I guess from a number of the other provinces as well, when you put everybody in the system there's 60 or . . .

Let me take a step back. We have about 40 per cent to 50 per cent of all the people that have orders in Saskatchewan. We have about 20 per cent of those that pay regularly. But guess what? They're always phoning in about, you know, the cheque's going to be late, or can you change that cheque, or if one child moved out can you change payments. Ontario, those people that have everybody in, they deal with all those. They deal with the people that can get along, and it can clog up your office dealing with little things. And our people focus strictly on collection. So the majority of people, 80 per cent of our files,

when they register with us, they have arrears to start with. So again our people focus on collecting money.

Mr. Forbes: — Now do you have a sense of the other 60 per cent, how many of those people are in arrears or not getting their payments in a timely fashion?

Mr. McNabb: — That is a very challenging question. I think our program is widely recognized and people know it's there. So if they come . . . So those other people, if they're not registering with our program, I'm speculating either they've given up — they know the person can't make the payments -- or they know there's some reason he's not or she is not, and they're waiting to see that.

But the other number, when you think about going to court, there's actually a very . . . It's about 30 per cent or 40 per cent of people actually go to court to get divorced or separated. They all get a court order but it's usually a consent order. There's 30, 40 per cent, you know, that end up in the court struggling. My guess is, in a lot of the cases we have the same ones.

So if people can work things out on their own, I think that's a much better way to do it. And I'm hoping that if they are having problems getting the payments that they will register with us.

Mr. Forbes: — What kind of things do you do now to let people know that your services are available? You say that people are aware. I'm just curious how do you do that.

Mr. McNabb: — We get 40 to 50 new registrations each week. When I'm out talking to people and our officers as well, you say, what do you do? And I say, work at the maintenance enforcement office. It's been a long time since anybody asked me what that is or what we do. So I'm hoping word of mouth. Every lawyer knows about it. Every judge knows about it.

At some point when people are separating or splitting up, they have to talk to somebody like that, and usually word of mouth I'm hoping would get them to us because we don't do advertising. When the program started in 1986, it was an opt-out program because nobody knew about it. So in order to get out of . . . Everybody was in then. To get out of the program, you had to actually . . . Both parties had to agree you wanted out. About 10, 15 years ago now we stopped that because, guess what, we had 50 or 60 per cent that we were registering, opening a file, entering, you know, spending horrendous amount of man-hours, and then they would close it within three or four months anyway.

Mr. Fenwick: — If I could just add one additional source, and that would be our own ministry staff who work at the courthouses. So it's not just the judges. It's the ministry staff that are there as well. So if you think of, to me, the three places that someone would seek out advice if they were not receiving payments, it would be either a lawyer or potentially a judge at an earlier stage, or the court, and those are acutely aware.

And certainly as someone who practised in private law practice for 15 years and did a lot of family work, I can tell you that it is one of the least enjoyable and, if you're motivated by this, one of the least lucrative areas where lawyers could practise. So lawyers would certainly welcome the opportunity referred to

and are absolutely all aware. So while we can't put our finger on a specific number, I believe it would be a very small number of people who are not registered with the enforcement office that are in arrears, unless it's by choice because for some reason they don't want to go to the maintenance enforcement office.

And if I could just add one other thing that's back to your first question, Mr. Forbes, that there is a certain philosophical issue in terms of an automatic registration for everyone as well. There are many couples who are separated who have a maintenance as part of that separation who quite frankly don't need the maintenance enforcement office because they have been able to work out a payment schedule, and it would be less efficient for us to be collecting money and paying it out rather than paying it directly. So for some of those, you know, we coin the old phrase, if it ain't broke, don't fix it. And we should be there when we should be there and, I guess, not when we're not needed.

Mr. Forbes: — No, I just found it interesting that, you know, this is brought forward. And we always find it interesting when auditors do this good work because, you know, people do come to my office and we have referred them to you. So I'm not sure . . . And the one . . . And probably at some other point in estimates I might bring up the Mediation Board, which is no longer with us, but was a very effective way of dealing with financial constraints and debt.

So I'm not sure that people are aware of everything as they might be because they do come to our offices and they do ask. And the 60 per cent I find interesting because people are distressed. And maybe they just find it easier to move on in their lives, and I'm not sure that's the way to go. But anyways, very interesting. I appreciate that. I have a question about recommendation no. 1.

Mr. Moe: — If I could just follow up on this one topic first, Dave, if I could. Just with regards to the 40 per cent that you had alluded to of the court orders, and just to get back to something that I think was stated earlier with the excess of 90 per cent of collections that actually happen of those court orders, did I hear you right? Did you attribute that to your officials are working specifically on, I don't know what the proper terminology would be, but delinquent cases? Would you attribute that to the high success rate, I guess, of in excess of 90 per cent and second in the country, I think I heard?

Mr. McNabb: — I agree with that statement. There's another proviso in there: (a) our people are very good at collecting money. We have always had tremendous help right since 1986 when the office opened — and I wasn't there then, but — in getting legislation introduced to help collect money and streamlining our processes to make it easier. If you do go across the country and look at their legislation, ours is likely the best for collecting money.

Just this session, government introduced legislation to withhold hunting and fishing licences which will . . . You know, every enforcement you bring in helps. It'll collect 5 per cent or 6 per cent or 10 per cent. So the more you get in place, the harder it is for people to not pay.

Mr. Moe: — Okay. Thank you. Sorry, David.

The Chair: — Mr. Forbes.

Mr. Forbes: — Yes. Just I wanted to have clarification on the recommendation no. 1. You felt it had been, that it's implemented now. And so what the auditor had said, if I read this right, that over half the files they tested, their registration was not completed within two months or eight weeks, I assume. So what is your percentage of . . . You said a certain amount were being done within a certain number of weeks. What was that?

Mr. McNabb: — Can I answer that? We were struggling and our system is, if you look at courts, it slows down. The courts never stop. In the summer, you know, lawyers go on holidays. And they go away and they can't link in and set times for trials. So we average 40 new files each week, but the period September through December, we average 60 new files each week. Starting in January, it will get back to 25. We struggle with that volume in a short period of time.

So we were behind at one point, plus we had some people leaving — you know, trained staff that left. But we have now set a standard of six weeks to get people into our program, and we're meeting just about all . . . you know, 80 per cent of the time we're meeting three weeks.

There's always a few that come in, and they don't have their court order in or they don't have all the information for us where it may go a little longer or it can drag on. But really, our standard is six weeks. We're getting just about everybody in within three.

Mr. Forbes: — So 100 per cent in three weeks or six weeks, and you're hitting 80 per cent in three weeks.

Mr. McNabb: — Yes, 80 per cent in three weeks.

Mr. Forbes: — So that's the average over the course of a year that you would anticipate. Okay.

Mr. Fenwick: — Just, I'd be a little bit careful with 100 per cent. There's always an outlier for some reason, so I'd just be cautious to say it's 100 per cent. It would be close, but I can't say we're perfect within eight weeks.

Mr. McNabb: — That's what I was trying to say, in the eight weeks there's . . . I'd say 90 to 95.

Mr. Forbes: — Okay, just want to make sure I've got a good sense of what's here.

Mr. McNabb: — There's always a number that start the registration process and then never finish.

Mr. Forbes: — Okay. That's fair enough. So those would have been dealt with. Okay.

And then the next one is no. 2 that you . . . Well I'll leave that one. But I'm curious about the next one, 5.2, the amount of money that is outstanding. And there's two sets of numbers. So as of January 12th, 2012 the default listing is 2,400 clients have arrears of 30 million, and then you have another list of all clients. So that would be the clients that you have, not of

everyone who's got a maintenance order, right? And that's of 6,900 and 80 million. So what's the difference between the two, the 2,400 and the 6,900?

Mr. McNabb: — Some of it is, if there's ongoing payments.

Mr. Forbes: — Okay.

Mr. McNabb: — There's two types of files. You can have ones with ongoing payments that have arrears, and then there's ones that don't have ongoing payments. Usually it's because the children are over 18, okay? So the payments have stopped, ongoing payments, but there's still arrears. But that doesn't mean our file closes.

So the first number is, the children are under 18. So there's an expected payment plus arrears. The other one, and that's part of the recommendation, is no ongoing payment but still arrears.

Mr. Forbes: — Is one where the children have aged out?

Mr. McNabb: — Still an ongoing payment, yes.

Mr. Forbes: — Still an . . . Or no, it would be the ones where the children have aged out. The smaller number I assume is where the kids . . . or the 6,900 is the total amount since 1986?

Mr. McNabb: — Well the 80 million is all of the arrears in our system.

Mr. Forbes: — Oh, okay.

Mr. McNabb: — The smaller amount is where there's still an ongoing payment and they have arrears.

[11:30]

Mr. Fenwick: — The 80 million is a cumulative number from when the program was first established. So it's not, you know, 80 million in the last year or 80 million that are current.

Mr. Forbes: — Thirty million is the current amount that you're trying to . . .

Mr. McNabb: — No, no, let me . . . We are still trying to collect 80 million.

Mr. Forbes: — Okay.

Mr. McNabb: — When you collect, even when you collect 90 per cent, there's 10 per cent each year that doesn't get collected. But as long as they keep the file open and that's the person's choice, we never quit collecting. So we have a whole bunch of files now where I think the oldest person we're collecting money from is 82, and we're taking money from his CPP [Canada Pension Plan] and old age.

So we have a number of those old files — because we keep a federal garnishment in place and we keep monitoring them — where the children were 18 or 20, 20 years ago. They've never paid. All of a sudden they get to be 60, 65, whenever they apply for their CPP and old age, and we go, got you.

Mr. Forbes: — This is all, I have to say, is very interesting because there's a lot of myths out there, I think, that once the kids hit 18, it's all done, and you're . . . but you're not. Now can you come to you as some person who has a maintenance order, and the kids are all grown, and you're still, you know, the spouse hadn't paid 10 years ago? The order's not in effect, the kids are grown — I assume that's the case — and still make a claim?

Mr. McNabb: — Yes. There used to be, years and years ago — I'm dating myself because I've been there over 20 years — but when I first started, the legislation spelled out that there was a 10-year rule. So what was happening lots of times, if you had a \$300 a month payment and we were collecting \$100 on the arrears, after 10 years it was dropping off at \$300 a month. So it was dropping off faster than we could collect it. So we, as in the government of the day, changed the legislation to get rid of the 10-year rule. So it's one of the few pieces of legislation where there isn't the 10-year rule and we'll keep collecting forever.

So really there is a limit now, because if you go back to 1986 when it first came in, it sort of says, you know, if you haven't registered now by the . . . If it was before 1986, well we won't collect, but that's getting to be quite a few years ago.

Right now we collect forever and there's never a limitation. We register against land. Again there's no 10-year limit on that. Every other agency, if you register against land, it drops off after 10 years. Ours never drops off. So we have a number of cases where somebody tries to sell some land or estates. Unfortunately it's a sad way to get it, but sometimes the payor's parents pass away. We had one where we were collected \$57,000 for awhile. They've had a long wait for that money, yes.

Mr. Forbes: — Okay, thank you.

Mr. Fenwick: — Exactly. That's the argument because we sometimes hear that, that it's not fair for someone to be subject to hardship. I'm referring now to the person who hasn't paid, and so all of a sudden we start to grab their CPP or their old age security. And the response that we get is, well the person who was to have received the money has managed all these years and they're doing okay, and now you're going to make it hard on me. And I mean, there's a logic to that argument, but it's a question of who suffered the harm for the longest and who is responsible. And you can't avoid the legal obligation. And quite frankly, two wrongs don't make a right. Right? So there can be some difficult cases, but that's the philosophy of the Act, yes.

Mr. Forbes: — Those are all my questions. Thank you very much. I appreciate the answers.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you. Did I hear you say that you're still collecting money from someone who's 82 years old? I guess my question would be how old are the children in that case? You don't have to answer that. But you are making collections on behalf of adult children who are probably in their 30s and 40s and so on.

Mr. McNabb: — That's the correct answer. There's the odd

case where it's spousal payments as well.

Mr. Hart: — Okay.

Mr. McNabb: — But yes, there's lots of cases where the children are 30, 40 years old and we finally found a source of income.

Mr. Hart: — Now the other question I had is, there was discussion about this 10-year rule. Do other provinces — particularly our neighbouring provinces Alberta, Manitoba, BC [British Columbia] — do they have this 10-year rule in place? Do they operate in the same manner as Saskatchewan does with regards to this 10-year rule? Would you know what's happening in other jurisdictions?

Mr. McNabb: — All the Western provinces, as far as I'm aware, have gotten rid of the 10-year rule.

Mr. Hart: — Okay.

Mr. McNabb: — Not as soon as we did.

Mr. Hart: — Okay.

Mr. McNabb: — There's at least one province I think down east that hasn't gotten rid of it as yet.

Mr. Hart: — Okay. No that's good, thanks.

The Chair: — Any further questions? I do have a couple myself. Just with respect to recommendation no. 4 around compliance, you'd said you added a 48-hour timeline unless it relates to same-day payment. Could you explain that a little bit?

Mr. McNabb: — Sure. We get lots of people calling in today saying where's my, you know, my payment isn't there yet. If it shows up that day, we don't call them back and that's the reason.

We have an automated phone system where people can dial in to find out (a) the last 3 enforcements we've taken against the payor. You have your account number and a PIN [personal identification number] number so it's confidential. So the payor can't phone in and get information on what's happening on the enforcement side, nor can the custodial parent ever phone in and get information on the payor. But this automated phone system we have, you find out when you last paid, last payment. In fact you can find out your last three payments. You can find out the last three enforcements we've taken.

So we get over right around 20,000 phone calls a month to that line. If our system ever shuts down or we have had the odd day for some reason we're having trouble with that line, it doesn't take long to swamp us. But that's really a well-used line. So that's really what it means, is if somebody phones in and we don't call them back if their money came in that day because they'll have it the next day anyway.

The Chair: — Okay. Thank you for that. And just a quick question with respect to the difficult cases or the 9 per cent that you have trouble with. Obviously you've introduced a tool that's before the legislature right now, and you have many tools

before you. I know people who've had their passports taken away and garnishments of wages. What are those difficult cases? Like what is missing for those folks who are not meeting their obligations?

Mr. McNabb: — That's a challenging question because we've got lots of tools that help collect from people. One of the things that we're going to do, which may not help with the challenging ones, is we hope to pass legislation and with our new system, we're going to start adding interest on. But once the system is going, we'll let it get really stable and then we'll add interest on. Because right now we don't add interest. There's two other provinces that currently add interest. While we think that one would help the custodial parent, the most challenging clients are the ones that are self-employed, work under the table, work for cash, choose not to work. Lots of payors now, men or women, will just go live with somebody and not work.

So we keep looking for new ways of finding monies and we will continue to do that but we do have a pretty strong arsenal right now. But we will never quit trying to find ways to make it better. And as you and I know, having dealt with a couple of files, lots of times it takes a few years. You sort of have to chase them and try to track them down and get them cornered, and in some of these cases our last resort is, as you and I've dealt with, taking someone to court. Well eventually the money starts coming in quite regularly because most people don't want to live an alternate lifestyle forever.

The Chair: — Well thank you for that. Does anybody else have any further questions? Mr. Hart.

Mr. Hart: — One more question for information purposes. Is there a maximum and a minimum as far as maintenance payments? I know it's dependent on the non-custodial parent's income and so on but could you just kind of briefly summarize, you know, the calculations? And I guess add to the question, is there a maximum that custodial parents pay or is it open-ended?

Mr. Fenwick: — The quick and short answer is that there are federal child support guidelines that apply in most situations, that take into account the ability of the payor to make payments, and that applies to the vast majority of the cases. And certainly those federal support guidelines have simplified the process in terms of determining what maintenance is.

There are exceptions. I mean courts in extraordinary circumstances can avoid the guidelines, so if the guideline says that someone is to be paying \$800 a month for the children and the payor is, you know, a multimillionaire, that might be different. Or theoretically the recipient might be as well. So in the vast majority of the cases, the guidelines are fairly straightforward. Again there are always those outliers that could apply but a quick look at the guideline would tell you what the normal and maximum would be. But it's income-dependent.

Mr. Hart: — Could you tell us what the guidelines indicate for maximum and minimum right now?

Mr. McNabb: — It tops out at 150,000 a year and then it's up to the judge's discretion. I can tell you though about the lowest payment we have any more is about \$50 a month, because if you get below a certain income, they just don't impute it. And

the highest amount we have in the system right now, I think it's 10,500 a month. So that could be a combination of child support and spousal support, but that's strictly, that's outside the table amounts.

The table amounts are very simple. Like Kevin says, it goes in 100 dollar increments, you know, from about 15,000 up to 150,000. And it'll list one through six kids and you just pick the number. It's very simple. You look at a table and it just, it's set and it's standard. A number of years ago, it used to be judges had a tendency to say it was 200 a month. So we had orders for 200 a month whether you made, you know, 20,000 a year or 100,000 a year. So these tables have levelled the playing field.

Mr. Fenwick: — I don't have the table in front of me. I mean I could certainly get the information. Two kids and 150,000 would be the . . . whatever, but yes.

Mr. Hart: — Okay. Thank you.

The Chair: — Any further questions? Ms. Ross.

Ms. Ross: — I just have a compliment. Probably Danielle has the same thing when you say you've dealt with it. These are some of the most challenging cases that come to our offices and so thank you very much for all the work you do to ensure that people are treated fairly and with respect on both sides.

The Chair: — Thank you.

Mr. Fenwick: — It bears repeating that people who work at the maintenance enforcement office deserve a tremendous amount of credit. They don't get a lot of happy phone calls. They're phone calls that are either from people who are upset because the money is a day or two late or they're getting blamed for enforcing something that someone else has imposed, the judge or the federal support guidelines, etc. So they work very hard in very, very difficult circumstances and it does bear repeating that Lionel and all of his staff deserve a tremendous amount of credit for the work that they do.

The Chair: — So we have five recommendations with which we need to deal in the 2012 report volume 1. I'm wondering what the wishes are of the committee.

Mr. Moe: — I would just . . . Quickly before I get into the recommendations, we'd like to echo comments here with regards to the maintenance enforcement office and commend them on, first of all, coming from 85 per cent non-compliance rate at opening to over 90 per cent compliance rate. And then also, just going through the Provincial Auditor's recommendations that we have here, if they're not complied with, you're well on your way to identifying the path that is required to get there. So I would just like to add my name to the list of commending the maintenance enforcement office for their good work in this.

But with regards to the work at hand with chapter 10 in the 2012 Provincial Auditor's report volume 1, recommendation no. 1, the Provincial Auditor recommends "that the Ministry of Justice and Attorney General establish a formal performance standard for prompt processing of maintenance enforcement registrations and monitor compliance with this standard." And I think it was indicated that virtually all are in under six weeks and on

average in the three-week period. So I would move that this committee concur with this recommendation and note compliance.

The Chair: — Okay. So with respect to 2012 report volume no. 1, chapter 10, recommendation 1, Mr. Moe has moved that the committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried.

Mr. Moe: — Regards in the same chapter, same volume, the second recommendation by the Provincial Auditor's office is, "We recommend that the Ministry of Justice and Attorney General keep accurate and up-to-date information for its maintenance enforcement clients." And I think it was indicated that next spring they'll be going live with a new computer system in the hopes that this will satisfy this recommendation. So I would move that this committee concur with this recommendation and note progress towards compliance.

The Chair: — So with respect to 2012 report volume 1, chapter 10, recommendation no. 2, Mr. Moe has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Recommendation no. 3.

Mr. Moe: — With regards to recommendation no. 3 in the same chapter and again with the discussion around the new computer system going live next spring would satisfy this recommendation, I also move that we concur with the recommendation and note progress towards compliance.

[11:45]

The Chair: — So with respect to the 2012 report volume 1, chapter 10, recommendation no. 3, Mr. Moe has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Recommendation no. 4.

Mr. Moe: — With regards to recommendation no. 4, that states, "We recommend that the Ministry of Justice and Attorney General establish a formal performance standard for prompt response to telephone inquiries from maintenance enforcement clients and monitor compliance with this standard." And it was indicated that clients are called back within 48 hours. I note that this committee concur with the recommendation and note compliance.

The Chair: — With respect to 2012 report volume no. 1, chapter 10, recommendation no. 4, Mr. Moe has moved that this committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Recommendation no. 5.

Mr. Moe: — Recommendation no. 5 of the same report goes as, “We recommend that the Ministry of Justice and Attorney General periodically review reports that show who owes outstanding maintenance support payments, how much is owed, and how long amounts have been outstanding.” And again it was alluded to that the new computer system that would be live next spring will address this. So I would note to this committee, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — Thank you. With respect to 2012 report volume 1, chapter 10, recommendation no. 5, Mr. Moe has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. With that I think that wraps up our Justice portion, so thank you very much to Mr. Fenwick and the officials. And we will recess until 1 p.m. when we’ll take a look at Economy. Thank you.

[The committee recessed from 11:47 until 13:00.]

The Chair: — Welcome back everyone to this afternoon. We’re looking at this afternoon the public accounts for the Economy ministry. Before we get started I need to note that we have a substitution here today. Ms. Russ Marchuk is . . .

Mr. Marchuk: — Ms.?

The Chair: — Oh, pardon me.

Mr. Marchuk: — I’ve been called a lot of things . . .

The Chair: — Sorry, Russ. We have a substitution here today. We have Russ Marchuk for Scott Moe. And today from the Provincial Comptroller’s office, I had mentioned this morning we have Lori Taylor here, but we’re also joined today by Patricia Schoenroth. So, welcome.

And we will be this afternoon looking at the 2011 Provincial Auditor report volume 2, chapter 7; the 2012 Provincial Auditor report volume 2, chapter 7; 2013 Provincial Auditor report volume 2, chapter 5. We’ll be looking at the 2012 Provincial Auditor report volume 1, chapter 5; the 2012 Provincial Auditor report volume 2, chapter 31; 2013 Provincial Auditor report volume 1, chapter 12; and the 2013 Provincial Auditor report volume 2, chapter 40.

I will welcome the officials from the ministry in just a few minutes, but I will let the Provincial Auditor, Ms. Ferguson, do her bit first.

Economy

Ms. Ferguson: — Thank you very much, Madam Chair, members, officials. I’m just going to introduce my colleagues that I have with me today. I’ve got Ed Montgomery, he’s the

deputy that has overall responsibility for the Ministry of Economy and its agencies. And behind him is Glen Nyhus, a principal with our office, involved again in the ministry audit; Rosemarie Volk and Linda Klassen who also are actually been involved primarily in the performance work that’s before the committee today. And then also, as introduced this morning, Kim Lowe who helps coordinate these meetings with the Clerk’s office.

So I just want to provide a little bit of an overview as to how we’re going to work our way through these seven chapters in the four different reports this afternoon. And so before I do that, I just want to pause and extend a thank you to the deputy minister and his staff for the co-operation that we received on the work that’s presented before the committee today.

What we’re going to do this afternoon is present these chapters in five different parts. I’m going to present part one and Ed will present the remaining four parts. What we thought we could do is, after each part we’ll pause if there’s any new recommendations in that part, and then that will give the committee time to consider those recommendations.

So I’m going to do the part that relates to Enterprise and Innovation, and then Ed’s going to present the results of our integrated audits from the March 31st, 2012 and the results of our follow-up work that’s contained in chapter 7 of the 2012 report volume 2 and chapters 5 and 40 of the 2013 report volume 2. And then he’s going to present each of the performance audits separately as the remaining parts.

So I’m going to start with part one, which is chapter 7 of our 2011 report volume 2. It contains the results of our 2011 audit of Enterprise and Innovation programs, one of which was the fuel tax rebate grant program. Enterprise Saskatchewan administered these programs and this particular program. On page 135 of that report, we made one new recommendation for the committee’s consideration. We recommended that Enterprise Saskatchewan document its analysis and assumptions used to estimate ethanol fuel tax expenses. Documentation of assumptions and analysis used to make estimates improves their accuracy and their reliability.

We are pleased to report that Enterprise Saskatchewan has implemented this recommendation. So we’ll now pause for the committee’s consideration of this new recommendation.

The Chair: — Well we’ll start by welcoming the deputy minister of the Ministry of Economy. That would be Mr. Kent Campbell, and if you’d like to take a moment to introduce your officials and give any comments.

Mr. Campbell: — Well thank you very much. It is a pleasure to be here today. And before I introduce the folks who are joining me here today, I would like to thank the Provincial Auditor and her staff for the work they’ve done. And we have a very strong relationship with the Provincial Auditor and certainly have a really good dialogue as audits are done. And we certainly respect their processes and findings.

Now to introduce the staff who are joining me here today. On my immediate right, we have Denise Haas who is our chief financial officer. On my left we have Ed Dancsok who is our

assistant deputy minister of petroleum and natural gas. And behind me on my left, your right, is Alastair MacFadden. He's our acting assistant deputy minister of labour market development. Hal Sanders is our assistant deputy minister of minerals, lands, and resource policy, who is over here on my right. And immediately behind me is our executive director of immigration, Kirk Westgard.

And with that, I'll turn it back to the committee for any questions they might have on this first topic.

The Chair: — To the committee, are there any questions? Mr. Forbes.

Mr. Forbes: — I'm just curious about the recommendation around estimating ethanol fuel tax and the fact that it's been consistently out. And what were the . . . how did you arrive at the numbers? And can you tell us a little bit about your thoughts on that estimation and the problems that are, you know, being out?

Mr. Campbell: — Certainly. Denise?

Ms. Haas: — I'll answer that one only because it's one that we formerly did in Enterprise Saskatchewan. We had a formula that we were using to calculate it, and we consistently . . . or we used that formula, and I think it was three or four years in a row that the formula was getting us to be predicting that the costs were going to be higher than what they normally were.

So when the auditor came in and worked through and looked at the formula, we looked at all of the factors that were part of that formula and did some further analysis on that and then we adjusted the formula. And actually in the last year then it actually came in to be much, much closer to, and within a reasonable range on what the actual costs are going to be.

Part of the difficulty with estimating the costs is that at each quarter you're estimating what's coming, right? Like the reporting coming from the industry is always behind a month or two so you're always having to apply formulas and estimates to go forward. So it really was just a matter of refining our formula on how to do the calculations.

Mr. Forbes: — So now this rebate goes to the producers of ethanol, or who does it . . .

Ms. Haas: — No, the rebate under the ethanol grant program goes to the actual distributors who distribute the fuel. It does not go to producers.

Mr. Forbes: — So who would be the distributors?

Ms. Haas: — The distributors would be your people like Federated and Husky and things like that that actually take . . . They're the ones that blend the ethanol with the fuel and then distribute it out to outlets to sell the fuel.

Mr. Forbes: — The actual sales. Right.

Ms. Haas: — Yes.

Mr. Forbes: — I'm looking at the top, page 134 — this may be

a question for the auditors more — chapter 7. And so it has original estimates and then actual. And is that for a number of years, or is that the . . . over a course of a number of years, or is it one single year?

Ms. Ferguson: — Actually that would have been the original estimates for the March 31st of 2011. And then if you look at the footnote, you'll see that they requested special warrants later in the year of 14.85 million for that particular program.

Mr. Forbes: — So you were actually under?

Ms. Ferguson: — The estimates originally were under.

Mr. Forbes: — The estimates were under, not over. Okay. So some people may argue that's a good thing because people are using more ethanol-blended fuel.

Ms. Ferguson: — Yes, the usages was one part of it though, right? And so we had to refine the formula to become better. It's the other factors in the formula.

Mr. Forbes: — Sorry, could you remind me, what were the other factors in the formula?

Ms. Haas: — Well basically it was how we were forecasting out how much ethanol was going to be used. And so we had to refine that to better reflect the reality of the past years and take more of an average approach over the last few years.

Mr. Forbes: — Okay. Good. That's all I have. Thanks.

The Chair: — Any more questions? So we need to deal with one recommendation here. So I'm wondering what the wishes of the committee are on recommendation no. 1; that would be 2011 report volume 2, chapter 7. Mr. Hart.

Mr. Hart: — Yes, Madam Chair. I would move that we concur with the recommendation and note compliance.

The Chair: — Okay. Mr. Hart has moved that this committee concur and note compliance with recommendation no. 1, 2011 report volume 2, chapter 7. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. And so I will pass it back to Ms. Ferguson to discuss the next section.

Ms. Ferguson: — Thank you very much, Ms. Chair. And I'm going to turn it over to Mr. Montgomery to start with the integrated audits.

Mr. Montgomery: — Okay. Thank you, Ms. Ferguson. I will deal first with the new recommendations we made in our integrated audits of the ministry. These were included in chapter 5 of the 2013 report volume 2. There are no new recommendations in chapter 7 of the 2012 report volume 2.

Chapter 5 of the 2013 report volume 2 is on pages 47 to 52. We made two new recommendations for the ministry. On page 50, we recommended that the ministry sign a complete memorandum of understanding with the Ministry of Advanced

Education that defines all key roles and responsibilities for shared services. A complete memorandum is necessary so that both ministries understand their respective roles and responsibilities.

On page 51, we recommend that the ministry disclose its liability for the cleanup of the Gunnar uranium mine and mill site in accordance with public sector accounting standards.

The ministry has accepted responsibility for its share of the clean-up costs of the Gunnar mine and mill site, but is unable to make a reasonable estimate of the clean-up costs. The ministry had not received the Canadian Nuclear Safety Commission's approval of the Gunnar mine environmental impact statement. Also the clean-up options are complex. When a reasonable estimate cannot be made, public sector accounting standards require disclosure about the nature of the liability together with the reasons why a reasonable estimate cannot be made. Such disclosure provides information about the potential affect on the government's financial statements when the liability becomes measureable.

I'll now provide an overview of our follow-up on a 2011 audit of the ministry's project management processes for its PRIME [process renewal and infrastructure management enhancement] project where we've made three recommendations. This committee agreed with the recommendations. The PRIME project involves replacing the ministry's old oil and gas information technology system to improve processes to better meet its needs and the needs of industry stakeholders. Chapter 40 of our 2013 report volume 2, pages 297 to 299, reports our follow-up work. Since 2011 the ministry has implemented two of the recommendations and partially implemented the third recommendation.

I'll now pause for consideration of the two new recommendations by the committee. You'll find these recommendations on pages 50 and 51 of chapter 5 of our 2013 report volume 2.

The Chair: — Thank you, Mr. Montgomery. Mr. Campbell, do you have any comments before we go to questions?

Mr. Campbell: — No. Let's go straight to questions.

The Chair: — Okay. I open the floor for questions. I don't see any questions. No questions?

Mr. Forbes: — I'm still thinking.

The Chair: — Okay, we'll pause for a moment . . . [inaudible interjection] . . . We did. Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. I wonder if you could explain or tell the committee where this whole cleanup of the Gunnar mine issue is at. I understand it's quite a complex issue and I wonder if you could provide us with an update.

Mr. Campbell: — Certainly. I'm just calling up Hal Sanders here, who is our lead assistant deputy minister on the file. Maybe, Hal, you could give them an update.

Mr. Sanders: — So the Gunnar site, if you're familiar with it,

is a site on Crackingstone Peninsula which dips down into Lake Athabasca. It is a site that was abandoned around 1963. The company is not to be found. They've been defunct for several decades and the province and the federal government have agreed to clean up the site.

As of this past year we have done a considerable amount of study. This is part of the problem with the site, is that it has been abandoned for a number of decades. You really need baseline data in which you would base then your cleanup activities.

There are three areas of tailings deposits. There is a hole in the ground that was an open-pit mine, and then it became an underground mine. There's a waste rock . . . actually two areas of waste rock piles. It involves watercourses that take three different directions from the site flowing from the tailings areas through the waste rock pile.

[13:15]

So as of the last few months we have collected in fact several thousand pages worth of data that is going into an environmental assessment document that will be filed . . . in fact was filed a week ago with the Canadian Nuclear Safety Commission. They are currently looking at that. It goes to regulatory bodies federally and provincially to see if they have any comments on it.

We have actually physically taken down an entire townsite that existed and was abandoned, again a number of decades ago. So there are debris piles separated between concrete, steel, wood, friable asbestos, non-friable asbestos. It is waiting for the final conclusions of the CNSC [Canadian Nuclear Safety Commission] and how they might allow us to proceed with cleanup.

So we expect right now that we will see an environmental assessment approval for the site by next year and hopefully, after RFPs [request for proposal] are let, actual cleanup on the site proper to begin the year after that.

Mr. Hart: — So then at this time you wouldn't be in the position to know what the liability would be until all of this work has been done.

Mr. Sanders: — No. And in fact because of the complications of the site, we are following a model that the CNSC approved, which is essentially a decision tree approach to cleanup, where you will actually come to a branch and you'll have several different options to be able to dispose of tailings that might affect the contaminant load in water courses that then flow somewhere else in the site. So we'll be staggering, essentially, decisions through the course of the cleanup.

That said, we are doing our best to try and establish liability. We're hoping for the spring to meet the standards that we have to be able to set up liability. It will probably then look at the conservative approach of those branches and say, this is what the outside cost of cleanup for that site will be.

Mr. Hart: — You may have mentioned it but I didn't catch the date. When was that mine last operated? I believe it's been in

this . . . abandoned for quite some time?

Mr. Sanders: — It was, I believe the date was 1963 but I would have to confirm that. It was the early '60s.

Mr. Hart: — Well nonetheless it's been a long time since it's been . . . So it's been an issue for quite some time.

Mr. Sanders: — It has been there for a very long time.

Mr. Hart: — It's a major complex issue that needs . . . or site that needs to be dealt with and so we can certainly understand that it's taken some time to deal with this issue too.

Mr. Sanders: — Yes. We've had to do wind studies. We've had to do soil studies. We've had to do animal studies. We've had to do water studies. We have approximately 100 water wells drilled to be able to measure the water flow underneath the tailings and the various aspects of the site. And to be able to have an accurate picture of what we can do to mitigate the damage, we actually need to know what kind of damage is happening today in the environment.

Mr. Hart: — Good. Thank you.

The Chair: — Mr. Forbes.

Mr. Forbes: — Gunnar is around Uranium City, I assume. Am I in the right . . . Is that correct?

Mr. Sanders: — Yes. Gunnar is essentially a little south and west of Uranium City. There is no road access to Gunnar. It has to be accessed through either a small airstrip that was developed and has been maintained by some of the local outfitters, or by boat.

Mr. Forbes: — Right. So how many miles would it be from Uranium City?

Mr. Sanders: — I've only flown in and that's taken about 20 minutes to fly in.

Mr. Forbes: — There are other mines in that area as well. Gunnar's not the only one that's going through this same sort of reclamation. Am I correct in that?

Mr. Sanders: — Yes, we do have a Lorado site. Lorado is within . . . You can in fact drive there from Uranium City, but its issues are considerably less than Gunnar. There was no townsite. There was no mill. It's really just tailings cover, and that is a little ahead of Gunnar in its work. We expect to be going through an RFP for cleanup probably next spring.

Mr. Forbes: — Okay. And those are the two major mines that produce uranium that . . .

Mr. Sanders: — They are. There were also about 36 satellite sites related to Gunnar or Lorado that are in the surrounding area, and we also have been working on those sites as well. Things like putting stainless steel covers on if there's physical danger there or filling in trenches. They're very minor type satellite sites, but we are looking at those as well.

Mr. Forbes: — Okay, good. Thanks.

The Chair: — Any further questions? No? No further questions. We need to deal with two recommendations in 2013 report volume 2, chapter 5. So I'm wondering what the wishes of the committee are for these two recommendations.

Mr. Hart: — Madam Chair, I wonder if . . . I don't believe the officials responded to recommendation no. 1 with the — or perhaps I missed it — the memorandum of understanding. Have we dealt with that one? We haven't . . . We will be dealing . . .

Ms. Ferguson: — We've referred to it, but we haven't discussed the progress on that. Is that what you're going to?

Mr. Hart: — Yes, exactly. Yes.

Ms. Ferguson: — Yes. The officials hadn't . . .

Mr. Hart: — I wonder if you could just enlighten the committee as to where you are with regards to recommendation no. 1 in this chapter.

Mr. Campbell: — Yes, certainly. So right now we are developing a memorandum of understanding with the Ministry of Advanced Education. We intend to have that complete by the end of this fiscal year, and it's to cover a wide range of things. We do share a number of resources with that ministry, particularly on the information technology side, so one of the big main IT systems is a jointly shared resource so protocols around that as well as any upgrades. And so I would classify that as being a work in progress, and we intend to have an MOU finalized by this next quarter.

Mr. Hart: — Great. Thank you. And thank you for that update. Madam Chair, I think at this time I'd be prepared to move a motion for both recommendation no. 1 and 2, that we concur with the recommendation and note progress.

The Chair: — So for 2013 report volume 2, chapter 5, at both the first and second recommendation, Mr. Hart has moved that the committee concur with the recommendations and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So I will pass it on once again to Ms. Ferguson. Mr. Montgomery.

Mr. Montgomery: — Thank you, Madam Chair. I'll now provide an overview of chapter 5 of our 2012 report volume 1. Chapter 5 is on pages 59 to 72.

The objective of our audit was to assess whether the ministry had effective processes to ensure compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*. Our audit covered the 12-month period to October 31, 2011. We concluded that the ministry did not have effective processes. We made seven recommendations to improve the ministry's processes.

On page 66, we recommend that the ministry develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline

operations. The ministry needs adequate written policies to provide guidance to staff to carry out their work.

On page 67, we recommend that the ministry consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition. *The Pipelines Regulations, 2000* require pipeline operators to report fires, escapes, or releases of fluids or contact damage. The pipeline operator must also report the actions it took to fix the problem or clean up the site. The regulations do not require the ministry to verify that the cleanup restored the site to an acceptable condition.

The ministry regulates oil and natural gas from wellheads and related facility sites under *The Oil and Gas Conservation Act* and related regulations. This legislation requires the ministry to ensure any spills from wellheads and related facilities are appropriately remediated. However the legislation does not apply to spills from pipelines that are reported in accordance with *The Pipelines Regulations, 2000*.

The Ministry of Environment is specifically exempt from verifying satisfactory cleanup for pipelines and flow lines under *The Environmental Spill Control Regulations*. As a result, no government agency is responsible to verify that pipeline operators clean up to an acceptable condition contamination resulting from pipelines and flow lines.

On page 67, we recommend that the ministry consistently document its assessments of pipeline licence applications for compliance with the law prior to issuing pipeline licences.

Management asserted that it performed detailed reviews and verification work on each pipeline application. However for the sample of pipeline applications we selected, we found little documented evidence of the work done to support licensing decisions. Adequate documentation is necessary to ensure all pipeline applications are appropriately reviewed and verified.

On page 68 we make two more recommendations. We recommend the ministry assess the resources it requires to fulfill its responsibilities under *The Pipelines Act, 1998*. We also recommend the ministry implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests. The ministry's pipeline engineers' job descriptions state that they should witness construction activities and pressure tests to ensure compliance. However none of the files we reviewed included evidence of on-site inspection. This increases the risk to public safety and the environment.

Ministry management indicated that they did not have sufficient staff to carry out this work on site. Ministry staff told us that staff only witnessed pressure tests where a significant risk exists. We did not find any documentation where the ministry assessed the riskiness of a pipeline application, and indeed to verify a pressure test on site or guidance for staff to follow to carry out this assessment.

On page 69 we recommend that the ministry monitor pipeline operator compliance with integrity management and safety processes for existing pipelines. The ministry has no documented processes to regulate existing pipelines and flow lines. The ministry did not request information from pipeline

operators related to their integrity management or safety processes. These processes are very important to ensure safe and reliable pipeline operations.

On page 69 we made a recommendation on a related matter that came to our attention during the audit. *The Pipelines Act, 1998* requires the ministry to license pipelines. However flow lines do not currently require licensing. Flow lines are generally smaller and shorter pipelines that connect a wellhead to a storage or other facility. Flow lines pose the same sort of environmental risks as larger pipelines but are located by the wellhead. The ministry does not have records of where the flow lines are located in the province or if they are designed, constructed, and operated in a safe manner. At the time of our report, the ministry estimated there were about 68,000 flow lines with 3 to 4,000 flow lines being constructed each year. We recommend that the ministry consider seeking responsibility in law to license flow lines.

I'll now pause for consideration by the committee of these seven new recommendations on pipelines. You'll find the recommendations in chapter 5 of our 2012 report volume 1 starting on page 66.

The Chair: — Thank you, Mr. Montgomery. Mr. Campbell, do you have any comments or do any of your officials?

Mr. Campbell: — Sure. Yes, I have a few comments, and I'll respond to some of the particular recommendations just to give you a sense of where we're at. But in overall we've reviewed and incorporated most of the recommendations, I think, into our work.

A lot of the things that were identified by the auditor revolved around making sure we have proper written procedures, policies in place so that if there's new people coming in they know exactly what the framework is rather than just having it be, you know, the boss tell the person just sort of how it was done, right? So making sure we have a lot of that sort of informalized knowledge become more formalized. And that was true also on the follow-up inspections work where we had qualified staff doing a number of these different functions but, you know, perhaps we were lagging in the specific recording of when and what was carried out. So we've certainly done a lot in that regard, which I think takes care of a few of these. And I'll just give you a little bit more detail.

[13:30]

So if you look at the first recommendation which involved develop written policies and procedures to guide staff when assessing pipeline design, monitoring construction, we have developed written policies and procedures for those activities, including checklists to document assessment of pipeline applications as well as comprehensive spreadsheets to inspect and audit pipeline projects related to their design, construction, pressure tests, and operations. Ed, do you have anything further on that point in particular? Okay. Madam Chair, did you want to go through these sort of one at a time?

The Chair: — Well we'll vote on them or we'll . . . after, but if you want to just give some thoughts on each one and committee members will have questions for you. So you're finished with

number one?

Mr. Campbell: — Correct.

The Chair: — Okay. Does anybody have any questions on number one? Mr. Forbes.

Mr. Forbes: — Yes. And I might go back and forth too. I won't say that when I've finished one I've given up on the whole chapter. I'm wondering, so you have now these written policy procedures. Can the public access them? Are they on a website anywhere? Can somebody say, so they're curious about what's happening down the road, you know, are seeing some things they have questions about. Could they access this information and say this is what should be doing or should be happening?

Mr. Campbell: — Certainly we would make that available. We don't believe it's available online, for online access currently, but certainly if people request it we'll provide that. But that's certainly something that we would consider.

Mr. Forbes: — Maybe if I could just step back and say, so how many pipelines are there that go through Saskatchewan? We've heard the number for the flow lines, 68,000 flow lines, so how many major pipelines are we talking about? How many miles of pipeline are we talking about, or kilometres?

Mr. Dancsok: — Currently Saskatchewan regulates more than 1,800 licensed pipelines, larger pipelines that run across the province. And there's three other pipelines authorized by permit that have been exempt because they were brought in before these regulations were put in place. As well, we're responsible for approximately 80,000 flow lines. These are the flow lines which are not as subject to licensing at this time and these are the shorter, smaller lines that were spoken of earlier.

On top of that, there are a number of federally regulated lines, major transmission lines that cross provincial boundaries. And they're regulated by the National Energy Board, and those would be the very large ones that you've heard of: Enbridge and TransCanada's lines and those sorts of things.

Mr. Forbes: — We don't regulate them; they're federal?

Mr. Dancsok: — We do not.

Mr. Forbes: — What makes it a federal?

Mr. Dancsok: — Anything that crosses a provincial boundary or a federal boundary into the United States is regulated by the federal government.

Mr. Forbes: — That's good to know. And what would be the difference between a flow line and a pipeline?

Mr. Dancsok: — Okay. Pipelines move large quantities of oil or gas. They're usually in diameter of 10 inches or larger.

Mr. Forbes: — Ten inches or larger, okay.

Mr. Dancsok: — Flow lines are usually in the order of two to four inches in diameter and they would move oil or gas from a

wellhead to a gathering facility.

Mr. Forbes: — And they're not, flow lines are not part of the regulatory process.

Mr. Dancsok: — Flow lines are required to be designed and built in accordance with CSA [Canadian Standards Association] standards, and that's in our regulations. However, we do not license the lines themselves.

Mr. Forbes: — So when a well's going up or they say we might have three or four flow lines coming out in this area, then any of the issues that a pipeline may have to deal with — and I'm thinking of, you know, crossing through heritage sites or anything like that — they would have been identified at that initial time when the original environmental assessment . . .

Mr. Dancsok: — Sometimes wells are drilled without flow lines, and the flow lines may be put in place much later in time as infrastructure can catch up to the wells being drilled.

Mr. Forbes: — Therefore there may not have been any kind of assessment.

Mr. Dancsok: — At the times the wells . . . That's correct. But that's not to say that they . . . They must still be built in accordance with CSA standards.

Mr. Forbes: — And then the one question here that I have is about the regulations do not require Energy and Resources to verify that a cleanup site has . . . or that the cleanup has been restored to an acceptable condition. So has that been changed at all?

Mr. Campbell: — Yes. This is in relation to, I think, recommendation no. 2 which is . . .

Mr. Forbes: — I'm looking in the wrong . . . or am I reading this wrong? Okay, there you go. Preamble, right. There you go. Okay.

The Chair: — We can get into that on second recommendation. Does anyone have any more questions on the first recommendation?

Ms. Ross: — May I make a suggestion that we deal with each one as we go along, because they're sort of the same, but not the same. We will end up with stuff getting too mooshed together. So I would make the suggestion that we deal with no. 1 and move on to no. 2.

The Chair: — Yes. I was actually going to ask the committee if that was the will of the committee. Is everybody fine with that?

Mr. Forbes: — No I'm not. I get the point, but I don't want to be sort of called out of order if I remember that there's a question or an item from an earlier point that I just happened to have missed. And because this is an awful lot of material that we're going through, and I appreciate the intent of the idea, but I don't want to be . . . make a commitment that I cannot keep to.

The Chair: — Okay. In light of that, is everyone comfortable with carrying on as we were, moving on to recommendation no.

2? And if we need to move back to . . . And we'll discuss all of them at the end. Is everyone good with that? Okay. So Mr. Campbell . . .

Mr. Hart: — As far as this section . . . [inaudible].

The Chair: — Yes. Yes. Mr. Campbell, recommendation no. 2?

Mr. Campbell: — Okay, recommendation no. 2 is that we seek responsibility in law to verify that operators clean up contaminated sites to an acceptable level. And virtually all spills are followed up to ensure they are remediated properly. The exception would be those that are really, really minor.

And it's certainly our practice that all remediation be done in accordance with *The Oil and Gas Conservation Regulations*, which we have in place for other facilities which aren't pipelines. So from our perspective, the remediation requirements are covered under that Act, *The Oil and Gas Conservation Act*, rather than *The Pipelines Act*. But we do take the point that there may be some ambiguity because it's not referenced specifically under *The Pipelines Act*. So that is something that we are currently considering. But from our perspective we do have the legislative responsibility and do act on it to ensure that is followed up on, just under a different Act.

The Chair: — Mr. Forbes.

Mr. Forbes: — And who would be responsible for that Act?

Mr. Campbell: — We're responsible for that Act as well.

Mr. Forbes: — So at the end of the day you're talking to yourselves about which Act to make sure the job gets done.

Mr. Campbell: — Correct. I think the point the auditor was making was that it should be more explicit under *The Pipelines Act* in itself, just to make sure that there's no ambiguity.

Mr. Forbes: — Yes. And they use the word regulations as opposed to legislation. Are there regulations that would be part of this?

Mr. Campbell: — Yes, again that would be under the regulations. Under *The Oil and Gas Conservation Act* is how we enforce that. But we are considering that suggestion, given if there's perceived ambiguity. We certainly don't want that.

Mr. Forbes: — Okay, okay. Good.

The Chair: — Are there any other questions on this particular recommendation? Mr. Forbes.

Mr. Forbes: — Well I do have that one comment. Just above on page 67 where the auditors say, "As a result, no government agency is responsible to verify that pipeline operators clean up a contaminated site to an acceptable condition."

So are you saying that, in your view, your ministry is responsible?

Mr. Campbell: — Correct.

Mr. Forbes: — Yes. Okay.

The Chair: — Any further questions at this point? We'll move on to recommendation no. 3. Mr. Campbell.

Mr. Campbell: — Okay. Recommendation no. 3 was that we consistently document our assessments of pipeline licence applications for compliance prior to issuing. And so following the receipt of the report, we have developed and implemented checklists to document the assessment by staff in the pipeline licence applications to leave open applications prior to their issuance. And the checklists are maintained in the permanent record associated with each licensed pipeline.

The Chair: — Questions? Mr. Forbes.

Mr. Forbes: — And would that be accessible for the public to be able to see that, that work, the checklists, if they were curious?

Mr. Dancsok: — Yes. That checklist is now contained in each file for each licensed pipeline. So it would be made available upon request.

Mr. Forbes: — Okay. Good. Thanks.

The Chair: — No further questions on recommendation no. 3? No? No. 4.

Mr. Campbell: — So item no. 4 was that the Ministry of Economy assess its resources it requires to fill its responsibilities under *The Pipelines Act*. And so we're addressing this in a couple of ways. One is making sure that we have a risk-based approach to our regulation, and we also intend to increase resources over time as they become available.

Over this past year, we added one more pipeline engineer to the group. And it is, you know, a fairly small group so one person does make a significant impact. And so, for example, in 2012 we conducted seven inspections, and we have over 60 this past year, as an example of the difference.

The Chair: — Mr. Forbes.

Mr. Forbes: — What do you mean by risk-based approach?

Mr. Campbell: — Well we'll actually come to that in a little bit more detail at another point the auditor made as well. But you know, certainly we are, you know, operating in an environment where there are limited resources. And so one of the things that we have always done, whether it relates to oil and gas drilling or pipelines, is have a sense of where the most risky facilities are or by the nature of where they may be geographically or geologically. And so those would be sites that we would — or if there's greater risks to potential health and safety should something go wrong — where we would focus our resources. So we're just trying to be a little bit more systematic in that response.

One of the recommendations the auditor made a little further on was to make sure that we're also doing random audits as part of that as well.

Mr. Forbes: — Can you tell me or can you tell the committee what some of those risks might be that you're evaluating the pipelines on?

Mr. Dancsok: — Sure we can. For example, lines that are going through environmentally sensitive areas, river crossings, in the proximity of marshy areas, those sorts of things, environmentally sensitive would be . . . would pose a higher risk and would score higher on the risk assessment. Lines going by heavily populated areas would also score higher on that risk assessment. Lines being installed by companies with poor track records would also score higher on that risk assessment. So those are the kinds of factors that would be used in determining whether or not a line was going to get a full inspection or not.

Mr. Forbes: — Is age a risk, in terms of how old a pipeline is?

Mr. Dancsok: — On the construction part it's just . . .

Mr. Forbes: — Oh, okay. So we're just dealing with construction right here. You're not going back . . . the ones that have been built are . . . And then what about pressure testing? Are they not tested on an ongoing basis?

Mr. Dancsok: — This is, as Mr. Campbell has said, this is where we're moving towards putting together a risk-based audit going forward so far as random audits in the future.

Mr. Forbes: — Okay, so but I'm hearing two things here. You were saying that on the new construction you're going to be doing this risk-based assessment to be evaluating them. But I'm curious about the ones that are already constructed. What are you doing about them? Because clearly the auditor has identified that that was a problem for a period of time. I don't know how long. Are you doing anything to go back and make sure the ones that have been constructed, that are in the ground, are good?

[13:45]

Mr. Dancsok: — That speaks to a further recommendation down the road around gathering integrity, information, and management. And so we will be continuing to gather that type of information and emergency response information from pipeline companies.

Mr. Forbes: — I'm talking about recommendation no. 4. That's what we're on right now I think, right? And I'm talking about the second paragraph up from that where it talks about pipeline construction and witnessing construction and pressure tests to ensure compliance, and that you didn't have enough staff to do this. And your response was that you've taken a risk-based approach to doing this.

But I understand that you're talking about into the future and to future construction. But I am concerned about the pipelines that were cited under this, in this area where there was no . . . it appears that there were some questions about people witnessing the construction activities and the pressure testing. And I would hope that there would be some way to go back and say, give us some assurance those pipelines are in good shape.

Mr. Dancsok: — [Inaudible] . . . on the recommendations

going forward, we will have the proper resources in place to do the assessment at that time, at construction time.

Mr. Forbes: — And that's a risk-based . . . So at this point we don't know how many of the 1,800 licensed pipelines had on-site inspections as they were being constructed. Were they pressure tested?

Mr. Dancsok: — As Mr. Campbell has said, it was in the order of seven a year were being done based on the amount of resources we had at the time in the past, but going forward on legacy — let's call them legacy pipelines — there will be gathering of information for pipeline integrity which is required by the companies to submit to the ministry on the integrity of their pipelines going forward.

Mr. Forbes: — Well which of the recommendations address, or you feel are related to the issue around legacy pipelines? A licence, you know, licensing and insurance that they're safe.

Mr. Campbell: — Yes, right. That would be, from our perspective, covered under our answer to no. 6, which is monitoring operator compliance with integrity and safety processes for existing pipelines.

Mr. Forbes: — Fair enough. Okay, good.

The Chair: — Are there any further questions on no. 4? Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. So what I'm hearing is that in the past not all pipelines were inspected at the time of construction, but what you are doing is working towards having a lot more inspections done at time of construction. So I would imagine, of the provincially regulated pipelines, some of them have been in place for quite a long time. And would you know whether going back 20 years or longer, would you know if those pipelines were inspected at the time of construction? Would you have records of inspections or whether they weren't inspected?

Mr. Dancsok: — There would be records of inspection, but as the auditor has pointed out, there weren't a lot of inspections being done at the time of construction in the past.

Mr. Hart: — Okay, good.

The Chair: — Any further questions on 4? I do have one, actually a clarification here. So no. 4 deals specifically with resources you require to fulfill responsibilities under *The Pipelines Act*. So you had said that in 2012 you had done seven inspections versus the next year; with one more staff, you were able to do 60. Did I hear that correctly?

Mr. Campbell: — Correct, that was part of it. I mean part of it was . . . and that related to the construction, the inspection, the construction of the new lines. So I certainly think the biggest impact on that would have been from the additional staff.

The Chair: — In a perfect world then — and this recommendation deals specifically with the resources — how much staff would you need to be able to conduct all . . . Every year when a pipeline is being constructed, what do you need to

be able to complete all those on-site inspections?

Mr. Campbell: — Our estimate would be three or four more resources.

The Chair: — FTEs [full-time equivalent]?

Mr. Campbell: — Correct, right. But we are also looking at ways we can use external parties to do some of our regulatory works. There's certain . . . and this is something we're doing sort of division wide. But there's certain things that obviously we have to do and inspect. But there's, you know, maybe certain instances where we can use consultants to do certain regulatory activities on our behalf, particularly in things like information gathering and things like that, or follow-up work. So we're looking at ways that we can increase our activity without necessarily allocating FTEs. But certainly we've added one more this year and we'll certainly continue to look for opportunities to add more.

The Chair: — Are you currently using external parties to assist you in that work right now?

Mr. Campbell: — Certainly in some other areas we are, but we have not yet done that in pipelines.

The Chair: — Okay. So just to clarify, to make sure that I understand this right then, so because of a lack of resources, you're still not able to fulfill your responsibilities under *The Pipelines Act*. Would that be a fair statement?

Mr. Campbell: — Well you know, we certainly require standards to be met under the Act, so the regulatory framework is strong, and then to ensure compliance we're taking the risk-based approach both by doing a greater extent on those that present a greater risk, but then also doing random inspections as well.

The Chair: — So each pipeline that is being built, there is not an on-site inspection for every pipeline being built in Saskatchewan for the construction?

Mr. Campbell: — That's right, so it's a work in progress.

The Chair: — Okay. Thank you for that. Does anyone have any . . .

Mr. Forbes: — I just have one quick one. How many new pipelines are there built in Saskatchewan a year? What's been the average over the last . . .

Mr. Dancsok: — We usually approve in the order of 12 to 15 a month. So we're looking at just over maybe 100 a year. So I think our new process is in place and that extra staff has really helped us get to that point where we're satisfied that, you know, we're getting enough inspections done in an annual basis to provide that sort of regulatory oversight to . . . Everyone knows that there could be an inspection of their line. And so it's been helpful in making sure everyone's compliant.

Mr. Forbes: — So what would be the average distance for these pipelines? These are obviously not the flow lines, these are . . .

Mr. Dancsok: — These are medium length lines, yes, and they can be anywhere from a couple of kilometres long to 50 or 60 kilometres.

Mr. Forbes: — Okay. Thanks.

The Chair: — Thank you. Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. I'm just looking at the auditor's report in the paragraph just below the recommendation no. 4 where it says, and I quote, "To be granted a leave to open energy and resources, require pipeline operators to submit pressure test results showing that the pipeline can function safely at its intended operating pressures."

This test result, is that certified by consulting engineers or engineering professionals within the companies that are building this line? What type of certification, if any, is there along with those test results? I mean, I'm sure you're not just accepting the word of some employee that says, yes, we revved her up to a certain amount of pressure and it seems to be fine. Like could you just expand on that area of what type of test results, you know, the qualifications of the people doing these test results?

Mr. Campbell: — So yes, it would be . . . The witness of the pressure test at the company level would have to be an engineer, professional engineer.

Mr. Hart: — So what we have is someone with an engineering designation signing off, I mean . . .

Mr. Campbell: — Saying that this meets the . . .

Mr. Hart: — Very much like you have the engineer signing off on construction of buildings and that sort of thing. Would that be a fair statement?

Mr. Campbell: — Correct. Yes, and the results of those tests would then be forwarded to us for the record.

Mr. Hart: — Okay, good. So at least we have some insurance that there is some qualified people looking at these pressure tests.

Mr. Campbell: — And now this year is the first time, in 2013, we've been able to have our own engineer be at the site too to witness some of this . . .

Mr. Hart: — Great. Okay. Thank you.

Mr. Campbell: — . . . To a greater extent.

The Chair: — That was blending a little bit of recommendation no. 5, but we'll let Mr. Campbell talk a little bit about recommendation 5 if you've got anything else to add.

Mr. Campbell: — Sure. Well I mentioned that in terms of . . . The inspections this year increase from over 60 from 7 the year before. And so these would be instances where our staff were on site to witness the pressure test directly rather than just receiving the information. We've also developed documents to verify those activities in accordance with *The Pipelines Act*,

pipelines regulations, and the latest version of the CSA standards for oil and gas pipeline systems. And those are maintained in permanent records that we have that are associated with each licensed pipeline.

The Chair: — Thank you for that. Any questions from the members on recommendation no. 5? Mr. Forbes.

Mr. Forbes: — This is where the auditor is asking for a risk-based assessment approach, and that's fair enough. And then there's a line just above it talking about a sample of construction activities. I'm wondering, is this where you're thinking about doing more, you know, doing the risk-based ones but also doing some random inspections? Or where will that . . . Where in this set of recommendations do you . . . You alluded to some random inspections.

And I think about this in terms of labour when you do occupational health and safety and you want to go to the risk ones.

But as well, you sort of want to keep up the random and the unannounced visits because you just want to make sure people have the sense that there are, you know, there are eyes on this. Are you planning to do any unannounced visits, inspections as well? Or do you announce that you're going to be coming?

Mr. Dancsok: — We have to notify the operator that we're coming on to the site, of course for safety reasons for our own staff.

Mr. Forbes: — Right.

Mr. Dancsok: — And so that's done. But I mean the time frame of the announcement is not such that they can, you know . . . They simply have to accept us and make sure it's a secure place for our staff to be.

Mr. Forbes: — Your hard hats and that kind of stuff. Okay. Fair enough. That's good.

The Chair: — Thank you. Any more questions on no. 5? Mr. Campbell, would you like to talk about no. 6? Although I think we've had some discussion but if you've got some further comments.

Mr. Campbell: — Sure. No. 6 relates to monitoring pipeline operator compliance with integrity and safety management processes for existing pipelines. And that's certainly something we're doing more of over time in terms of gathering information, making sure we have up-to-date emergency response information from all producers.

We're also, you know, in the future considering amendments to *The Pipelines Act* which would . . . We hope to include more substantive provisions regarding pipeline integrity and safety management programs as a future state.

[14:00]

The Chair: — Mr. Forbes.

Mr. Forbes: — I notice that the line that the auditor talks about

that there are some processes to cover planning and construction of pipeline but no documented processes to regulate existing pipelines and flow lines once they are in operation. So you've alluded to safety and I'm wondering what is, what kind of safety records are we talking about in terms of operating pipelines. What have been the stats — injuries, deaths, that type of thing — for people? How many people work in this area? What is the injury rate type of thing?

Mr. Dancsok: — So on an annual basis there's about . . . We've recorded in the order of 130 incidents from pipelines annually. So that would be anything from small spills or larger spills to accidents around pipelines and those sorts of things.

Mr. Forbes: — Now you've just lumped those two in together. I was going to ask about integrity management and safety. So you're putting the two together, like injuries and actual worker injuries as part of the 130? Is that what you're saying?

Mr. Dancsok: — Yes.

Mr. Campbell: — Yes, that would be sort of our aggregate numbers in total of any incident that gets reported to us involving a pipeline, regardless of what it would be.

Mr. Forbes: — A reportable incident.

Mr. Campbell: — Right. A reportable incident. So I'm not sure we have the breakdown of that information here for you today but we can certainly get that to you.

Mr. Forbes: — Yes. I'd be curious about that, both in terms of injuries and then you had in, you know, anticipated my second question in terms of spills. How many spills and average spill or what has been the record there. And I assume that's what you mean by integrity management, or what is that?

Mr. Dancsok: — Integrity management is more about testing of lines where they run. It's a little bit of a joke. They run PIGs [pipeline inspection gauge] through the lines.

Mr. Forbes: — Right.

Mr. Dancsok: — These PIGs that are . . .

Mr. Forbes: — Yes. Yes, I know about that.

Mr. Dancsok: — Okay. And they test the wall thickness. They test for cracks, leaks, micro-leaks, imperfections in the pipe; that sort of thing. And companies are expected to keep the results of those integrity tests with them at all times for inspection should we ask for them. Okay?

Mr. Forbes: — Right. So if the . . .

Mr. Dancsok: — And that's part of the CSA standard as well.

Mr. Forbes: — If the officials could report back to the Chair about those, those numbers about reportable incidents, that would be great.

Mr. Dancsok: — Okay.

Mr. Forbes: — Thank you.

Ms. Ferguson: — Mr. Forbes, perhaps, I don't know, if we could draw your attention to actually figure 4 and figure 5 in the report, which is on page 62 and 63. I'm not too sure but maybe that might in part at least answer your query.

Mr. Forbes: — Oh okay, for sure. Well part of it anyways. Yes.

Ms. Ferguson: — Yes. So that was the information that was available at the point in time of our audit work.

Mr. Forbes: — Right. Okay, thank you.

The Chair: — Now moving on to recommendation no. 7. If Mr. Campbell has some comments before we have questions.

Mr. Campbell: — Okay. This is the final recommendation under this set which recommends that the Ministry of Energy and Resources consider seeking responsibility in law to license flow lines. So this is something that we are not planning to do in the immediate term. We think that certainly the bigger risks to health, safety, and the environment are on the pipeline side and so that's the area where we want to place most of our emphasis. The flow lines are required to meet the CSA standards in the same way but the risks of any incident going from, say, an individual well to a gathering point are that much smaller. And so one of the things we are considering is enhanced reporting requirements that wouldn't necessarily be a licensing requirement. So if you were to consider a licensing requirement, that would be . . . You would need a licence from us before you could then develop a flow line.

But we're certainly looking to enhance our knowledge of where all the flow lines are, making ownership, all these types of things, and that would allow us to certainly do more from a regulatory side. But in terms of actual, if we're going to move towards licensing flow lines, you know, then we'd be . . . We have to assess that risk against the other risks more broadly which we think our, you know, our resources are best focused on the pipelines issues first and foremost.

Mr. Forbes: — So if you were to have them just reported, are you pretty confident? Are you confident now that you know where all the flow lines are in the province?

Mr. Dancsok: — We have a third party, data vendor information that we have access to that shows the start point, the end point, and some of the paths from point A to point B. As well it includes the diameter of the pipe, the strength of the pipe, the owner of the pipe. And so with all of that information, I think we've got a much better assessment of where those lines are and in the future as we move towards some more consultant-based resourcing, we can get ground truthing done to finish that knowledge off.

Mr. Forbes: — What is a lifespan of a flow line and what happens when they are . . . Are they abandoned like with the orphan wells or what happens when they're all done?

Mr. Dancsok: — The lifespan of a flow line is about the same as a well and could be 40 to 50 years. When the flow lines are

abandoned, the line is purged with an inert substance and each end is capped and then the pipe is left in the ground. Yes.

Mr. Forbes: — Now because these are smaller in 40, 50 years, I guess that's still a considerable time, so they're fairly deep in the ground? There's no point in pulling them out if they . . . [inaudible].

Mr. Dancsok: — They're about 4 feet in depth. Below the cultivator shovel, so to speak.

Mr. Forbes: — Right. So is there . . . But I guess the difference between reporting them and knowing where they are, that's a very important thing for the next step — licensing is. You kind of want to make sure that there is some responsibility for when they are finished and their lifespan is done. A licensing would have more power in making sure that they're all accounted for in the end, I would think. I don't know. I mean are you concerned about what's going to happen at the end of these?

Mr. Dancsok: — The lines are to be constructed and maintained and operated and abandoned according to CSA standards and so that is, that's what we rely on for the proper management of those lines.

Mr. Forbes: — So are you saying that there's a standard of when it comes to abandoning these lines about how they'll be dealt with at the end and that's part of the process?

Mr. Dancsok: — Yes, that is correct.

Mr. Forbes: — Okay.

The Chair: — Can I ask a . . . I've got a question here. How do we know that with respect to those flow lines, how do we know that that standard is being met with respect to flow lines?

Mr. Dancsok: — That's a good question. As we do not inspect flow lines and so we're relying on just the good practice of operators to have that done. Of course it's in a risk-based, so these are shorter lines, smaller volumes of potential materials that could impact the environment or the public safety.

The Chair: — But there's no . . . Again as you've said, it is there to meet certain requirements but we're not sure if they're meeting those requirements?

Mr. Dancsok: — That is correct.

The Chair: — Okay. Thank you for that. So those are the seven recommendations. Does anyone have any further questions on any of the seven recommendations? Mr. Cox.

Mr. Cox: — Thank you, Madam Chair. And this may be getting a little bit off topic here, but we got talking about the abandoned lines. Where does the liability lie with those abandoned lines? Does it lie with the original pipeline installer? I'm thinking if you say they're 4 feet down so that the farmers are not going to catch them with a cultivator shovel, but he might be digging rocks someday or he might built a house there someday. Where does the liability lie with that? Is that anything that you are concerned with?

Mr. Dancsok: — Yes, the liability does lie with the operator, the last known operator of the line.

Mr. Cox: — Okay. So in the case of those abandoned ones, like we talked about the abandoned wells, that the original installer is long gone. There's nobody responsible other than the farmer putting in whatever happens . . .

Mr. Dancsok: — Right now that's under the orphan well fund. It's the orphan well fund that would properly abandon those wells and the lines if there was no viable entity left. And so certainly those are the ones we have most certainty with because we are in charge of the abandonment of them, and we would see that they are abandoned properly.

The Chair: — Thank you. Any further questions? I just want to note just for the purpose of the members for recommendation no. 7, the wording around "We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to license flow lines." So in fact Mr. Campbell did point out that they did consider and that they're not planning to do it in the immediate term. So just for the purposes of the committee, that that recommendation, one could probably be considered to concur.

But going back to the first recommendation, so we will . . . I'm wondering what the will of the committee is on 2012 report volume 1, chapter 5, what the will of the committee is with respect to the first recommendation. Mr. Hart.

Mr. Hart: — Madam Chair, I move that the committee concurs with the auditor's recommendation no. 1 and note its compliance.

The Chair: — Okay. Mr. Hart has moved on 2012 report volume 1, chapter 5, recommendation 1, that the committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 2.

Mr. Hart: — Madam Chair, with regards to recommendation no. 2, I believe . . . And I would need clarification on this because there is some ambiguity or a bit of a void as far as who's responsible here. But I believe I heard the deputy minister say that they are considering clarifying that. So if that's correct, I would then move to concur with the recommendation and note compliance because they are looking at or moving forward to clarify that whole area of responsibility.

The Chair: — Okay. So with respect to 2012 report volume 1, chapter 5, recommendation no. 2, Mr. Hart has moved that the committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 3.

Mr. Hart: — No. 3 is . . . I would move, Madam Chair, that we concur with the recommendation and note compliance.

The Chair: — So the 2012 report volume 1, chapter 5, recommendation no. 3, Mr. Hart has moved that this committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. No. 4, recommendation no. 4.

Mr. Hart: — Madam Chair, I would move that we concur with the recommendation and note progress.

The Chair: — Note progress. All right. So 2012 report volume 1, chapter 5, recommendation no. 4, Mr. Hart has moved that the committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 5.

Mr. Hart: — I would make a similar motion, Madam Chair, that we concur with the recommendation of no. 5 and note progress.

The Chair: — Note. Okay. Thank you. So on the 2012 report volume 1 . . . Oh, I'm sorry. Mr. Marchuk?

Mr. Marchuk: — Can I ask a question?

The Chair: — You can.

[14:15]

Mr. Marchuk: — Thank you. Are there other assessment approaches other than risk-based?

Mr. Campbell: — You could do strictly random audits that don't consider, for example, the risk to the environment as an example, right? So you could simply do, if there's 100 per year and you have the resources to do 20 audits or 20 actual inspections, you could just do those randomly. Or you could do it strictly on a risk-based perspective where you'd say, you know, if it's going under a stream or whatever else then you would . . .

And so what we're proposing is a bit of a balance. We're focusing on the risk-based but then also incorporate some random elements just to make sure that, regardless of size, that everybody knows that that is, you know, a real possibility that we'll be there to witness their pressure test.

Mr. Marchuk: — Thanks, Madam Chair.

The Chair: — You bet.

Mr. Campbell: — I guess you could . . . One more thing. You could also do 100 per cent inspections too, right?

The Chair: — Thank you. So back to . . . Mr. Hart had on 2012 report volume 1, chapter 5, recommendation no. 5, Mr. Hart had moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 6.

Mr. Hart: — Madam Chair, with regards to auditor's recommendation no. 6, I would move that we concur with the recommendation and note progress.

The Chair: — So in the 2012 report volume 1, chapter 5, recommendation no. 6, Mr. Hart has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. And no. 7, the final one for this part.

Mr. Hart: — Madam Chair, as you've pointed out, the recommendation, the auditor's recommendation no. 7 asks the ministry to consider seeking responsibility and I believe we heard that. So in this case, I would move that we concur with the auditor's recommendation and note compliance.

The Chair: — So with respect to the 2012 report volume 1, chapter 5, recommendation no. 7, Mr. Hart has moved that this committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So we will move on to the next . . . to part 4 basically and I will pass that off to Ms. Ferguson or Mr. Montgomery.

Mr. Montgomery: — Thank you, Madam Chair. I'll now provide an overview of chapter 31 of our 2012 report volume 2. Chapter 31 is on pages 239 to 255. The objective of our audit was to assess whether the ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities for the period of October 1, 2011 to September 30th, 2012.

We concluded that the ministry did not have effective processes. We made eight recommendations. Our first recommendation is set out on page 246. We recommend that the ministry actively mitigate the risks resulting from the ministry being responsible for both the promotion of the development of the oil and gas industry, and for the protection of the environment, property, and the safety of the public.

There's a potential risk of an imbalance between the ministry's two roles. For example, there's the risk that the ministry's efforts to develop the industry may override its efforts to protect the environment. The cleanup of wells and facilities may be an example of an imbalance. The ministry's royalty programs have contributed to the growth in a number of oil and gas wells and facilities. However, the ministry is making slow progress cleaning up orphaned wells and facilities and needs to improve its regulation of pipelines.

On page 247 we recommend the ministry assess and allocate resources and skills necessary to effectively carry out the licensed liability rating program, the orphan abandonment

program including the timely cleanup of orphaned wells and facilities, and the acknowledgement of reclamation program.

On page 248 we recommend that the ministry use current estimates of trend analysis to monitor, assess, and report on the risks and associated costs of the future cleanup of wells and facilities. The ministry allocates staff to carry out its three programs. We found that the three programs had clear objectives and defined policies and procedures and that the ministry carried out the programs in accordance with the governing legislation. However there has been slow progress in the cleanup of orphaned wells. In addition, the ministry staff have not maintained current estimates on cleanup costs or a current analysis of the years of inactivity for inactive wells or current estimates of the number of potential orphaned wells.

On page 250 we recommend the ministry assess the need for extending the independent audit practices to sample licensees' well sites whose reclamation reports contained no anomalies and/or discrepancies. The ministry's acknowledgement of reclamation program is designed to ensure licensees clean up their wells and facilities in accordance with the ministry's site remediation standards. Licensees hire independent third-party consultants to prepare and submit reclamation reports to the ministry. The ministry performs desk reviews of all reclamation reports to determine if licensees have met standards. If errors or anomalies exist in these reports, the ministry carries out fieldwork and/or audits using its own third-party consultants.

Once discrepancies are resolved or deficiencies are corrected, the ministry issues certificates that confirm licensees have met the ministry's well remediation standards. Since 2010, the ministry reports that it has issued around 540 certificates and has carried out 11 audits. Because the ministry's on-site inspections and/or independent audits are confined to sites where the desk reviews identified anomalies or discrepancies, the extent of this oversight may not be sufficient to assure the ministry that all licensees are properly restoring their well sites.

On page 251 we recommend the ministry report on its effectiveness to the Legislative Assembly and the public on managing the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. We found the information provided by the ministry in its annual reports was not sufficient to inform the Legislative Assembly and the public on the ministry's progress in managing the financial and associated environmental risks related to the future cleanup of wells and facilities.

On page 252 we recommend that the ministry estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the government's financial statements. Orphaned wells and facilities are ones where the licensees do not have the financial means to clean up their wells and facilities or they may not be identifiable or locatable when cleanup is needed.

On October 30th, 2013, the ministry provided us with a position paper that states that the liability for orphaned wells resides with the oil and gas industry and not with the ministry. We've also asked the ministry staff to provide us with evidence to support their assertion that the liability resides with industry. We plan to review this position paper and report our findings in

a future report.

On page 253 we recommend that the ministry manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities. Inactive wells and facilities are wells and facilities that have not reported any production, injection, or disposal activities for a period of 12 consecutive months or longer. These differ from orphaned wells and facilities because active licensees, who are responsible for the associated cleanup costs, own them.

We make this recommendation because the number of inactive wells and facilities is increasing, and the ministry needs to manage the risk of licensees unnecessarily deferring the cleanup of inactive wells and facilities. Currently the ministry's legislation does not address the timely cleanup of inactive wells and facilities.

On page 253 we also recommend that the ministry complete its assessment of the financial and environmental risks arising from legacy well sites, assess its liability, and develop a plan for cleaning up contaminated legacy well sites. Legacy well sites are sites that received a release prior to 2007 from surface owners — for example, farmers — or from release certificates issued pursuant to *The Surface Rights Acquisition and Compensation Act*.

The ministry, in accordance with its legislation at that time, accepted the releases as evidence that the sites were restored to appropriate environmental standards or to the satisfaction of the landowner. The legislation did not require independent reports by environmental specialists before the releases were granted. Consequently some of these sites may contain contaminants that continue to pose risks to the environment and to public health.

There are about 20,000 legacy well sites, of which the ministry estimates 9,000 sites have a higher risk of contamination. The ministry has advised in writing that, due to the low rate of incidents involving legacy well sites, they will not be dedicating resources to an assessment of risks but will continue to respond to legacy site incidents on a case-by-case basis as they occur. We will review the ministry's analysis and this recommendation when we conduct follow-up work on this chapter.

I'll now pause for consideration by committee of the eight new recommendations on risks related to the future cleanup of oil and gas wells. You'll find these in chapter 31 of our 2012 report volume 2, starting page 246.

The Chair: — Thank you, Mr. Montgomery and Mr. Campbell, for your comments.

Mr. Campbell: — Thank you. We'll maybe do this the same as last time and do one by one. I'll just have a few introductory comments and then go into no. 1 directly.

First of all, this is a program that has been established for a few years now and one that we are very proud of. We think it provides good protection for the people of Saskatchewan. We are very pleased that the auditor found that the programs, the three programs under the broader framework, had clear

objectives, defined policies and procedures, and that we were carrying out the programs in accordance with the governing legislation.

We did take note of their comments that we're making slow progress in cleaning up wells. Just to give you a sense of how this has gone, so the first year we were operating under the framework was fiscal year 2009-10 where we had zero wells abandoned. Fiscal year 2010-11 we did three; 2011-12 we did seven; 2012-13 we did seven again, and then for this current year we've done 41 to date and we have another 28 that we've deemed orphans so we are expecting to have abandoned 69 this year. So it is a program which has, you know, sort of taken us some time to ramp up but we're getting some pretty good results.

Now turning to the recommendations themselves, no. 1 was in relation to the ministry actively mitigating risks resulting from being both responsible, on the one hand for the promotion of the development of the sector, as well as regulatory. And this is one that jurisdictions handle these things differently. In Saskatchewan, under the Ministry of the Economy through the petroleum and natural gas division, we have responsibility for both — things like land sales, royalty collection, promotion of investment into the province as well as the regulatory side. So we do the assessments before we issue permits and licences, and then we also do the enforcement actions as well.

Other jurisdictions do it differently. If you look at Alberta as an example, they have an independent energy regulator that covers the regulatory side. And they handle things like land sales and royalties and the economic development side through their Ministry of Energy.

But ultimately, you know, it's a minister and the government who are accountable and responsible. So you can, you know, structure these things in different ways. Saskatchewan has always run this model in different forms. It used to be Energy and Mines, Industry and Resources, Energy and Resources, now Economy. And there's certainly, you know, strengths and weaknesses to any model. In our case I think it allows us to be very, I think, pragmatic and nimble.

We have, you know, I think pretty good assessments in terms of what's happening in the industry, and then we can use that both from the development and the regulatory side. One of the key challenges for management, both in my role and in Ed's role, is making sure that staff have a really good understanding that, you know, there are two specific functions here.

[14:30]

And so the way Ed's division is structured, there's five branches, two of which are on the regulatory side, regulatory enforcement side, and two of which are on the development side, those being the land sale process and then also the revenue royalty piece. And then there's a fifth branch which was just recently created over the last couple of years, which is all the data that both sides use.

And certainly in our strategic planning process, we were very careful to make sure that we're balancing both elements, and that goes right down from the divisional plans to the branch

plans to the individual work plans. Some people are, you know, 100 per cent on the regulatory side. Some people are 100 per cent on the development side. And some are, like Ed and I, have balanced both roles.

But ultimately at the end of the day, government is responsible for both of these functions regardless of how you structure it. So we think we have good policies and programs in place just through our structure, our strategic planning process, to make sure that we're balancing these two elements.

The Chair: — Thank you, Mr. Campbell. Do any members have any questions? Mr. Forbes.

Mr. Forbes: — Yes, I'm just curious what the Ministry of Environment, your working relationship with them in this whole area. Can you talk a little bit about that?

Mr. Campbell: — Sure. So I'll provide some general comments and then Ed can fill in a little bit more of the details. But it's sort of . . . It relates to our history and legislation where we are responsible for regulating those activities that occur below the surface, and Environment has responsibility for those above surface. So when it comes to actually permitting a well to be drilled, that's primarily under our purview. So we license that. We regulate that. And then we're also responsible for ensuring that it's abandoned properly.

But before a company can apply to do that, there's a review process that has to go through first through the Ministry of Agriculture, if it's on southern Crown lands, or through the Ministry of Environment. And then once those sign-ups are in place then it comes to us for our assessment. Anything further, Ed?

Mr. Dancsok: — No, maybe just a bit more detail. Whether it's Crown surface or privately held surface, the Ministry of Environment does conduct a check of the environmental sensitivity of the area based on the level of development. That checklist, should it trigger extra study as you're going through the checklist, it could require an environment protection plan be filed with the Ministry of Environment, or a complete environmental assessment like a four-season assessment.

So before we will entertain applications for the well licence or facility licence, we need to see that that checklist has been conducted. And that's how we're integrated with environment so far as the conduction of activity at the surface.

Mr. Forbes: — And I know that a few years ago, the Great Sand Hills was an example of zoning bylaws that regions had. Has that continued out through other parts of Saskatchewan? Or is that just part of that area with, I think there were four RMs [rural municipality] that were involved with it at the time? Does that have an impact on your work at all dealing with local interests?

Mr. Dancsok: — Certainly Great Sand Hills was a unique situation in, you know, conflict of land usage and trying to find the proper balance. There were other areas in the province that have . . . The Manitou Sand Hills is another one I can think of right now where a similar type of study and co-operation was done between landowners, Ministry of Environment, Ministry

of Energy, and all interested parties in coming up with a balanced solution for that type of an area. So as these unique areas come up from time to time, I see the same type of treatment.

You know, another one right now which has had some work and is what we call the southern slope of the Cypress Hills, another area of sensitive and special treatment. And so there's some co-operative action taking place there so far as the use of the surface.

Mr. Forbes: — I guess, you know, and it was the Great Sand Hills. It was Industry and Environment and Municipal Affairs, I'm not sure if all the . . . But really played a role to make sure, and I think it worked out well for everyone.

Mr. Dancsok: — Five agencies involved. Agriculture is involved as well.

Mr. Forbes: — Agriculture as well. Yes, for sure. Okay. No, I'm good with this.

The Chair: — Any other questions on recommendation no. 1 for now? Mr. Hart.

Mr. Hart: — I have some. I wonder, you'd mentioned that there are two groups within the ministry. One group would be, we could term them the promoters of the industry and the other one are the regulators. Could you just give me a sense of how much division there is between these two groups? Are they housed on different floors within your office facilities? Well certainly there would be communication obviously between them as there would be between employees of one ministry and another that are involved in the common area, but could you just perhaps explain and perhaps expand on that?

Mr. Campbell: — Sure. So I'll let Ed fill in the details as well. But the majority of our petroleum and natural gas staff are in one building in Regina. And then we have regional offices across the province as well. But within that building — they're all within one building — they do report to separate directors. So the branches are sort of divided up separately. In terms of . . . Any more details, Ed?

Mr. Dancsok: — Sure. The majority of the staff are devoted to the regulatory side of our activities. About, I would say, 80 per cent of the staff are on the regulatory side, meaning we need a lot of, you know, boots on the ground out in the field, that sort of thing. So I think that balance is right so far as the number of staff dedicated to the different roles.

Strategically, or just logistically, better put, getting staff separated on different floors is pretty hard to do. Most of our regulatory staff occupy two floors, and then two other floors are occupied by the rest of the staff. And some are on a different floor than the regulatory staff. But it's just tough logistically to get everyone separated.

But having said that, we do have regular division meetings in which items like this are discussed. Everyone understands his role. Each director understands his role within the division and the good part of the model is that they can work in an integrated way to achieve solutions.

Mr. Campbell: — The other thing I would note on that front is within that division what we do talk about is development and regulatory. On the development side what most people do, one group is in charge of our lands sale process. So they're not, you know, promoters sort of in the traditional sense. We have an economic development division that does a lot of that. But they administer our land sale processes. They do assessment in terms of, you know, what the minimum bids should be, are there sensitive lands that shouldn't be included — those kinds of things. So there is a regulatory component to that as well.

And then the other one being on the revenue royalties sides, they're the folks who administer, you know, our oil and gas royalty systems and do assessments in terms of how that's going. So again it's sort of, it's not like they're promoters in the traditional sense.

Mr. Hart: — And just one further question. This is the system that the province of Saskatchewan has used for quite some time with regards to this industry, where I believe you mentioned earlier that some other provinces have two different ministries responsible for the oil and gas industry and so on. So this is nothing new that's happening. The way you're operating today is really nothing new then. Would that be a fair statement?

Mr. Campbell: — That's correct, yes. It's been that way since Ed's been around, and Ed's been with the ministry since the . . . I won't put a date on Ed, but it's been for a while. He's been around for a while, quite some time.

Mr. Dancsok: — But certainly, can I just offer that a lot of jurisdictions, Manitoba and all of the onshore maritime provinces, their onshore energy departments are both the regulator and the promoter for those jurisdictions. It's really just British Columbia and Alberta that have separate regulator and department responsibilities.

Mr. Hart: — Okay, thanks.

The Chair: — Thank you. Thank you. Now moving on to recommendation no. 2 and your comments.

Mr. Campbell: — So recommendation no. 2 was that we assess and allocate resources and skills necessary to carry out the programs. And I think that's, you know, that's something that we've been focusing on a lot this last year. I mentioned the numbers before about how we've gone from the last couple of fiscal years to doing seven orphans in each year, to hopefully 69 this year.

One of the things where we've talked before, when we were talking about the pipelines situation, is this is an area under orphan wells where we think we can use some external resources to help us out. And that is, when you're going to deem a facility an orphan, you have to make sure that you know who the owner is. And in many cases there could be a number of different owners, and so this is something that we can . . . There's a lot of time involved in that and there's not necessarily internal staff that need to do that.

So that's one where we can rely on some external consultants to do some of that assessment for us, and then we can focus on issuing the orders more directly ourselves. I think that's one

area that's really helped us out. And maybe Ed, if you have any other comments.

Mr. Dancsok: — Well we've found efficiencies in the processes too, so far as . . . the longest time it takes is to determine whether or not a well is orphaned and that there is no responsible party to manage that well.

We, of course, industry funds the orphan well program and they don't want us abandoning wells that are not actual orphans. They don't want us spending their money, they don't want us spending their money unnecessarily. So the time it takes to properly deem a well as an orphan is what takes, which is the most time-consuming thing.

And I think through some of the efficiencies we've made we've been able to shorten that time frame and become more efficient at it. And that's where we're seeing the numbers rise. We expect a very similar outcome for next year, by the way, as far as we're already starting to deem wells for the future. And so for the next fiscal year we can see hopefully an equivalent amount of wells. I'm not making promises right now, but we do see efficiencies that are allowing us to build that capacity and make it happen.

The Chair: — Thank you. Questions on this recommendation? Mr. Forbes.

Mr. Forbes: — Well the auditor refers, and I'm looking at the top of page 247, about, “. . . has assigned only one person to identify and verify orphaned wells and facilities.” So you're thinking of increasing that capacity. But are you actually increasing FTEs as well to work, do more work in this area?

Mr. Campbell: — You know, we haven't to date. We really are adding the capacity externally, and then so the one FTE that we have dedicated full time to this is really managing the process, right? And so there's other people who will help him out in the division but they're not necessarily full time dedicated to the program. But really this person's role has really developed into managing this process.

The Chair: — Any other questions?

Mr. Forbes: — What would be . . . Sorry.

The Chair: — That's okay.

Mr. Forbes: — What would be a good . . . [inaudible] . . . Where would you want to end up being in terms of . . . So you have that pressure not to determine that wells are orphaned, you know, that whole progress or continuum. But you have a lot of wells. And I think there are 9,728 wells that have been inactive for five or more years. So how do you . . . What do you see happening? How many wells would you want to see dealt with each year in terms of being reclaimed? What's the long-term goal here?

Mr. Campbell: — Well obviously we want to have a program in place that is essentially the polluter pay principle, right? So if you're establishing a facility, you're responsible for full reclamation of that site. And so the program we have in place is an industry-funded fund that will allow us to do that where

there's not an owner in place. We also have a system whereby we rank companies in terms of their assets and liabilities, related to, you know, number of wells in production, and so if your liabilities start to increase more than your assets then we require you to put in deposits which would basically then make . . . When we do that to a company, we're basically putting them on notice that, hey, you're at a risk here, and you're going to have to put some more money into the pot because you're at a risk of failing and not being able to do this.

[14:45]

So in some cases . . . I mean this changes over time, but as industry structures change, we've actually been, you know, over time have seen some of the companies that have been smaller and a little more vulnerable with not a lot of assets have sold their properties to other properties who have the capacity overall to do this. So ultimately it's the company's responsibility to do so, and we just want to make sure we have a program in place that, you know, in instances where there are orphans — and there will be — that we have enough funding in place to be able to deal with that.

When it comes to the inactive wells, that's certainly one that, you know, is of increasing concern to us just given the increasing number of wells over time. But there can be a whole bunch of reasons for those. Some of those will, depending on economics or technology, come back into, could come back into production. But the ones, the sort of the longer they're out of service, the less likely they are to come back or the more expensive it would be, so the more the economics would have to change to do that. So that's certainly . . . And that relates to another recommendation here as well. It's certainly something that we're thinking about is, you know, can we create some incentives to encourage people to either reactivate wells which are suspended or get on with decommissioning them?

Mr. Forbes: — I found it interesting that, and if I'm reading this right, back on 242 where the wells or facilities owned by 447 licensees with the largest 10 owning 65,000 of the wells, and there's 87,000 wells. So that means 437 licensees own 20-some thousand wells? So you have this . . . Am I reading this right? Ten licensees own a big chunk of it, and then you have a lot of people who own a few. And is that a trend that's going more towards the 10, or are there becoming smaller companies? And like you've talked about the liability in giving licensees notice that, we're watching your financial viability here. How are we going? Are we concentrating the wells into the group of 10 or . . .

Mr. Campbell: — You know, I think that might be a natural outcome of what's happening, right? As your performance criteria increase over time, there's just sort of a certain cost that you need to be able to meet to be able to actively participate in that industry, and this is one of them. And so that does have a bit of a natural consolidation. But there's still plenty of, you know, very small, viable companies out there as well. But we certainly have seen some of that where some of the operators who are a little bit more marginal use this as an opportunity to sell properties to larger players.

Mr. Forbes: — Okay.

The Chair: — Any further questions on recommendation no. 2? I just have a clarification here. The recommendation was specifically to assess and allocate the resources. So with respect to assessing the necessary resources to carry out those programs, you had talked about the need for some external resources, or that's how you were going to meet the needs. So what, in terms of assessing the resources you needed to be able to carry out those programs, what end result? You had talked about four full-time equivalents earlier on for the other recommendation. But I'm wondering what your assessment found for you to be able to carry out these programs properly.

Mr. Campbell: — Well I think it's something we're continuing to assess, but the way we're managing the program now, we're achieving some really, really good success through this model. So you know, the fact that we've increased, you know, almost 10 times the amount we've done this year and the previous year really speaks to our ability to handle this. So it's something that we will continue to assess, but we think we're in a good place right now with the resourcing we have.

The Chair: — And in terms of being able to increase that by that much, how many additional resources did you add?

Mr. Campbell: — Well it was more . . . We didn't add resources in terms of FTEs but we did restructure the work, right? So we sort of changed the role of that person to manage this process, used more external consultants to really do the heavy legwork around assessing whether this really is an orphan or not, and then focusing the resources around, once it's been determined that it is an orphan, taking action to have the site reclaimed. So it's a person in our Regina office who manages this process with external resources but also with our staff in our regional offices as well. They help out as well so it's just resources that are dedicated full-time, 100 per cent to this program.

The Chair: — Thank you. Recommendation no. 3. Any questions?

Mr. Campbell: — Recommendation no. 3 is that we use current estimates and trend analysis to monitor, assess, report on the risks associated with the costs of the future cleanup of wells and facilities. And so this is one where we certainly agree with the recommendation. It's something that we're beginning to collect better data from in terms of what it costs to do that. I mentioned we have that new data analysis branch there assisting in that work. And the fact that we're doing, you know, a whole bunch more of these facilities this year gives us a better estimate. And our estimate is that, you know, if things go well or, you know, your typical kind of a well . . . It's sort of between 50 and \$100,000 I think, but it's changing all the time, right? It's getting more and more expensive and so the more data we get, the better sense we'll have. So we agree with that recommendation and certainly we're working towards that.

The Chair: — Are there any questions on this recommendation no. 3? No. Okay, recommendation no. 4.

Mr. Campbell: — Okay. No. 4 is that the ministry "assess the need for extending its independent audit practices to sample licensees' well sites whose reclamation reports . . . [have] no anomalies and/or discrepancies." And so the way it works now,

so far we've ... Let's see here. There have been 765 applications approved under the acknowledgement of reclamation program since 2009, and the total number of audits is 20. And so one of the things that we've done is just audit when there's a, when the independent report comes in and says there's some sort of anomaly. And so we're, you know, thinking that, similar to around pipelines, making sure that we're doing some independent audits of those as well. But we do have, you know, independent third parties who are saying yes, this site has been reclaimed. So it's not just the proponents who are saying that. It's independent reports.

The question is how much then do our staff and how do we engage on that. And so I think including ... You know, our plan is to include some random there as well, not just where there's anomalies that have been identified. So again, that one is, we're working towards that.

The Chair: — Thank you for that. Any questions on recommendation no. 4? No. All right. Moving along to recommendation no. 5. Mr. Campbell.

Mr. Campbell: — Right. No. 5 is that we report on the effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks related to the cleanup of sites. And certainly part of this was in relation to a number which was referred to in the auditor's report of 700 wells which were potential orphans. And that number received a lot of attention and probably, you know, looking back on it now, wasn't a number that really added a lot of value because it was more of a theoretical number.

And I think what people are most interested in are, you know, what are the number of facilities that we think right now are at risk? What is the potential financial risk and are the resources there to be able to cover that off? So that's something that we're working towards and we're I think trying to be more transparent in our reporting. Ed, do you want to add to that?

Mr. Dancsok: — So we've established ... Yes, we agree that we've generated a detailed monthly report with an analysis that we share with our fund advisory committee. And this report is to provide the industry representatives of the fund advisory committee, the people who actually make decisions on the fund, with information regarding the unfunded liability and to monitor that as well as various other data so that we have a good reporting structure on a monthly basis now so that we're able to make decisions more quickly on how this is to be managed.

The Chair: — Any questions on recommendation no. 5? Mr. Forbes.

Mr. Forbes: — Well and my question would be around how to inform the legislature. Because you know, we do get a lot of big numbers and try to make sense of it but we ... And I appreciate that maybe it should be just risk-based, but sometimes we don't have a sense of what that risk is in terms of the whole universe, you know. It's been an interesting afternoon finding out how many pipelines, how many flow lines we have, how many inactive wells we have. I don't think a lot of people would know that in Saskatchewan and what happens to the ... So we have to have that kind of conversation.

So it's fair enough about having a monthly report, but my question is, how does the public get to understand this? Because you know, it's all about the confidence in the economy. And we're seeing a lot of different things happening in, you know, the transportation and, you know, the production of oil and gas and a lot of questions on that. So it's good to have the information but it has to be accessible.

So my question is, how will you then reach out to the public and make sure they feel good about the information you're sharing?

Mr. Campbell: — Yes. So certainly, you know, one of the ways to do that is through our annual report, which we're trying to make more user-friendly all the time. But you make a very good point that, you know, for the industry to have ongoing social licence in the communities that it operates, people are, you know ... expect the information and in a way that they can digest easily. So that's something that we continue to look at. Annual reporting is one way, trying to make our annual report more readable and understandable. But there's probably other ways as well.

Mr. Forbes: — And I would suggest, you know, whether through the Internet or whatever, but I think it is important, particularly as oil and gas production expands throughout the province and you're seeing wells in places you didn't think you'd see them before and different activities, and I guess the, you know ... We have a strong history in this province of that production. So it shouldn't be a real big surprise, but often people are surprised and say, I didn't know about that, you know, and how many pipelines happen in a year.

So I would think that you would take a look at how to make sure that's as public as possible. Yes.

Mr. Campbell: — Okay.

The Chair: — Any more questions on no. 5? No? I'm moving on to recommendation no. 6. And, Mr. Campbell, any comments on no. 6?

Mr. Campbell: — Yes. So no. 6 is that the Ministry of Economy should estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the government financial statements. And you know, our position is that the orphan well fund, which is industry funded, has been set up as the mechanism to protect for this. So companies themselves are responsible, but ultimately there's this framework in place that they fund that will be responsible for the cleanup of the orphan wells.

So unlike the situation where we talked about the historical uranium sites, where there was clearly no operator that could be identified and no mechanism apart from the public purse to cover off those costs, on the mining side, there certainly is now, today, under our institutional control framework. And so individual facilities are paying for their own decommissioning.

And we would argue it's a similar situation on the oil and gas site as it relates to the orphan program that it's ... We have it industry funded so when they ... There's sort of a base level of funding in there, and each new facility puts in a fee and then we

have this program whereby we assess your assets relative to your liabilities. And if they're out of whack, then you're required to put in either cash or a letter of credit that we'd have access to.

So currently, I think in the fund itself, it's about \$9 million. I have to check that, the stats. It's roughly that. And then there's about 50 million or so, you know, on deposits that are assigned to individual companies. Right? So the ones that are the most risk of either, you know, going out of business or not being able to pay for that, they have deposits on that would then be utilized to do their reclamation work. Because the overall industry as a whole doesn't want to cover those costs off either.

I'm not sure if the Provincial Comptroller wants to have any additional . . . Sorry to put you on the spot there. Ed, anything else that you wanted to report on that one?

[15:00]

Mr. Dancsok: — No, not really.

The Chair: — Mr. Forbes.

Mr. Forbes: — And does industry feel all right about this position? Is this how their world view is, their . . .

Mr. Campbell: — Yes. We actually modelled the program after what takes place in Alberta. We, in many a sense, copied their program. And the Alberta government does not record liabilities on its books in relation to this, is our understanding. And so industry knows, and that's why they're very forceful advocates for making sure that we are requiring people to make their deposits, and that if we aren't, that we are taking action against them. Because they know that they're ultimately on the hook for this.

Mr. Forbes: — Now is there on that committee — now I don't know if I'm getting committees mixed up — is there any person representing the public interest on this committee?

Mr. Dancsok: — Well I have a staff member that is actually the Chair of the committee.

Mr. Forbes: — Oh, okay. And how often to do you meet?

Mr. Dancsok: — They meet monthly, or every second month, sorry.

Mr. Forbes: — Okay. Good. Thanks.

The Chair: — Ms. Ferguson has a comment.

Ms. Ferguson: — Yes. I just wanted to sort of add a little bit to this point here. Basically where we're at on this is, you know, I think part of the question is, is there enough money in the fund? You know, our recommendation, if we go back to number 3, is that Economy used current estimates and trend analysis to monitor and assess and report on risks associated with the costs.

As you can appreciate these types of cleanup are costly cleanup. And so, you know, the question in part is, is there enough in the fund to cover off the costs that the province may have to incur

on this? We have, as acknowledged in our, actually our 2013 volume 2, chapter 5, we have acknowledged that we've recently received a position paper from the ministry on this, and we're currently reviewing that position.

We also are aware that the office of the Auditor General of Alberta is looking at the accounting that Alberta is using in this area too and questioning whether or not they in fact should be recording a liability. And our office has been in contact with them just recently actually in this regard too. So it may be something that both . . . The ministry may work with their counterparts in Alberta, and we'll certainly be chatting with ours in Alberta and hopefully maybe reach a common solution. Thank you.

The Chair: — Does anyone else have any comments on this recommendation, or questions? I did have a question. So you were saying you were hopeful in this particular fiscal year that there will be 69 orphan wells. So just with respect to the 9 million in the fund plus the deposits, I'm wondering what the estimated costs of 69 cleanups would be.

Mr. Campbell: — So the total monies spent to date on the 28, which we've done . . . or sorry, on the 41. Out of the total 69, we have 41 abandoned to date, 28 planned. So of the 41, the money spent is \$309,418.

The Chair: — Three hundred and nine four eighteen.

Mr. Campbell: — Yes. And the levy amount collected this year . . . Yes, \$309,418. And then the levy amount collected this year is 1,987,531.

The Chair: — Okay.

Mr. Campbell: — So even in this year we're taking in more than we're spending.

The Chair: — Okay. Thank you for that. So that was recommendation no. 6 that we were looking at. Recommendation no. 7, Mr. Campbell, do you have some comments on that?

Mr. Campbell: — I'll just get my notes here, flip pages here. Oh, here we go. Okay. So recommendation no. 7 was that we manage the financial and associated environmental risks related to timely cleanup of inactive wells and facilities. And so I'd mentioned before that this is one we are taking a look at. So even those facilities that we don't think are at risk of becoming orphans because their operators may be very well financed, it does . . . you know, it is a concern. Right?

We don't want people on the one hand shutting in wells that may be reopened because that resource can be developed. But on the other hand, we don't want them just standing out there because ultimately they will become . . . they'll have to be decommissioned and then so if the . . . and the longer they go, the greater that risk is. Not that they necessarily become orphans, because the owner may be well financed. But it's certainly something that we're looking at in terms of, can we include incentives to either reactivate those wells or to have them shut in?

Ed, anything you want to add?

Mr. Dancsok: — Certainly this is not just a Saskatchewan problem. It's Western Canada. Each jurisdiction has the same problem with the proliferation of inactive wells. We do meet, on the regulatory side, twice a year with all of our counterparts across the country in which we examine ways that we can work at managing this — not only this, but the orphan well programs, the emissions, the pipelines issues, all of those sorts of things. So we try and we do a lot of discussion around issues of common concern looking for strategies to manage this, you know, as a Western Canada, almost, problem.

As Mr. Campbell has said, we're looking within the division for both carrot incentives as well as stick incentives — if I can put it that way — for looking at some of these shut-in wells.

Now some of it can be around potentially royalty incentives to reactivate wells, and it's usually an economic decision that a company makes, why they've shut in a well. So to reactivate it, it's also an economic decision likely. So if we can find a solution that allows for these companies to make that economic decision to reactivate the wells, we would certainly . . . We're looking at that.

We're also looking at, under leasing provisions, relaxing the leasing rules where if a company were to, say, completely abandon that well rather than reactivate it, and that would thereby mitigate that potential liability. We're looking at the leasing rules to see if we can allow the lease to continue a bit so that they can have the opportunity to perhaps re-drill a new well there and have their lease remain active.

So those are the kind of carrot-type of incentives that we're looking at. And that also speaks well to the division being . . . working in an integrated way that we can have the regulator working with the other side to look at solutions that are mutually beneficial to both the regulatory side as well as ensuring we have a healthy industry out there.

The Chair: — Thank you very much. Any questions on recommendation no. 7? We're good? Moving on to recommendation no. 8, and Mr. Campbell.

Mr. Campbell: — Thank you. So recommendation no. 8 is that we complete an assessment of our financial and environmental risks arising from legacy well sites, assess the liability, and develop a plan for cleaning up contaminated legacy well sites.

So this one, I would classify as a work in progress. We're gathering information in terms of, you know, what exactly the nature and extent of these are. In terms of . . . We just completed a fairly major redevelopment of a site this past year that we used . . . We don't have funds set aside for this per se, so we sort of do it on an as-we-can basis. The difference we find amongst these is that there's not . . . A lot of these don't have an immediate sort of health, safety, or environmental risk. But when we certainly become aware of one, that's when we would take action. But certainly we're in the process of, you know, assessing what this might look like in terms of these facilities.

But in terms of, you know, historical incidents involving these,

it's very, very low. I think we have five incidents that we're aware of involving these. So from a regulatory standpoint, our priority is on, you know, issues that have a more greater health, safety, environmental risk. So we are doing the assessment but we don't have a dedicated plan or program yet to address these.

One of the considerations that we're, you know, we're thinking about doing is perhaps some random inspections on some of these sites as well. So just to make sure that we're, you know, we're clear that there's also a responsibility here that we're taking care of.

The Chair: — Thank you for that. Mr. Forbes.

Mr. Forbes: — So these 20,000 legacy well sites, now they're not operating right now?

Mr. Dancsok: — No.

Mr. Forbes: — Okay. But prior to 2007. That's why they have a different process. Whereabouts are most of these in Saskatchewan? Are they located generally throughout or is there any concentration?

Mr. Dancsok: — Right across the province. Yes.

Mr. Forbes: — Okay. Yes, and I'm wondering . . . Yes, okay. And I'm wondering if Environment is becoming involved with this, the Ministry of Environment at all, because at that point this is totally your bailiwick. Okay.

Mr. Dancsok: — Yes, we have the files on all the wells and we know exactly their detailed location.

Mr. Forbes: — Right. So and how old now . . . The youngest they could be is six years old but they could be much older than that.

Mr. Dancsok: — Well back to the '20s and '30s. Yes.

Mr. Forbes: — Twenties and thirties. Right. And are they well-marked? I mean, I remember when we had the abandoned well issue when we talked about water wells, not about oil wells or whatever. But that's a big issue. Are these well-marked where people . . . You'd have to know what you're looking for.

Mr. Dancsok: — When a well is properly abandoned and mitigated, the casing is cut off three to four feet below the ground level and a steel cap is welded on. And then the site is restored to its condition prior to the well being drilled. And so in answer to your question though, they're not well-marked but we do have detailed GIS [geographic information system] information on the location of each and every one of these.

Mr. Forbes: — That's the issue. If you're building a house and all of a sudden you take the backhoe and your basement's full of oil, so there you go. And this is both natural gas and oil, right? So all right. Well that's where I'm at. Thanks.

The Chair: — Are there any further questions? Seeing none, we have some . . . We need to . . . I'd like to know what the will of the committee is on these. So we have 2012 report volume 2, recommendation no. 1. Mr. Hart.

Mr. Hart: — Yes, Madam Chair. I'd move with regard to recommendation no. 1 of this chapter that we concur with the auditor's recommendation and note compliance.

The Chair: — Mr. Hart has moved that the committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. And no. 2. Do we have . . .

Mr. Hart: — Madam Chair, I'd move with regards to auditor's recommendation no. 2 that we concur and note compliance.

[15:15]

The Chair: — Okay. So 2012 report volume no. 2, chapter 31, recommendation no. 2, Mr. Hart has moved that this committee concur and note compliance. Is that agreed?

Mr. Forbes: — I just have one question about whether it's compliance or progress towards compliance because I mean you haven't finished the . . . Your work is not completely done in this area, is it?

Mr. Campbell: — Well it's going to be ongoing, right?

Mr. Forbes: — Ongoing.

Mr. Campbell: — We think our resourcing that's in place now meets the demand. But we're always going to have to be administering orphans. So I think we're at a place now where we're sort of at a sustainable spot.

Mr. Hart: — Okay, that's fine. I'll change that to progress.

The Chair: — Okay. So on recommendation no. 2 from the 2012 report volume 2, chapter 31, Mr. Hart has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. No. 3.

Mr. Hart: — I would move with regards to recommendation no. 3 that we concur or the committee concurs with the auditor's recommendation and notes progress.

The Chair: — Okay. So 2012 report volume 2, chapter 31, recommendation no. 3, Mr. Hart has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 4.

Mr. Hart: — I would move that the committee concurs with the auditor's recommendation no. 4 and notes progress.

The Chair: — So 2012 report volume 2, chapter 31, recommendation no. 4, Mr. Hart has moved that this committee

concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 5.

Mr. Hart: — Madam Chair, I would move that with regards to the auditor's recommendation no. 5, that the committee concurs with the recommendation and notes progress.

The Chair: — So 2012 report volume 2, chapter 31, recommendation no. 5, Mr. Hart has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 6.

Mr. Hart: — Madam Chair, this is a bit of a more difficult recommendation and with regards to the auditor . . . We must keep in mind that the report before us is 2012 volume 2, and the auditor has stated that there is some new information and some ongoing work, some work both here in Saskatchewan and in Alberta. And I would suggest that we defer our decision on this or adjourn on this particular recommendation until we have additional information from the auditor. I would make that motion, but it's certainly open for discussion by other committee members.

The Chair: — So Mr. Hart moves adjournment of this decision for the time being.

Mr. Hart: — Yes.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. So that was no. 6. So 2012 report volume 2, chapter 31, recommendation no. 6, Mr. Hart moved adjournment of the debate on this for the time being. Is that agreed? Agreed. Okay. Sorry, I hadn't done that before.

An Hon. Member: — Neither have I.

The Chair: — Yes. No. 7. What is the wishes of the committee?

Mr. Hart: — I would move that the committee concurs with the auditor's recommendation no. 7, and notes progress.

The Chair: — So with 2012 report volume 2, chapter 31, recommendation no. 7, Mr. Hart has moved that this committee concur with the auditor's recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 8. Mr. Cox?

Mr. Cox: — Madam Chair, I would move that we concur with

the auditor's report on item no. 8 and note progress.

The Chair: — With respect to the 2012 report volume 2, chapter 31, recommendation no. 8, Mr. Cox has moved that this committee concur with the auditor's recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. And on to our final bit of business here. I will pass it on to Mr. Montgomery.

Mr. Montgomery: — Thank you, Madam Chair. I'll now provide an overview of the final part of our presentation on chapter 12 of our 2013 report volume 1. Chapter 12 is on pages 133 to 148.

The objective of our audit was to assess whether the ministry's Saskatchewan immigrant nominee program operated effectively to nominate qualified immigration applicants to meet the program's objectives. We examined processes for the eight-month period ended December 31, 2012. We concluded that the ministry had effective processes to meet the program's objectives except for the three areas. And we made five recommendations.

On page 142 we make two recommendations for the ministry relating to its entrepreneur immigration categories of the Saskatchewan immigration nominee program. In one recommendation we recommend that the ministry provide guidance, and in the other recommendation it provide training for staff to assess the feasibility of relocation and settlement plans and business establishment plans for the entrepreneur immigration categories of the immigration nominee program.

The ministry's entrepreneur immigration unit staff received on-the-job training with experienced staff members. However, the ministry does not provide training or written guidance for assessing allocation and settlement plan or business establishment plan criteria for the entrepreneur and farm owner/operator immigration category. Because of the complexity of these areas, training and written guidance in assessing these plans is necessary so that staff evaluate applicants consistently.

On page 143 we recommend that the ministry follow Saskatchewan immigration nominee program policies and procedures that require staff to document the support, for example the date, institution, or person contacted to explain how decisions were reached on eligibility and qualifications of immigration applicants. We examined a sample of 30 application files from different categories. In this sample there was representation that verification of eligibility and qualification was performed; however we did not find any supporting documentation that explained the steps the ministry staff had taken to verify eligibility and qualifications.

On page 144 we recommended the ministry update policies to reflect its risk-based practice for quality reviews to guide staff of Saskatchewan immigrant nominee program. This recommendation will help the ministry ensure that files are selected for quality control review and reviewed on a consistent and timely basis each year.

On page 145 we recommend that the ministry establish a process to estimate and communicate future processing times for the Saskatchewan immigrant nominee program. The ministry's inventory of applications has grown significantly since 2008. At December 31, 2012, the ministry had over 11,000 applications in process. The ministry cannot nominate more than the annual federal nomination limit, i.e., 4,000 in 2012. The ministry publishes historical average application processing times. This works well when the number of applications is relatively stable but not when the number of applications is increasing significantly. If employers and applicants are aware of the potentially longer processing times, they may choose to apply directly to the federal government or pursue other alternatives.

I will now pause for consideration by the committee of the five new recommendations related to the Saskatchewan immigrant nominee program. You'll find these in chapter 12 of our 2013 report volume 1, starting on page 142.

The Chair: — Thank you, Mr. Montgomery. And Mr. Campbell, if you'd like to make some comments, but it would be great if you could introduce your officials here for Hansard.

Mr. Campbell: — Sure, yes. So on my left is Alastair MacFadden who is our acting assistant deputy minister of the labour market division, and on my right is Kirk Westgard who's our executive director of immigration.

So turning to the report, we are certainly very pleased that, you know, overall the assessment was that we're operating the program effectively to nominate qualified immigrant applicants to meet our needs. And certainly the three areas that were identified by the auditor are certainly consistent with changes we're making to the way we run the programs, and we've certainly developed plans to I think address each of the auditor's concerns. And so we will be pleased to go through those in order if you wish.

The Chair: — All right. That would be great.

Mr. Campbell: — So starting with the first recommendation, which is that we provide guidance for staff to assess the feasibility of relocation and settlement plans for business establishment for the immigrant entrepreneur program.

And then maybe I'll address 1 and 2 together because they are related. One relates to both providing the guidance to staff for that function I just mentioned. The second one relates to providing the training for staff to be able to assess those plans. And so currently right now we are developing written instructions for those assessment processes and we are training staff in partnership with the federal government. And maybe I'll ask Kirk to provide some more comments.

Mr. Westgard: — Thank you, Madam Chair. What I will comment on first is the training of the staff. We've partnered with Citizenship and Immigration Canada to allow staff to attend training that is provided to federal immigration officers. Although it is a condensed training, it is the same training and information they would receive on assessing applications at the federal level through visa offices around the world.

The second point on I think it was the guides and for immigration to receive on the assessment process, we're currently working on those. And then better review business plans, we've went through an RFP process with the Regina Regional Opportunities Commission in co-operation with the Saskatchewan regional economic development authority to provide guidance to entrepreneurs who are coming to Saskatchewan to better help support their settlement and integration into the province.

The Chair: — Any questions? No questions. We shall move on to Mr. Hart.

Mr. Hart: — Sure. Thank you, Madam Chair. I have some questions around the entrepreneur category, particularly looking at figure 4, the entrepreneur category within the . . . Or the entrepreneur within the entrepreneur immigration categories.

Applications at December 31, 2012 were 2,164. I see a number of entrepreneurs who have bought small businesses here in Saskatchewan and, you know, are operating them. What is the criteria that immigrants, entrepreneurial immigrants, need to meet in order to qualify in, for that particular category?

Mr. Westgard: — Thank you for the question. Entrepreneurs need to show that they have a global net worth of \$300,000 or more. They have to provide a business performance agreement that promises to invest at least \$150,000 into the Saskatchewan economy into a business, have management experience or entrepreneur experience, as well as several factors that would relate to the establishment and movement of those high human capital areas of education, work experience into the Saskatchewan economy.

Mr. Hart: — So once they purchased a business, quite often I see them purchasing service stations, hotels, restaurants, so on, grocery stores, is there any requirement for the immigrant entrepreneur to own these businesses for a specified period of time before they can sell it and perhaps even leave the community that they originally came to? Is there anything as part of that program in that area?

Mr. Westgard: — Part of the program sees the individual who's applying for a permanent resident status through the Saskatchewan immigrant nominee program, requires them to put \$75,000 in a good-faith deposit with, held by a banking institution in Saskatchewan. As they come, start their business in Saskatchewan, we do checkups. They apply for their nomination, become permanent residents. And under the Charter of Rights and Freedoms in Canada, anyone with permanent resident status has some mobility rights. However they do have to own and operate that business for a minimum of six months within two years of nomination in order to get their good-faith deposit back.

Mr. Hart: — Good. No that's fine. Good. Thank you.

The Chair: — No further questions on those two recommendations? Recommendation no. 3, if you'd like to address that?

Mr. Campbell: — So recommendation no. 3 is that we follow the program policies and procedures that require staff to

document support to explain how decisions were reached on eligibility and qualification of immigrant applicants. And so this isn't to say that we weren't following the procedures, but we just need to be able to make sure that we can demonstrate that in a consistent way. It's, you know, sort of consistent with some of the items we were talking about in the oil and gas side, about we had qualified people doing a great job, but we need to make sure that we are recording things properly, consistently so that somebody can come in and assess those and that we're comfortable with it that those are being assessed.

So we are exploring options right now in terms of how we can, through the use of databases, ensure that there is a consistent recording. And then also have our . . . We have an internal program integrity unit, that they will undertake additional quality assurance in monitoring files. I think right now individual file workers know that they will be audited. It's once over two years . . .

[15:30]

Mr. Westgard: — Every two years.

Mr. Campbell: — Every two years. And so increasing the frequency of that as well will help.

The Chair: — Are there any . . . Mr. Forbes.

Mr. Forbes: — They're related to my colleague's question about entrepreneurs, but I also see about farmers and the average number of farmers. A few years you had seven farmers who came in. What is the average number of farm applicants that we have a year, over the last five years or so? And what's the criteria of determining whether you're a farmer or not?

Mr. Westgard: — Thank you for the question. I'll have to get back to you on the average number of applications we have under the farm members category. I can, from the top of my head, recall that we've had seven approvals under the farm owner/operator category this year. Now the criterion of that category is a little different from the entrepreneur category, where the individual has to have farming background and experience. They have to come to Saskatchewan, make an exploratory visit, and have a purchase in place before they are nominated to come to Saskatchewan. And it has to be a viable farming operation.

Mr. Forbes: — So are we talking about a typical, what we think of a farm in Saskatchewan? You know, a wheat farm, a ranch type of thing, or can it be a vegetable type, a smaller type of farm? Agricultural experience and that type of thing? You know, I'm thinking that they may not be . . . I'm just curious about what farming might be in some of the other different countries where people might come here. It would be interesting whether they were interested in other types of agriculture.

Mr. Westgard: — The majority of the farming operations that we do see under that category are farming operations that are historical to Saskatchewan, hereditary farms, ranching farms, feedlots.

The Chair: — Are there any questions on recommendation 3?

Okay, moving along to recommendation no. 4. And Mr. Campbell, your comments.

Mr. Campbell: — So no. 4 is that we update our policies to reflect risk-based practice for quality reviews to guide the staff. And so I mentioned in my previous answer that we were going to be increasing the number of reviews. But also we'll be taking a risk-based approach to that process as well.

The Chair: — Any questions on recommendation no. 4? Mr. Forbes.

Mr. Forbes: — I'm curious about what you would define as risk-based. I mean, in terms of immigration.

Mr. Westgard: — I'll try and answer that. Thank you for the question. Risk-based approaches are for staff who have come and left the department; individuals where we received complaints on a certain consultant, a certain company, a certain staff member within the branch where we start to look at if there is anything behind those complaints or if the individual in question is following the policies and procedures set out by the department.

Mr. Forbes: — So it's both an internal-external thing. You're reviewing internally . . .

Mr. Westgard: — It is both an external and internal review, yes.

Mr. Forbes: — Okay, thanks.

The Chair: — Any other questions on recommendation no. 4? Recommendation no. 5. Mr. Campbell.

Mr. Campbell: — So no. 5 is that we establish a process to estimate and communicate future processing times for the immigrant nominee program. And it's very difficult for us to project what the future processing times might be because we don't know what the future applications will be, and that has an impact on that. But what we're planning to do is right now we publish year-to-date guidelines, which aren't always that effective. We agree with that. And so we're going to move to updating processing times by quarter as a start, by quarter so people get a better sense then of what the most recent numbers are looking like, which should give them a better sense of where things are at.

We're also going to look at ways where people can check their status online so they can see sort of where they're at in the queue rather than having to phone in. And so a lot of people will still choose to do that, but obviously we have to make sure we're doing that right. But that's another plan that should help people find out where they are, give them a better sense, but also relieve some of the stresses on our staff too if we're just providing, you know, time information back to people. And then just basically continue to make sure that we're assessing our inventories and have a good sense of where things are at or other potential backlogs to make sure that we stay on top of that.

The Chair: — Thank you, Mr. Campbell. Any questions from committee members? Mr. Cox.

Mr. Cox: — Just one comment, Mr. Campbell. You're saying it's difficult to do this or you don't think it's required or impossible to do. You can't predict the future. Is that what you're getting at here?

Mr. Campbell: — No, I can't. And we don't want to . . . Because it is uncertain in terms of the number of applications, the complexity of applications, we don't want to give people a false sense either. So it's something that we'll continue to assess. But we think just moving to quarterly updates on what the processing times are, as well as allowing people to see where they are in the queue, will help to address a lot of the concerns.

The Chair: — Ms. Ferguson has some comments?

Ms. Ferguson: — I think where we're at on that one, I think the intent of the recommendation is really so that the applicants have a better feel, get enough information so they have a better feel as to where they are in the queue. And I think the actions that the ministry is taking will achieve that.

Mr. Cox: — So where do we stand then as a committee then? Do we . . .

Ms. Ferguson: — You might want to make your own recommendation on this one.

Mr. Cox: — Okay. Thank you.

Ms. Ferguson: — I think, given sort of the . . .

Mr. Cox: — That's where I'm going.

The Chair: — Are there any further questions in recommendation no. 5? No? Okay. Well we have some . . . We'll go back to the first recommendation. We are looking at the 2013 report volume 1, chapter 12. I'm wondering what the will of the committee is, possibly to deal with 1 and 2 together?

Mr. Cox: — Yes.

The Chair: — Okay.

Mr. Cox: — Thank you, Madam Chair. I would . . . With regards to recommendations 1 and 2 in this chapter, I would recommend that we concur and note progress.

The Chair: — So the 2013 report volume 1, chapter 12, Mr. Cox has moved that this committee concur with the auditor's recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 3.

Mr. Cox: — Thank you, Madam Chair. With regard to recommendation no. 3, I would make a motion that the committee concur and note progress.

The Chair: — Thank you, Mr. Cox. So 2013 report volume 1, chapter 12, recommendation no. 3, Mr. Cox has moved that this committee concur with the auditor's recommendation and note

progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 4.

Mr. Cox: — Thank you, Madam Chair. With regard to recommendation no. 4 in this chapter, I would make a motion that the committee concur and note progress.

The Chair: — Thank you. So the 2013 report volume 1, chapter 12, recommendation no. 4, Mr. Cox has moved that this committee concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. No. 5?

Mr. Cox: — Thank you, Madam Chair. With regard to no. 5, recommendation no. 5, I would like some clarification or some guidance from the Provincial Auditor perhaps. Do we make an amendment to this or do we . . . What's your feelings . . . Like I'm a little concerned asking somebody to predict the future, is maybe a little difficult to do. I know these guys are very sharp, but I mean . . .

Ms. Ferguson: — Thank you, member. I think really the, as I expressed, really the intent of this is so that the applicants really have good and sufficient information so they know where they're sitting within the queue and they can make a decision whether or not they want to pursue this program or seek alternate ways really to get into Saskatchewan.

And so I think perhaps maybe I'm going to look over to Glen here and see if he's going to nod, but we recommend that the Ministry of Economy provide sufficient information on processing times to applicants to assist . . . [inaudible interjection] . . . Keep going? Finish my sentence?

Mr. Cox: — By providing previous . . . [inaudible] . . . information would perhaps would do it. Correct, Mr. Campbell? I would be in favour of that.

The Chair: — One moment here while Mr. Cox writes out the motion.

Back to you, Mr. Cox. You've got a motion?

Mr. Cox: — Yes, I do. Thank you, Madam Chair. With regard to recommendation no. 5, I move an amendment to that motion, and it would read:

We recommend that the Ministry of the Economy provide the necessary information to assist applicants to make informed decisions regarding their applications for the Saskatchewan immigrant nomination program.

So moved.

[15:45]

The Chair: — So with respect to the 2013 report volume 1,

chapter 12, recommendation no. 5, Mr. Cox has moved a motion:

We recommend that the Ministry of the Economy provide the necessary information to assist applicants to make informed decisions regarding their application for the Saskatchewan immigrant nominee program.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. All right. To the officials from the Ministry of the Economy, thank you so much for spending your afternoon with us. It was very appreciated. And do you have any final comments that you'd like to make?

Mr. Campbell: — I'd just like to say thank you to the committee for their questions, very good questions, good discussion. And thank you to the auditor's staff for their hard work. Thank you.

Mr. Tochor: — Madam Chair.

The Chair: — Mr. Tochor.

Mr. Tochor: — Yes. On the agenda we have one more section, don't we?

The Chair: — No.

Mr. Tochor: — Chapter 40?

The Chair: — Yes. No, it's all been covered. Yes.

Mr. Tochor: — Good.

The Chair: — Okay. So just again back to the Ministry of Economy, do you have any final comments? I think you made them. Okay.

And to the Acting Provincial Auditor, Ms. Ferguson, and Mr. Montgomery and all the staff, thank you so much for your time and your help today. And to the Provincial Comptroller's office, thank you for being here. And Merry Christmas everyone, and drive safe. And I need a motion for adjournment.

Ms. Ross: — I make that motion to adjourn.

The Chair: — Okay. This meeting is now adjourned. All right. Thank you.

[The committee adjourned at 15:46.]