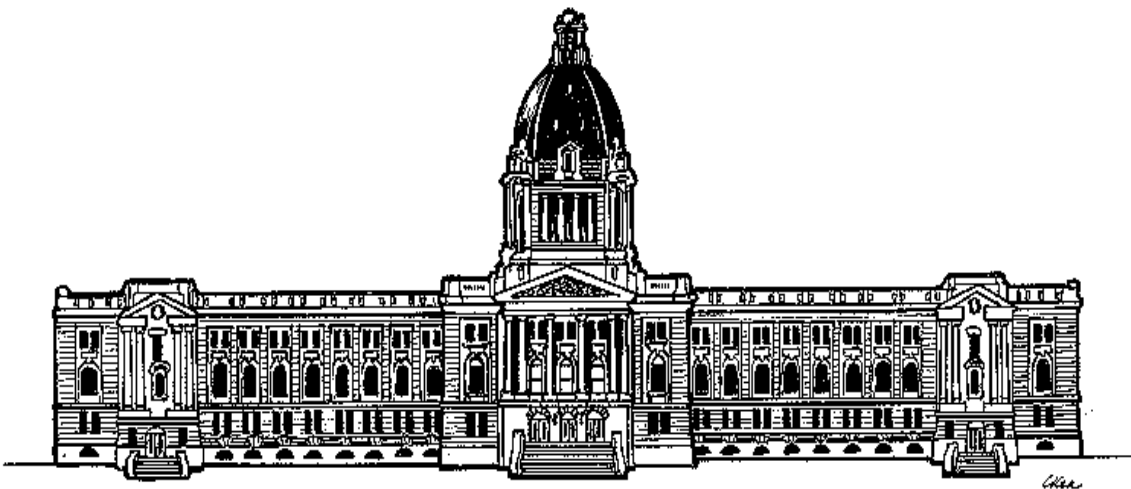




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Regina Qu'Appelle Valley

Mr. Corey Tochor  
Saskatoon Eastview

Mr. Trent Wotherspoon  
Regina Rosemont

[The committee met at 09:01.]

**The Chair:** — Welcome everybody to Public Accounts. Happy New Year, and I hope everybody had a great Christmas. It's good to see everyone.

I'd like to start by introducing the members who are here today. We've got Herb Cox — he was there and he's back — Glen Hart, Corey Tochor, Jennifer Campeau. Warren Steinley is substituting today for Laura Ross. And Scott Moe and Trent Wotherspoon. And we have the Acting Provincial Auditor, Ms. Judy Ferguson, with us here today, and she'll introduce her officials. And we also have, starting right now, Mr. Wayne Dybvig who is the president of the Saskatchewan Water Security Agency.

We have a fairly lengthy agenda today, everyone, but we do have an adjournment time of 3:30. So we will get done today what we get done.

There's a few reports that we need . . . I'd like to advise the committee that pursuant to rule 142(2) the following reports have been deemed referred to the committee. We have the Provincial Auditor of Saskatchewan, the *Business And Financial Plan For The Year Ended March 31st, 2015*, as well as the Public Accounts 2012-2013 for the Government of Saskatchewan.

And I would like to introduce the first agenda item, which is the review of the Saskatchewan Water Security Agency and 2012 report volume 2, but I will leave that to Ms. Ferguson to make some opening comments.

#### Saskatchewan Water Security Agency

**Ms. Ferguson:** — Thank you very much, Madam Chair, members, and various officials. Actually this morning we're going to actually work our way through five reports related to the Water Security Agency. And so before we do that I'm just going to introduce who I have with me today. I've got Ed Montgomery, he's a deputy provincial auditor responsible for Water Security Agency. And behind is Tara Clemett, Tara is actually involved in a number of the engagements that we're discussing here this morning. And Kim Lowe, Kim is the liaison with our office and she'll be with us for the entire day.

What we're going to do this morning is provide you with an overview of the chapters before you and highlight the new recommendations for the committee's consideration. Before that, do you want to introduce the officials?

**The Chair:** — Actually we'll let Mr. Dybvig introduce his officials.

**Mr. Dybvig:** — Good morning and thank you. To my left is Sam Ferris who is the executive director of environmental and municipal management services. On my right here is Irene Hrynkiw, the executive director of corporate services. And on my far right is Bill Duncan who is executive director of engineering and geoscience for the Water Security Agency.

**The Chair:** — Thank you for that. Ms. Ferguson, would you

like to make your comments?

**Ms. Ferguson:** — Sure. First, I actually would like to thank the officials and president of the Water Security Agency for their co-operation during the course of these engagements. Second, I'm actually going to outline how we're going to cover the agenda that's before you. We plan to present these chapters in two parts. The first part's going to focus on chapters containing the results of our annual integrated audits and follow-ups. And the committee has previously considered the recommendations in each of these chapters, and this first part does not contain any new recommendations for the committee's consideration.

The second part will be chapter 17 of our 2013 report volume 2, and it contains the results of our audit of regulating drinking water. This chapter contains the results, contains six new recommendations for the committee's consideration. I will be presenting the first part and Mr. Montgomery will be presenting the second part.

The first part, chapter 22 of our 2012 report volume 2 and chapter 26 of our 2013 report volume 2 contain the results of our annual integrated audits of the agency for the years ending March 31st, 2012 and 2013. In these chapters we report that the agency's financial statements were reliable and it complied with governing authorities. The agency also had made progress in implementing two of the previous recommendations and, as just mentioned, there's no new recommendations in these chapters.

There's also the two chapters that present the results of the follow-up of two previous performance audits. It's chapter 41 of our 2012 report volume 2. In that we report that at July 31st, 2012, the agency had not yet fully implemented two of the original four recommendations that we made in our 2005 audit on dam safety, and those relate to having up-to-date emergency preparedness plans and completing its procedural manuals. We plan to report on the agency's progress on implementing those two recommendations in our 2014 report volume 1, so our next report to the Assembly.

In chapter 49 of our 2013 report volume 2, we report that by September 30th, 2013 the agency had made good progress on the six recommendations related to our 2010 audit on risks to water supply. It had implemented four of the recommendations and partially implemented two recommendations. We are pleased to report that the agency continues to work on identifying the causes to risks of water supply and communicating the likelihood and the impact of those risks to the public.

I'm now going to turn over to Ed to do our second presentation.

**Mr. Montgomery:** — Thank you, Ms. Ferguson. I'll provide an overview of chapter 17 of our 2013 report volume 1. This chapter contains six new recommendations for consideration by the committee. Chapter 17 is on pages 225 to 238.

Safe drinking water is essential for the health and well-being of Saskatchewan citizens. The agency is responsible for regulating about 770 public waterworks and ensuring public waterworks owners supply safe drinking water to the public. The objective of our audit was to assess whether the Water Security Agency

had effective processes to regulate public waterworks to ensure drinking water was safe. The audit covered the period October 1st, 2012 to March 31st, 2013. We concluded that the agency had effective processes except for the matters noted in our six recommendations.

On page 229 we recommend that the agency complete its process to update *The Water Regulations, 2002* and its permits to align with the current *Guidelines for Canadian Drinking Water Quality*. This means some permitted waterworks may not be monitoring and striving to achieve the current acceptable concentration levels set out in the guidelines.

On page 232 we recommend that the agency identify non-compliance with drinking water sampling requirements in a timely manner. In 2011-12 only 75 per cent of the waterworks were submitting their health and toxicity water tests results in accordance with the frequency required in their permit and only 80 per cent of samples complied with the acceptable concentration levels for health and toxicity substances. Testing and monitoring for these drinking water chemicals and striving to maintain them below water quality limits helps ensure our people are kept safe.

On page 233 we recommend that the agency perform inspections of public waterworks in accordance with the frequency specified in its policies. The risk of not having a comprehensive monitoring program including timely inspections is that water quality problems may go unnoticed and result in human illness.

On page 236 we recommend that the agency establish policies to consistently address noncompliance by waterworks owners and take action when they do not comply with permit conditions. A lack of adequate policies to guide staff when waterworks do not comply with permits increases the risk of problems continuing and ultimately compromising drinking water safety.

In addition, on page 236 we recommend that the agency and the Ministry of Government Relations coordinate their efforts to ensure waterworks owners have feasible plans for upgrading water infrastructure before approving new residential developments, to ensure sufficient infrastructure exists as development occurs. This recommendation is to mitigate the risk that needed upgrades to waterworks do not occur before new residential developments are completed.

Lastly, on page 237 we recommend that the agency determine an appropriate enforcement policy for waterworks owners that do not fulfill their commitments to upgrade waterworks for new residential developments. This recommendation is to address instances where waterworks owners do not fulfill their commitments to upgrade waterworks for new residential developments.

Madam Chair, that concludes my overview on the chapter before the committee. I'll now pause for consideration by the committee of the six new recommendations. You'll find these in chapter 17 of our 2013 report volume 1, starting on page 229.

**The Chair:** — Thank you, Mr. Montgomery and Ms. Ferguson. Before we move on to the officials, I realize that I have

forgotten to introduce, from the provincial comptroller's office, Ms. Jane Borland who is the manager. So thank you for being here today. And I don't think in my opening comments, I don't think I welcomed you and said thank you for being here. So I just wanted to say that we appreciate to have the opportunity to discuss this with you here today.

But I will pass this on to you, Mr. Dybvig, for any opening comments or remarks that you have.

**Mr. Dybvig:** — Okay. Well maybe I can speak briefly then to some of our progress on some of these areas. With respect to the dam safety, I think we've made considerable progress. And as you've noted we have satisfactorily met, implemented a number of the recommendations that have been in place here since 2005. For the outstanding ones respecting and related to emergency preparedness plans, we've now completed three of the four of the emergency preparedness plans on the Gardiner, Rafferty, and Alameda dams, and we've distributed them to the relevant parties. The fourth one, on the Qu'Appelle dam, will be complete by March of 2014 and distributed shortly after. And we plan to test these plans in 2014.

With respect to the outstanding recommendation on completion of manuals, the work on the manuals is a continuing process of modification and updating. In total, 32 manuals are required. We have completed 21, four are in progress, and seven remain to be started.

With respect to risks to water supply, you've noted that we have addressed four of the six recommendations. Outstanding are the need to document identified causes of risks and the need to improve communication about risks to the public. Both of these recommendations will be addressed through the implementation of our 25-year water security plan. We intend to expand the role of the *State of the Watershed Report*, which is used in our risk assessment, by more effectively using the results as a feedback in establishing our annual work plans and assuring that we are addressing the priority high-risk areas.

[09:15]

Similarly an action plan is going to be developed that will specifically address the need to develop protocols for public communication of threats, both in terms of emergency response but ongoing water quality and drinking water concerns. And both these areas I think also bring into consideration our approach to watershed planning. And we have completed about 11 watershed plans working with local groups; we find these are really the key areas where we want to have identification of our risks to water supply developed through the local grassroots process. And we're currently working closely with the provincial association of watersheds to re-examine the planning process and make sure that it's achieving what we want to achieve. So we're hoping to make some progress and improvement through that process as well.

Would you like me to speak to the drinking water . . . regulating drinking water? Okay.

Okay, with respect to recommendation no. 1, the Water Security Agency perform inspections of public waterworks, I guess in general I would note that in consideration of this

review, the date of the review, start of the review commenced with the date of our organization being established. So we are, we were kind of in a transition through this audit period and in drinking water and waste water management was one of the areas that was moved over from Environment to the Water Security Agency. There was a different alignment of staff that was done in that process, and so we had to do some realignment. Previously the environmental project officers with Environment had more than drinking water and waste water responsibilities. Those that are moved over, we had slightly fewer number moved over, but they were focused entirely on drinking water and waste water, so there was some compensation there. But we think we've done a good job in getting things aligned and having this transition being quite successful over the past year.

So with respect to the recommendation no. 1 related to complete its process to update *The Water Regulations*, we note that revisions to the drinking water regulations are currently before government. And when they are implemented, they will align the provincial standards and the national guidelines.

With respect to recommendation no. 2, "... the Water Security Agency identify non-compliance with drinking water sampling requirements in a timely manner," we are reviewing our processes. We have some ... we have both manual data and electronic data that we have to review, but we are doing this and we are endeavouring to improve the timeliness of our review.

With respect to recommendation no. 3, "... the Water Security Agency perform inspections of public waterworks in accordance with the inspection frequencies," I think we've made some significant progress here. During the audit period we were not fully staffed with our environmental project officers, but as of March 2013 we are now fully staffed and have filled vacancies. And we now have those staff sort of up and fully integrated, and we're anticipated that with a full complement of inspectors we'll be able to meet the previous inspection targets in a timely manner.

With respect to recommendation no. 4, "... the Water Security Agency establish policies to consistently address non-compliance by waterworks owners and take action when they do not comply with permit conditions," to ensure consistency in addressing non-compliance, we have developed and implemented a new protocol. And the new protocol will ensure more consistency in application of the compliance tools.

On recommendation no. 5:

... the Water Security Agency and the Ministry of Government Relations coordinate their efforts to ensure waterworks owners have feasible plans for upgrading water infrastructure before approving new residential developments to ensure sufficient infrastructure exists as development occurs.

We are working closely with Government Relations and we have tried to improve that coordination over the past number of months. We're reviewing our parallel growth policy with Government Relations, and since the release of the audit we have effectively been coordinating the subdivision approval process by Government Relations and our waterworks

approvals process. So we think we have made a change there, and we've improved the coordination efforts between our two agencies.

With respect to the last recommendation no. 6, "... the Water Security Agency determine an appropriate enforcement policy for waterworks owners that do not fulfill their commitments to upgrade waterworks for new residential developments," again we have developed a new protocol. It's been established and implemented that it deal with waterworks owners that fail to upgrade and expand waterworks capacity. And again we feel that with this new protocol we'll be able to meet the expectations. That's our comments on our progress to date.

**The Chair:** — Thank you, Mr. Dybvig. I just want to welcome Mr. Bayda with the Provincial Comptroller's office. He's the executive director of the financial management branch. So welcome to you today. And now I'd like to open up the floor to questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you very much. Thank you to the officials that are here today. As it relates to the recommendation on drinking water, recommendation no. 1, just to be clear, this is to align with national standards, an Act I believe that ... regulations from 2002. Did I hear that we will be compliant with those regulations or we'll be aligned with those regulations soon or that we're aligned right now?

**Mr. Dybvig:** — I'll let Sam Ferris speak to that.

**Mr. Ferris:** — Okay, thank you for the question. I appreciate the comments of the auditor. We are in the process of doing that. The draft regulations have been prepared as part of EMPA [*The Environmental Management and Protection Act*] 2002 package, and those will be fully aligned with the relatively pertinent substances that you would find in Saskatchewan water supplies. Some substances we simply do not find here due to the nature of our industries.

A second thing we've done is we've revised or are in the process of finalizing revisions to our permitting protocol. So every time a waterworks permit expires, we include the actual specific parameters that they have to meet in that protocol within their operational permit. Those revisions have been drafted and are under consideration at our office right now, which would bring that fully up to speed. It will take some time, however. We do have about 770 waterworks, and there's a legal process to revise those permits, and it doesn't happen overnight. So we're on the way.

**Mr. Wotherspoon:** — Thank you. It sounds like there's some good work being done. There's draft regulations before government right now for consideration, is that correct?

**Mr. Ferris:** — They're part of *The Environmental Management and Protection Act, 2010* package. In the environmental code there's a separate waterworks and sewage works regulations that would align this with the relevant parameters of the national guidelines for drinking water quality, yes.

**Mr. Wotherspoon:** — Have those been approved? Those haven't been enacted yet then by government?

**Mr. Ferris:** — No sir, not yet.

**Mr. Wotherspoon:** — Do you have timeline for enacting those regulations?

**Mr. Ferris:** — I can't answer that question, sorry.

**Mr. Wotherspoon:** — So before then you spoke of the 770 waterworks and the legal implications and all the work that occurs after this. So regulations need to be enacted by government. That timeline we don't have here today. What timeline do you have for the 770 waterworks to be aligned or to have the changes that are required so that they're compliant with the Act?

**Mr. Ferris:** — Probably it would on the order of two years. There's a 30-day period that we have to give the owner of any waterworks for time to comment on any operational permit revision, so that holds it up by a month. Plus the sheer number of works at the same time you're trying to do other things is difficult.

**Mr. Wotherspoon:** — Thank you very much.

**The Chair:** — Are there any other questions on this, on these six . . .

**Mr. Hart:** — Madam Chair, are we just dealing with the six recommendations, or are we dealing . . .

**The Chair:** — No, feel free on any of those chapters to ask questions, Mr. Hart.

**Mr. Hart:** — Just going back to the dam safety and the emergency preparedness and so on, I know this is an issue that has been dealt with by this committee in the past, but I wonder if you could just review that whole process as far as, you know, you said you have some emergency plans in place and you're going to be testing them and so on. Could you just review exactly what you mean by testing and emergency preparedness plan? Could you just kind of, you know, just for our information run through what's all involved and the processes that you may have in place and so on?

**Mr. Dybvig:** — Thank you. And I'll ask Bill Duncan, our executive director of engineering, to answer that question.

**Mr. Duncan:** — Yes, thanks for the question. First of all an emergency preparedness plan is a document that we prepare for our major dams — which include the Gardiner, Rafferty, Alameda, and the Qu'Appelle River dam — to provide information to local governments and other downstream stakeholders so that they can prepare emergency response plans in the hopefully very unlikely event that a dam failure occurs. So the emergency preparedness plans identify when the floodways would arrive at certain locations along the downstream watercourse as well as when the peak flow would occur and what the estimated peak water level would be at that time, as I said, so that the local governments and others that have infrastructure can take action to remove the population at risk, evacuate the population at risk, from the inundated areas.

So as part of that process to ensure that, in such an event of an

emergency, that the communications are effective, we would plan to test these plans both internally, with kind of tabletop exercises, as well as a subsequent test involving the local stakeholders and local governments as a dry run to identify any problems with communications or the technical information that's available for them to implement in the case of a really big event.

**Mr. Hart:** — Okay. Could you give the committee members an idea as to in the very, very unlikely of a dam failure . . . And I would think one that would have the greatest impact in Saskatchewan would be the failure of the Gardiner dam. And like, as I said in the event of it, which I feel is, you know, extremely remote that something like that would happen. But let's for a moment say that it did, the dam failed. Could you just in general terms explain how Saskatoon would be impacted by that? I would imagine it would be a significant impact to Saskatoon if that should happen.

**Mr. Dybvig:** — Yes, I'd ask Bill again to speak.

**Mr. Duncan:** — Yes, you're quite right. There would be catastrophic consequences if Gardiner dam failed. The peak flood wave would arrive in Saskatoon approximately 48 hours after the dam failed. Water levels in Saskatoon would rise approximately 50 feet above the bank elevation of the river at that location. So greater than 50 per cent of the city would be inundated in that event.

**Mr. Hart:** — So getting back to the testing, what you will be doing then is, as you said, doing a dry run, contacting the city of Saskatoon and having them go through their emergency preparedness and so on and then assess how the communications and plans that city would have in place. Is that sort of what you would do in a dry run test of these plans?

**Mr. Duncan:** — I think we'd probably do this kind of in a three-phased process when we'd have a test which would just involve our internal staff within the Water Security Agency. Then there are others like Government Relations, the Department of Highways, and the like, so other ministries which evidently would be involved in the emergency. So the second phase we envision of the testing would be to expand the test to include those organizations to ensure that, again, the process runs smoothly. And then as a third kind of phase of the test, it would involve the local governments who are responsible for activating their own emergency response plans in the event. So it would be a phased process.

**Mr. Hart:** — Do you have a timeline as to when you will be doing this? I mean, I'm just asking this for information purposes. I should restate again, I have absolutely no worry about the integrity of the dam, and I would think that you folks don't have any concerns about that dam either. But it is prudent to have some plans in place in case of that very, very unlikely event should happen.

[09:30]

**Mr. Duncan:** — We would plan in 2014 to have the phase 1 testing undertaken. And then it would be 2015 that the phase 2 and possibly phase 3 would proceed.

**Mr. Hart:** — Thank you for that. Thank you, Madam Chair.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Really good questions from the member from Last Mountain. A catastrophic scenario that is laid out by the Water Security Agency here, and certainly it highlights the importance of actions on these recommendations.

It's mentioned that the Qu'Appelle emergency preparedness plan has been prepared, I believe if I'm understanding, in draft by the Water Security Agency, but it hasn't yet been approved or taken through a process with local authorities. Is that correct? And what's that process look like? And is there a timeline you can put behind that?

**Mr. Duncan:** — Yes, we're very close to completing the emergency preparedness plan for the Qu'Appelle River dam, and we have made arrangements to disseminate that plan and review the plan with local government agencies and stakeholders in the first half of March of this year.

**Mr. Wotherspoon:** — You shared the impact on Saskatoon of Gardiner. What would be the impact of the Qu'Appelle River dam?

**Mr. Duncan:** — It is surprisingly large as well. The Qu'Appelle River dam is only about . . . or is less than half the height of the Gardiner dam, so the full contents of Lake Diefenbaker wouldn't spill down the valley. But that being said, the Qu'Appelle Valley is a much smaller valley than that along the South Saskatchewan River. So at the Manitoba border, if the Qu'Appelle River dam failed, we likewise would anticipate water levels to be about 50 feet above the flood plain level.

**Mr. Wotherspoon:** — What number of residents, communities, farms, businesses would that impact, or could you . . . in which communities are we speaking of?

**Mr. Duncan:** — We haven't done a count of the population at risk, but certainly the communities that would be inundated would include Lumsden, Craven, Fort Qu'Appelle, Marieval, Lebret, Tantallon, all the communities along the main stem of the Qu'Appelle River. As well, Last Mountain Lake level would rise significantly as well and flood communities along Last Mountain Lake.

**Mr. Wotherspoon:** — These recommendations were made in 2005, so almost nine years ago. What's taken so long to see meaningful action or to see implementation of the auditor's recommendations?

**Mr. Duncan:** — We've had a fairly large workload in our overall dam safety program. The emergency preparedness plan is just kind of one aspect of it. Our principle activities are to ensure that we'll never have to enact these plans. In order to prepare these plans, one has to undertake dam break analysis, and these were done post-2005, and then have the plans prepared and rolled out. We've had some challenges in retaining and recruiting staff in our dam safety management branch, so those are the principal reasons.

**Mr. Wotherspoon:** — As far as recruiting and retaining the

staff required, is there a certain technical capacity or professional requirements that you see a shortfall of? What's the challenge on that front?

**Mr. Duncan:** — It's recruiting engineers and engineering technologists. Especially the former is very difficult.

**Mr. Wotherspoon:** — The recommendation, the second recommendation that also isn't yet implemented from 2005, it states that the Watershed Authority "... set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety." So this is I guess ensuring the integrity of those dams. There was an update of the 32 needed manuals that I believe now . . . From what the update from this chapter was, there was 11. Now I believe I heard there's 22; seven with no, seven areas though with no work yet to have been commenced I guess. What's the delay on this front, and what's the timeline to implement this recommendation?

**Mr. Duncan:** — Again it principally relates to staffing issues as well as focusing on preparing the emergency preparedness plans. Our timeline to get these plans in place is fiscal year-end 2015.

**Mr. Wotherspoon:** — Of course I mean I don't think we need to stress it again, I think it was stressed by the member from Last Mountain, but this is important work. And certainly we appreciate the efforts and energies of your ministry, but it's going to be important that these are implemented to make sure the proper protection of the public's in place.

**Mr. Dybvig:** — I might just add although we've talked about the emergency response, and, as Bill alluded, the major component of our dam safety program is focusing on the monitoring of these, certainly the major dams. We have staff stationed out at Gardiner dam. We have staff stationed at Rafferty dam. They're doing regular observation, reading piezometers, reading engineering devices to monitor whether there's movement occurring in the dams. So we put a lot of emphasis on prevention, of catching problems before they occur and remedying them, as opposed to the emergency response which is hopefully our last resort in terms of dealing with a dam safety problem.

**Mr. Duncan:** — Could I just . . . I'd like to . . . I'd mentioned fiscal year-end 2015. It would actually be March 31 of 2015 is when we plan to have the plans in place.

**Mr. Wotherspoon:** — Okay, thank you. Thank you for clarifying.

**The Chair:** — Are there any . . . Mr. Hart.

**Mr. Hart:** — Thank you, Madam Chair. Moving to chapter 17 of 2013 volume 1 where the six recommendations are. On page 233 the auditor says that as of March 31, 2013, 67 waterworks of which 54 are located in the northern part of the province.

I know in our next item or the next ministry that will be before us, Government Relations, when I was going through that material, they are responsible also for inspecting and ensuring safe drinking water in certain communities. Could you . . . but

you also have that responsibility, so could you clarify the areas of responsibility that your agency has and Government Relations? Or was I misinterpreting the information when I was reviewing it? Could you just clarify that whole issue for us?

**Mr. Ferris:** — I can try, Mr. Hart. So firstly the Water Security Agency is the regulator. When you engage, in terms of Government Relations, they're actually considered to be the municipal agent responsible for northern settlements. So they actually in some respects have the responsibility, the direct responsibility to make sure that there's water and sewer infrastructure that meets standards. You know, as part of the regular operational duties for the operator, Government Relations doesn't operate the plants. There's an operator, he or she at the community of concern or somebody who's responsible for those works as a remote operator or a contract operator does the inspections and the day-to-day operations. So that's the way it is.

**Mr. Hart:** — Thank you for that.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Mr. Hart highlighted an important point there, the member from Last Mountain, and that's that of the 67 waterworks that hadn't been inspected, 54 of them are in northern Saskatchewan. What's the reason for the disproportionate number of northern communities or water systems that haven't been inspected?

**Mr. Ferris:** — Okay. The reason for that is that at the time of that transition from October 1st, 2012, the period of the audit, from then until the end of March, at one time or the other we had four vacancies of eight environmental project officers, and those are the folks that do the inspections in that northern unit. And so while we were almost up to full strength by the end of that fiscal year, the end of '12-13 fiscal year, it does take four to six months to get an inspector fully up to speed. We put him through some training. We do some accompanying inspections. Without the people we can't do the inspections, and so we were at half strength in the North, in our northern unit. That's what the reason is.

**Mr. Wotherspoon:** — So you had a human resource shortage there. That's been rectified now?

**Mr. Ferris:** — Yes. We're up to full strength right now. Still one person that from a retirement this summer, and that one was in the South, is not yet doing fully independent inspections as I call it. He is still kind of in the trainee stage but should be fully ready to go by, I would think, probably in February sometime.

**Mr. Wotherspoon:** — As far as recommendation no. 2, which highlights the compliance with placing samples for analysis, certainly there's a dramatic shift in the, downward shift . . . I guess non-compliance is growing, it would appear, although this report only highlights up to 2011, 2012. So there's definitely concern when you see that the health and toxicity sample submission compliance rate went from 86 per cent to 75 per cent over that two-year period. What's happened since then?

**Mr. Ferris:** — Last fiscal year in '12-13 — I've got the annual report on the status of drinking water here — I think the sample

submission compliance was 75 per cent again. And it's just going to take me a couple of seconds, and the parameter compliance rate was 89.55 per cent. So although there's been fewer samples submitted, the parameter compliance is about the same as it's been for the last four years.

As to why the sample submission rate is lower, it's a difficult answer. It's complicated in that some communities only have to sample every second year for this particular set of parameters, and those are trace metals. And depending on when they actually select their sample period, it can complicate the way in which this is calculated. But let me assure you that each time an inspection is done, the inspectors, before they go out and do their inspection, review the sample submission requirements, whether or not the community has supplied and submitted those samples. And they remind those operators when they go out and do that, and those are documented in the inspections which are available online.

The other way that we're looking at addressing this, and that deals with recommendation no. 4, we've created these protocols for compliance and enforcement. And one of those in there — it's section 39.1 — we've clearly laid out how they're supposed to follow up in terms of if they fail to submit the samples as required. But remember, it's once every two years. So it takes a while to spin this around and make it go the right way, okay. So the first one is issue a notice of violation. The second one is you may issue a summary offence procedures ticket. And so we've jumped a couple of stages through minister's orders, that kind of thing. So we're working on it.

**Mr. Wotherspoon:** — Those are the actions that you've laid out to . . . from your perspective, when those are enacted, you would then have implemented this recommendation. Is that the Water Security Agency's view?

**Mr. Ferris:** — That's part of it. And those protocols are now in place, and I brought copies if you'd like to see those today, sir. But the other thing is, is that we've also created and did have in the past, and we're creating new computerized routines to be able to interrogate the sample submission rates for our staff to make it easier for that, to do that. And the other one would be because typically the inspectors do that work as they, before they prepare for their inspections, before they do their inspection, the other one is to have our data management staff review that on a quarterly basis and start to move forward with direct updates.

**Mr. Wotherspoon:** — It's a really important area. When you turn on the tap you expect to be able to trust what's coming out of that tap, what you're placing into your glass. And maybe if you can just touch on the point of what's . . . when, in this case here in 2011 and 2012, the parameter standards compliance rates were 80 per cent. Of those 20 per cent that weren't compliant with the parameter standards laid out, what sort of incidents or what was found in that water that was problematic, and what sort of risks were there for the public?

**Mr. Ferris:** — So typically . . . And my actual information in the annual report on the status of drinking water that was published this year for 11-12 shows that the parameter standards compliance was 89.1 per cent.



**Mr. Wotherspoon:** — Okay.

[09:45]

**Mr. Ferris:** — So typically those things would be things like trace amounts of uranium, trace amounts of arsenic, naturally occurring substances that you often find in drinking water supplies. There are some communities that are still struggling with elevated trihalomethanes, which are substances that are created as a result of disinfection.

I must say though that the levels are not scary really. They're simply slightly above the maximum acceptable concentrations. There's only one or two incidents in the province where you have significantly elevated concentrations of contaminants, and in those cases we've issued do-not-drink advisories or orders.

And over the last several years, government has put forward a lot of money through the infrastructure programs. And there is work ongoing as of December 2012, the time of this audit, I think there was about 70 communities that had not yet met the standards of the regulations that required that in December 2010. All of those, I think all except maybe a handful of seven or eight were in the process of working towards upgrades and had funding in place to do that. The remainder were considering to go hygienic, which is a non-consumptive category or simply required tuning of their waterworks operations to make it function properly. So we're making progress.

**Mr. Wotherspoon:** — If you're a resident in one of these communities, would you be aware that the water that's coming out has been found to be outside the acceptable parameters?

**Mr. Ferris:** — Well if you read your mail you ought to be because one of the requirements of the regulations is that annually that the municipality provide information on the status and the quality of drinking water. It's called consumer notification and I think it's section 39 of the regulations. I could be off on the number, I'm sorry. So the information is provided. We also provide information on water quality in the SaskH2O website. You can go there and look it up yourself or anybody can.

**Mr. Wotherspoon:** — As far as the inspections, going on to no. 3, we already spoke a bit about it and the outstanding number in the North and others across the province. How long will it take to be caught up on this front and inspecting as the auditor is recommending with the frequency that your policy is set out for?

**Mr. Ferris:** — Well I think quite frankly we're going to probably catch up this year. There is two ways that you can deal with this recommendation. You can restaff and re-equip your staff to do better work to meet those expectations. I think probably by the end of the fiscal year we'll be up 900 inspections. As of last Thursday we were sitting at 637. The reason for that is quite often we do more inspections of waterworks in the wintertime because if you're going to inspect a sewage lagoon, which these guys also do, you can't see anything in the wintertime. It's covered with snow. So based on that, I think we're going to be there this year.

I am loathe however to start cutting inspections. I feel that we

do need to inspect our waterworks. That's the other way we can go here. Those have been drafted, but I wanted to take a year to see how our full staff complement could perform, given their full scope of responsibilities in the organization.

**Mr. Wotherspoon:** — So if you're catching up, your hope would be within a year. And then at that point you should be on track and able to adhere to your policies around the frequency of inspections moving forward.

**Mr. Ferris:** — We should be done by the end of this fiscal year in terms of catching up.

**The Chair:** — Mr. Moe.

**Mr. Moe:** — I just have a few questions here as well with regards to chapter 17 where the six recommendations are. But before I do, I'd just to take a quick moment to acknowledge our Saskatchewan legislative interns that are here today to observe committee proceedings. We have with us Dipo Ziwa, Taylor-Anne Yee, Dustan Hlady, and Kaytlyn Criddle. And I understand that Taylor-Anne Yee has drawn the short straw and will be spending a little time with the member from Rosthern-Shellbrook here this winter. So she has a tough few months ahead of her.

As well I would just take a moment to acknowledge Mr. Dybvig and your staff across the province. This last year I had the opportunity as a member to get to know a few of them as we had excessive moisture up in our part, up between North Battleford and Prince Albert last year. And you know, when water starts flowing in the spring due to the snowmelt and whatnot, it doesn't always happen during business hours. And I really would like to acknowledge the staff that you have on the ground in that area that really put the hours in last spring. And it was appreciated by myself as well as the members of the area and the municipal leaders in the area as well. It was above and beyond, so thank you very much.

With regards to the chapter 17, and I think on recommendation no. 1 talks about the water regulations Acts and aligning with that. And the other five recommendations seem to maybe piggyback on that a little bit into the compliance and how often inspections are taking place. And then most of those inspections in compliance are to do specifically with municipalities, is that correct? Because municipalities are the groups that are actually providing the water, and that would be our interaction there.

**Mr. Ferris:** — Yes, that's correct. We also inspect rural water pipelines, private waterworks such you might find at a, like a large hotel that's got its own system. We also inspect government waterworks such at provincial parks and whatnot, but the majority, 500-and-some are municipalities.

**Mr. Moe:** — Right. And with the sheer number of those municipalities, one of the inspections was to do with new residential developments where I think it actually even references working with the Ministry of Government Relations to coordinate efforts to that degree, right? That's recommendation 5.

**Mr. Ferris:** — Yes.

**Mr. Moe:** — Okay. And you've been working with Government Relations to put a subdivision approval process in place. Is that in place as of yet or will it be shortly?

**Mr. Ferris:** — Government Relations does have a subdivision approval process in place. There's a formal application. They send us, depending on the nature of the subdivision, a copy of the application for review. We look at that in terms of determining does the community have adequate water supply, does the community have adequate capacity in sewage works, and we provide comments. They have an online system so we avoid the paper. So we do it by this online system. And then actually the co-operation has been pretty good in terms of dealing with those communities that don't have the capacity for whatever reason. And so I would say that we've been working very well with Government Relations in this regard.

We have something known as a parallel growth policy where a community needs to advance its waterworks, most of them are actually in sewage works right now, but let's say in one case there were some cases where they needed to do some work on their waterworks. We'll say, by the time you get your full growth in your community, you have to have your waterworks up to spec. Everybody agrees. They make an agreement. They show that they have financial arrangements in place, and then they get their approval. So it's kind of like a commitment by the municipalities to move forward in formal terms.

**Mr. Moe:** — Future planning, so to speak . . .

**Mr. Ferris:** — Yes.

**Mr. Moe:** — On a community's behalf. So with the subdivision approval process in place at recommendation no. 5, I think we'd assume that would be complied with with that in place.

Just on the other recommendations in general dealing with municipalities, and I commend you for dealing with the Ministry of Government Relations, and also, you know, really where the compliance takes place and the dealings with the inspections and the frequency of those inspections and really the past rate of those inspections comes into place with the municipal administrators and staff, and I would just encourage you to continue to work with, you know, SUMA [Saskatchewan Urban Municipalities Association] and SARM [Saskatchewan Association of Rural Municipalities] and Ministry of Government Relations on . . . proactively with, you know, the measurements that are required and how to get there as opposed to . . . You know, there always has to be the backside of it as well.

But the proactive working I think is how you solve these situations, ensuring that administrators are aware of the regulations that are required and the compliance forms that are in place. As we get into smaller communities, villages, and smaller towns, it is difficult to have staff with the proper requirements, you know, to provide the safe water that we need.

So I guess, would we be ready to move through some of the recommendations?

**Mr. Wotherspoon:** — So if they just clarify on the recommendation no. 6, maybe I'll ask too for the Security

Agency to verify as well, it seems that we've noted progress on most of these recommendations. No. 5, it's been suggested compliance may be the case. I'd appreciate it if the Water Security Agency can clarify from their perspective if they've complied with the recommendation no. 5 and if the same is true for no. 6, no. 6 being ensuring that there is an appropriate enforcement policy in place for owners of waterworks that don't fulfill their commitments to new residential developments.

So question being: no. 5, from your perspective, are you in compliance? No. 6, is the same to be true? And what's the enforcement policy?

**Mr. Dybvig:** — I'll ask Sam to speak to that.

**Mr. Ferris:** — Okay. Firstly on no. 5, I think we're 95 per cent of the way. But I think we can always do a little bit more, so we'll be talking with Government Relations more. On nos. 4 and 6, I actually did bring copies of the protocols that we've put in place. If you'd like to see those, sir, I can provide those. I only brought nine copies. So I'll just leave those there for you folks. So I think we've got those ones covered off, those two: 4 and 6.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Madam Chair. Just before we vote on the recommendations, I just had a question about figure 2 on page 232 where it deals with the parameter standards compliance rates. If you look at 2009-10, it was at 88 per cent, and then '11-12, it dropped to 80 per cent. Now if I recall correctly there was also . . . In that time frame was there a change in the allowable limits of certain substances in the drinking water where there was a tightening up? And it seems to me, if I recall correctly, uranium was one of them where the allowable limits of uranium was far less in the new regulations than there was previously. And just to complete my question, would that account for some of the decline in compliances that we see in figure 2?

**Mr. Ferris:** — Yes. To some degree, yes. The regulations took full effect in terms of meeting the standards for the smaller communities in December 2010. And there is a bit of a shift there from the 2010 and '11 numbers to the 2011 and '12, yes.

**Mr. Hart:** — Thank you for that. Thank you, Madam Chair.

**The Chair:** — Are there any further questions or are we ready to move on to voting or . . . are the committee's thoughts on chapter 17?

**Mr. Moe:** — [Inaudible] . . . Could we do multiple chapters at once or should we go through them one at a time?

**Mr. Wotherspoon:** — I have a couple other questions on some of the other chapters.

**The Chair:** — Yes. There's only new recommendations for chapter 17, so we'll look at chapter 17 and then . . .

**Mr. Moe:** — So should we do them . . . multiple chapters . . .

**The Chair:** — What is the committee's wish?

**Mr. Moe:** — I would move that we concur and note progress with regards to chapter 17 of the 2013 volume 1 Provincial Auditor's report, recommendations 1, 2, 3, and 5. I would concur with the recommendations and note progress.

**The Chair:** — So Mr. Moe has moved that the committee — for the 2013 auditor's report volume 1, chapter 17 — Mr. Moe has noted that the committee concur and note progress for recommendations 1, 2, 3, and 5. Is that the wish of the committee?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Okay.

**Mr. Moe:** — Again with regards to the 2013 Provincial Auditor's report volume 1, chapter 17, I would move that this committee concur with recommendations 4 and 6 and note compliance.

**The Chair:** — Mr. Moe has moved that for the 2013 report volume 1, chapter 17 that this committee concur with the recommendation and note compliance. Is that the wish of the committee?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. So moved. Okay. And with respect to the reports 2012 volume 2 and 2013 volume 2, are there further questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — I don't think we've had any questions on chapters 22 and 26 yet of those reports. Maybe just a follow-up; there's outstanding recommendations in chapter 22. There was some mention by officials as to actions on these fronts, but if I could, if the officials could speak to actions and timelines towards compliance or when the recommendations will be implemented. There's two, well there's multiple outstanding recommendations in this case. As well as there's an . . . Maybe if we could deal with the first two:

We recommended that the Saskatchewan Watershed Authority approve information technology security policies and procedures to address change management, incident management and segregation of information technology duties.

That's been implemented, sorry. And so has the other one there.

The one that's outstanding there is the business continuity plan, and I believe there are some words from the officials on that front. Just wondering if there's a timeline towards implementation on that front.

[10:00]

**Mr. Dybvig:** — Yes, we've continued to try and make some progress on the business continuity plan. We certainly appreciate the importance and need of a plan. In 2012 we did complete a vulnerability assessment to use as a basis for forming our plan. We've also established a data centre in

Regina to back up our Moose Jaw situation in case there's downtime there. And we're currently looking at talking to a private provider to see whether they can provide some backup service for us, but we have . . . That's kind of the progress to date.

Again with the transition that took place, the IT [information technology] area was one that was highly stressed when we set up the new organization in bringing on new staff, new software, new hardware, and connectivity, and new databases. And so we haven't been able to give this the time we'd like to, but we see now being able to make some progress in the coming year.

**Mr. Wotherspoon:** — Do you have a timeline in place right now to have implementation complete?

**Mr. Dybvig:** — Well I think this year we'll be talking to this outside service provider, and we'll see if that is the way that we can actually back up our services in an economical way.

**Mr. Wotherspoon:** — As far as exhibit no. 4 in that same report, and now this was, it states here, was going to be followed up by the auditor's office in 2013. So I don't know if this is the appropriate place, but there's quite a few outstanding recommendations there that are certainly important recommendations. Maybe if I could just seek comment from the auditor's office as to your follow-up on those recommendations and if there's any outstanding recommendations there that haven't yet been implemented by government.

**Ms. Ferguson:** — Most definitely. May I actually direct you to our 2013 report volume 2, chapter 49. And you'll see in that report, out of those six recommendations, four have been implemented and there's progress made on the remaining two. And as was referred to in the comments by management, management continues to make progress in those two areas. They're not quite there yet, and we'll have a look again in a couple of years.

**The Chair:** — Are there any further questions? So for the 2012 report volume 2, chapter 22, that will conclude our considerations. For the 2013 report volume 2, chapter 26, that will conclude our considerations. The 2012 report volume 2, chapter 41, again our considerations are concluded. And the 2013 report volume 2, chapter 49, that will conclude our considerations.

So thank you to the officials for your time today. And with that I think we'll take a short recess, about a five-minute recess, as — oh, Mr. Wotherspoon?

**Mr. Wotherspoon:** — Just to reinforce the words of my colleague across the table, we've focused on some areas that there's been a lot of work going into, and some gaps in work still needed to be provided. But without a doubt all of us would like to say thank you to you and your officials and all of the civil servants and those that you partner with across the province. When you're dealing with high water and unpredictable weather, and melts and high flows, we know that on the ground it really matters how you extend yourselves and the support of all your workers. Thank you very much.

**Mr. Dybvig:** — Thank you.

**The Chair:** — Thank you again. And we'll just take a short recess to change officials. Thanks.

[The committee recessed for a period of time.]

**The Chair:** — Welcome back, everybody. This next portion of committee, we'll be looking at the auditor's reports for Government Relations. So welcome to the officials from Government Relations. Mr. Al Hilton, in a moment I'll let you introduce your officials but . . . Actually, why don't you introduce your officials now.

### Government Relations

**Mr. Hilton:** — Sure. Thank you, Chair. I have Karen Lautsch to my left. Karen is the ADM [assistant deputy minister] responsible for corporate services and public safety. And I have Wanda Lamberti who is the executive director of finance and administration. And we have Janie Markewich who is director of financial services. And behind me here we have Keith Comstock who is the assistant deputy minister responsible for municipal affairs and all things northern, or most things northern. And of course we have Margaret Anderson who is the executive director of the provincial disaster assistance program.

**The Chair:** — Thank you, Mr. Hilton. And Ms. Ferguson will start by making some comments on what we'll be reviewing.

**Ms. Ferguson:** — Thank you. Good morning, Madam Chair, members, and officials. I'm joined today by Carolyn O'Quinn. Carolyn is a principal in our office and is responsible for the Government Relations audits. And also Jason Shaw who is a senior manager in our office that works, again, on the Government Relations audits.

So before I discuss our audit findings, I want to thank management and staff for the co-operation that we received during the course of the work that we have before the committee today.

Today we are presenting three different chapters actually, from three different reports. And we're going to make that presentation in two parts. The first part we're going to outline the results of our annual integrated audits, and in the second part we're going to talk about the provision of safe drinking water. And we're going to pause after each portion of the presentation to allow consideration of the committee of any new recommendations that are contained in that part. So I'm going to actually turn it over to Carolyn to present part one.

**Ms. O'Quinn:** — Thanks, Judy. And good morning, Madam Chair, committee members, and officials. I'll start with a brief overview of our annual integrated audits for the Ministry of Government Relations for the fiscal years ended March 31st, 2012 and 2013. You may notice that in some of our chapters we refer to the Ministry of Municipal Affairs. The Ministry of Government Relations has now assumed responsibilities of that former ministry.

For each of these two years, we've concluded that the ministry has complied with related authorities, and that it had effective rules and procedures in place to safeguard public resources except for the matters that we reported in those chapters. We

made five new recommendations. I will describe each recommendation, followed by our reasoning.

[10:15]

In our 2012 volume 2, chapter 15, we made one new recommendation. On page 128 we recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly.

The ministry did not always request removal of unneeded access of users to its IT systems and data on a timely basis. If unneeded access isn't removed promptly, it increases the risk of inappropriate access and unauthorized changes to those systems and data. In our 2013 report volume 2, chapter 10, we report that at March 31st, 2013, this recommendation had not yet been implemented.

Moving on to our 2013 volume 2, chapter 10, in that chapter we made four new recommendations.

In our first recommendation on page 87, we recommended that the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the provincial disaster assistance program. At March 31st, 2013, the ministry estimated that it owed 85.5 million for unpaid provincial disaster assistance claims. In 2012-13 the ministry reduced its estimate for amounts related to prior fiscal years by about 20 million as a result of this review. It was the first time that the ministry had carried out such a review. However, we found that it did not have a formal process to require such a review on an ongoing basis. Not having a formalized process to regularly review these estimates increases the risk of inaccurate estimates and incorrect financial information being used for decision making.

In our second recommendation on page 89, we recommended that the Ministry of Government Relations keep clear documentation of its estimation methods, supporting data, and key assumptions it uses in making its significant accounting estimates. At March 31st, 2013, the ministry had recorded an estimated receivable from the federal government of 355.5 million related to the 2005 to 2011 claim years for disaster financial assistance arrangements, and 18 million for a one-time flood mitigation program. We found that the ministry did not clearly document the basis for these estimates. Without sufficient documentation of estimation methods, supporting data, and the key assumptions used in developing significant accounting estimates, there's an increased risk that the ministry may make inaccurate estimates and in turn use incorrect financial information for decision making.

In our third recommendation on page 90, we recommended that the Ministry of Government Relations develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors and communicate such criteria to those contractors. We found that the ministry was unable to provide sufficient support for additional compensation of 26,000 paid to emergency management services contractors in 2012-13. Without established criteria setting out the extent of the services it expected, the ministry is at risk of making unsupported

payments for additional compensation for emergency management services.

In our fourth recommendation on page 91, we recommended that the Ministry of Government Relations clearly document the services it expects to receive from emergency management services contractors, formally communicate those expectations to the contractors, and monitor that contractors are performing as expected. During 2012-13 the ministry paid 2 million for emergency management services to a total of 58 contractors. The ministry did not always request or receive sufficient verification of the services provided before paying these contractors. Also we found it had no formal process for monitoring their performance. Without such information there is increased risk that the Ministry of Government Relations may not be receiving the services as expected and may be making payments for services not provided.

I will now pause for consideration of these five new recommendations by the committee. You'll find these recommendations on page 128 of our 2012 volume 2, chapter 15 and on pages 87 to 91 of our 2013 volume 2, chapter 10.

**The Chair:** — Thank you, Ms. O'Quinn. Mr. Hilton, would you like to make some comments?

**Mr. Hilton:** — Well it depends on what the committee would prefer to do. I could actually speak to each of the recommendations and then open it up for questions, or we could just open it up for questions.

**The Chair:** — I think that that would be great if you could do that.

**Mr. Hilton:** — Okay, I'll try. And I'll try and follow the order that the Provincial Auditor followed.

So with respect to the first recommendation around the Ministry of Government Relations documenting and implementing procedures "to ensure unneeded user access to its information technology systems and data is removed promptly," we have interesting discussions in the deputy's office about what promptly means, and there's generally not agreement on what that term means. So for example, if I had to fire Karen this afternoon, given the access to all the information that she has, I would make sure that her access was denied like well before I gave her her notice. If Ms. Wanda Lamberti, on the other hand, left me today to go work in the Ministry of Finance or the Provincial Auditor's office and she might have to help her replacement out on some issues, I would probably leave her access for another month or so to manage the transition.

So after we had that fun little discussion, I just came to the conclusion that, you know what? The day that someone leaves, that's the day that their access should be cut off. So that's how I've interpreted the word promptly. It's a bit different perhaps than others. So we're in the process of doing that. Sort of the direction has gone out, and we hope to have that in place and monitoring it by the end of this fiscal year. So come April 1, hopefully, if everything works the way it should, it'll be the day that the person leaves.

Now I've got to go to a different part of my binder and find . . .

Okay. I'm organized this morning. I found it quickly. So I'll speak to the recommendations contained in the 2013 report volume 2, chapter 10. The first recommendation is that "the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the Provincial Disaster Assistance Program." I think I can report to the committee that I think we've sort of completed that. And let me discuss what I mean by that a bit.

Review of prior year estimates is now being completed quarterly. And in addition, financial estimates are updated immediately upon receipt of new information. So for example, if we have a major PDAP [provincial disaster assistance program] claim for a municipal project, we forecast expenditures and we book revenue based on sort of estimates and adjusters' report. And now when the work actually gets done or the contract gets bid and we know how much the contract's actually going to cost, we're going to sort of update that file on an ongoing and regular basis.

I could describe it in more detail if people wanted to, but that's sort of essentially kind of the crux of what we're doing. And if I get any of this wrong, Karen or Margaret can correct me.

The second recommendation was, "that the Ministry of Government Relations keep clear documentation of the estimation methods, supporting data, and key assumptions it uses in making significant accounting estimates." Here I think we can report that we are partially complete. Processes for both revenue and expense accounting estimates have now been clearly defined and financial reports to support that process have been created. Documentation of these processes, which is what's important for the Provincial Auditor, will be completed by March 31st, 2014. And again I could speak in more detail about the specific work we've done, but I'll leave it at that.

The third recommendation was, "that the Ministry of Government Relations develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors and communicate these criteria to the contractors."

Here I would say we are partially complete. The majority of these contractual arrangements have expired and will not be renewed and the ministry will no longer utilize this method to deliver emergency management services. And efforts are presently under way to convert these contracts to public service positions.

I will admit that the situation in 2011 was quite unusual, I don't have to remind committee members. And in order to respond in 2011 we had to go and hire really quickly on contract a bunch of rapid responders. And those are the guys that go out and fill sandbags and make sure, you know, grandma's house is safe in the middle of the night, in the middle of a snowstorm. And these guys were working 16 hours a day, you know, 40, 50 days in a row.

So at the end of the season the deputy minister — me, and it's on me; I take responsibility for this — decided that these guys had performed well beyond any expectations that we had, I mean, in terms of the overtime that they worked and the days in and days out without any time off, in very perilous conditions

sometimes. And the contract we had with them was just for a straight amount and, you know, I couldn't have imagined that they would be doing what they had to be doing at the time that we hired them. So at the end of the season, as I called it, I decided that they should all get a bonus.

And the accountants told me I wasn't allowed to do that because we didn't have all the rules in place which would allow me to do it. And I told the accountants to do it anyway. So I got in trouble by my own folks for doing that, but I think it was the right thing to do. And so, you know, that's on me. But the way we do our business in the future has matured a lot. We've got a lot more experience now, so we're not going to be hiring these rapid responders on contract anymore. They're going to be term appointments within the public service. So hopefully that issue has gone away.

The next recommendation was:

... that the Ministry of Government Relations clearly document the services it expects to receive from emergency management ... contractors, formally communicate those expectations to contractors, and monitor that contractors are performing as expected.

So this is again a similar sort of issue, and we're partially complete on that as well. So as I said before, the majority of these contractual arrangements will be converted to public service jobs. Job descriptions will be performed as they are for all other public service jobs, and the duties and expectations of these individuals will also similarly be expressed.

And I think the final recommendation was "... that the Ministry of Government Relations (formerly the Ministry of Municipal Affairs) document and implement procedures to ensure unneeded user ..." Oh, I've already spoke to that one. Okay. So I think I've spoke to all the recommendations the Provincial Auditor has made, so with that I'm more than happy to take any questions that the committee might have.

**The Chair:** — Thank you, Mr. Hilton, and I'd like to open the floor for questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — First, I'd like to thank you for the work as a ministry and for you as officials being here today. As well, the format that you choose to present your information that relates the recommendations is really helpful for us as committee members. It highlights very specifically the actions that are being taken and seems to also reflect a timeline behind it, so thank you for communicating in a clear way. Certainly there's important actions that your ministry has undertaken here and a lot of progress on most of these recommendations. So we appreciate that; it's important.

Just maybe to follow up on a couple of them. The accounts receivable to the federal government and I think what was suggested to be inadequate documentation over a number of years based on the systems that were in place, are the accounts receivable — now that you've put a better system in moving forward, one that will ensure that documentation — have you done a review of the previous estimate, the 355.5 million? Is it still the account that needs to be received or has that estimate changed?

**Mr. Hilton:** — Well, I'll speak to that as best I can and invite Karen and Margaret to add to what I've said. So what we've done is we've gone and we've reviewed all of the estimates on an annual basis going back to 2005. I think that we've completed right up to 2011 if I'm not mistaken. Or is it 2010? ... [inaudible interjection] ... 2010.

Part of the challenges that we have is, you know, there's a big time lapse between when the incident occurs and the payments are made and the receivables are booked and when the federal government actually makes some decisions. So the amount of money that we get from Ottawa depends, for example, on the number of incidents. So we, you know, our experts figure that, well you know, the flooding in this particular year was the result of one big incident. And then the federal experts come along and they say, well actually no, there was three separate incidents. And then they make some determination, and all that can take a year or more and then depending on what they find will affect the receivables.

[10:30]

And then the federal government goes through an initial audit and they give the results of the initial audit. And then they come and they have a final audit, but they won't do the final audit until all of the claims are closed for that particular year. And then the federal government requires an order in council to be approved before they actually make the payment. So all of a sudden — and I don't want to exaggerate the point to make the point, but I will — you know, you could be, four years could elapse before all of that stuff is done. So it makes the estimating game a bit of a challenge. So one of the things that I think is going to be really helpful are those measures that I talked about earlier so that, you know, on a case-by-case basis, as circumstances change and as we know more precisely what a particular claim is going to cost, we can then put in place a system where we can estimate the amount of revenue specific to that claim. That's a long-winded way of trying to answer your question, and I apologize for that.

**Mr. Wotherspoon:** — No, that's fine. I will resist the temptation to respond to the term federal expert. But the comments you had around making sure you have documentation for what can be a very long process — and you may even have very different personnel within your ministry when settling out some of these claims — has the account receivable that was once booked or planned by government, has that changed dramatically over the course of time, as in the province of Saskatchewan maybe estimated that 355.5 million was an account that should be received, and does the federal government have a different opinion on that right now based on the state of the, I guess, the process that you're at right now?

**Mr. Hilton:** — I'm told that the feds wouldn't have an opinion on the amount of money we booked. I'm also told that we've done a lot of the review, but there's still more work to be done. And we're not in a really good position at this point to, you know, provide a revised estimate to the committee. So I apologize for that, but it's fairly complex and the work is ongoing.

**Mr. Wotherspoon:** — Could your ministry endeavour to, following this ... You're following up on this process. At some

point there may be a new number that's established. At that point in time could you communicate that to the committee members of the Public Accounts?

**Mr. Hilton:** — Certainly, because we'd need to be communicating that to the Finance ministry as well. So when that work is done we can certainly do that.

**Mr. Wotherspoon:** — Thank you very much. I have a couple more questions, but I suspect other members do as well.

**The Chair:** — Mr. Moe.

**Mr. Moe:** — Just a couple with regards to chapter 10 of the volume 2 and recommendations with regards to the service contractors. Now the service contractors, I'm assuming those are the contractors that show up in the event of . . . I know up in the area where I live, we had some excess moisture in different areas and some water running here, there, and everywhere last year. And they had these contractors show up and that's the contractors that we referred to in here, the 58 contractors, is that correct?

**Mr. Hilton:** — Yes, sir. They would be the people that respond to a situation. So I don't know if there's anybody here from North Battleford. So this year, for example, when the North Battleford water treatment plant was at risk as a result of flooding, we got a call at the last minute. And I had to send my guys, as I call them, up there. And that would be an emergency safety officer who would be in charge, and we have some rapid responder guys. There's also some guys on contract that we have that handle the logistics, i.e., making sure the gear gets there when it's needed. Those are the guys that we had hired on contract and that's the kind of work, from a practical perspective, that they do.

**Mr. Moe:** — And as you had went through some of the documentation and the agreements that were coming there, it's my experience that when those . . . The access to those individuals for different areas was pretty good last summer. And maybe Mr. Cox would comment on it as well.

And that would be obviously part of the contract, I guess, as with regards to recommendation no. 3 would be that acts . . . how quickly they get to areas. Because when they do get there, they do take control and they put everyone else at ease. And it's not, again as we talked in our last hour here, it's not always during, you know, Thursday at 2 o'clock in the afternoon when you're scheduled to go up there. It's Sunday morning or Monday evening at midnight, and they do show up. And they do have knowledge on the situation, you know, whether it's putting up bladders or instructing, bringing in hose to do whatever needs to be done. But that would be part of that, I suspect.

**Mr. Hilton:** — Not in detail. They would be expected to be made available. We would expect they'd be on the job and available. In some cases, you know, the expectation was 24-7.

Who gets deployed and how they get deployed is at the call of the incident commander. The incident commander makes those decisions because quite often, you know, we might get calls, we might get four different calls and we only have the capacity to

respond to two. So all the deployment decisions at that point would be made by the incident commander. And the contractors would basically take all their direction from the instant command system, so they would be expected to do whatever they were told to do. And of course the number of situations that they respond to are quite diverse, so the expectations are going to change according to the situation.

So the Provincial Auditor's absolutely right. We don't have a detailed document that says, you know, for the \$3,500 a month that we're going to pay you, here are the things that you're going to be doing and here are the hours you're going to be working because the nature of the business doesn't lend itself to that very well.

**Mr. Hart:** — Madam Chair . . .

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Madam Chair, if I could just follow up on that, dealing with these emergency contractors and so on. On page 90 of the report that we're dealing with, the auditor's report says the cost was \$2 million, including \$26,000 for additional compensation. Is that the total cost of these emergency contractors?

Or is this . . . could you . . . You had mentioned earlier in your comments, opening comments about making some additional payments to these emergency contractors for all the work they did over and above the call of duty as such and so on. And you know, I would have to support you in taking that initiative, even though you may have bent some rules. But I wonder, could you just expand on that, how much you actually paid these emergency contractors and what kind of a bonus did you give them, just so that we clearly understand that.

**Mr. Hilton:** — Sure. So the number, the total number that's in the auditor's report I can only assume is correct because they would have got that from us and they would have verified it.

The 26,000, a practical example would be a young guy — I actually know his name — he started as a rapid responder. He worked for us for six months on contract. And when he left, I gave him an extra month. So I gave him an extra three grand. So when you add up all the little three grands, I think you get \$26,000.

**Mr. Hart:** — All right. Good. And as I said I . . .

**Mr. Hilton:** — And I feel I broke some rules when I did that.

**Mr. Hart:** — Well these were extraordinary circumstances that . . . I'm sure we all understand 2011 was . . . Let's hope that we don't see one of those years again for a long, long time.

**Mr. Hilton:** — At least until I'm retired.

**The Chair:** — Mr. Cox.

**Mr. Cox:** — Thank you, Madam Chair. And I would lend my voice as well, and I would back you in doing that because I know these people did go above and beyond in a lot of cases. And I think Mr. Moe probably had as much problem in his

constituency as anybody.

But just could you clarify for me, Mr. Hilton: you mentioned you're not going to be doing these contracts again. So will the work now be done by public employees or will you still hire on a short term, people?

**Mr. Hilton:** — What we're going to do in terms of the staffing model is we're going to hire these folks on term assignments. Yes. Well there's a thing within the public service that allows you to hire terms for up to two years, and most of these people won't work for the government in this particular kind of job for more than two years. So we're going to do that. And then what we'll do is we'll have a core that's within the public service, and if things go crazy, you know, like they did in 2011 again — and we hope they won't — then we may find ourselves back hiring additional contractors as well. But given the lessons learned from 2011, I think the deputy will do a better job of articulating and documenting, you know, the work and the hours and all the rest of it. And I probably won't place the same level of expectations on these people as I would have in 2011 because it was . . . You know, I was being kind of unreasonable in 2011, if I say so myself.

**Mr. Cox:** — Okay. Thank you.

**The Chair:** — Mr. Cox, any more questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you for your frankness here today. On recommendations 3 and 4, there's . . . So the changes that you're making is to have the internal capacity in an ideal world. Of course the world's not ideal and sometimes things change, as you've highlighted, but you're going to be bringing a portion of these contractor-type roles into the ministry in a more formal relationship. So that'll respond to these two recommendations on that front. But then there's the scenario that you just highlighted, that you might have a traumatic event or weather-related crisis that you need to engage contractors again. There was a commitment to have an improved system that would respond to these recommendations moving forward. From your perspective, will you have a system in place that will ensure compliance with these two recommendations when and if you need to engage contractors in the future?

**Mr. Hilton:** — Absolutely. I mean you know, as an example, one of the issues that arose in 2011 was, you know, my colleague, the deputy minister responsible for occupational health and safety, had some conversations with me about all of this. So what we ended up doing, working with his folks, is we developed a fairly full and rich safety plan. And that specifically speaks to some of the roles and responsibilities issues and how much people can work and all the rest of it. All that will be clarified and laid out in any sort of contracts on a go-forward basis.

**Mr. Wotherspoon:** — Thank you.

**The Chair:** — Mr. Steinley.

**Mr. Steinley:** — Yes, just very quickly. On the recommendations on timely removal of user access needed, I think you laid out a perfect case scenario where I'm not sure a

one-size-fits-all solution is going to help there. Like you said, with the termination and then someone moving on, I think to lose the capacity for the person leaving the job to help the person coming in might be a difficult situation for a new person. So I think obviously there's a process and it needs to be there. But I think there is some different cases where user access might be needed for a couple more weeks just to help the person coming into the role. So I just wanted to make a comment on that, that I'm not sure a one-size-fits-all solution is the ideal fit there.

**Mr. Hilton:** — If I can just speak to that. You're absolutely right and I tried to give a humorous illustration, you know. But you know, from an audit perspective it is incumbent I think on the ministry, once it sets a target and a policy, to be able to identify those factors or considerations that it would take account of to make an exception to its policy. So that falls on me to do and that will fall on the people with me to do. So I thank you for that.

[10:45]

**The Chair:** — Are there any further questions on these two chapters? Is the committee ready to make its wishes known?

**Mr. Moe:** — I would move that with regards to the 2012 report volume 2, chapter 15, recommendation no. 1, that the Public Accounts Committee concur with the recommendation and note progress.

**The Chair:** — So with respect to the 2012 report volume 2, chapter 15, recommendation no. 1, "We recommend that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly," Mr. Moe has moved that this committee concur with that recommendation and note progress. Is it agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. Moving on to the 2013 report volume 2.

**Mr. Moe:** — And I would move with respect to the 2013 report volume 2, chapter 10, with recommendation no. 1, that this committee concur with the recommendation and note compliance.

**The Chair:** — Okay. So with respect to the 2013 report volume 2, chapter 1, recommendation no. 1, "We recommend that the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the Provincial Disaster Assistance Program," Mr. Moe has moved that this committee concur with the recommendation and note compliance. Agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. No. 2?

**Mr. Moe:** — With regards to the 2013 report volume 2, chapter 10, I would move with recommendations no. 2, no. 3, and no. 4 that the Public Accounts Committee concur with these



recommendations and note progress.

**The Chair:** — For the 2013 report volume 2, chapter 10, recommendations no. 2, 3, and 4, Mr. Moe has moved that this committee concur with those recommendations and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. With that we will move on to the next report, which is the 2012 report volume 1, chapter 12. And with that I will pass it off to Ms. Ferguson again.

**Ms. Ferguson:** — Thank you, Madam Chair. Actually I'm going to keep kind of rolling down the table here and pass it off to Ms. O'Quinn here.

**Ms. O'Quinn:** — Thank you. The Ministry of Government Relations provides residents of northern settlements with drinking water from various sources. This is because the minister functions as the municipal council for northern settlements and recreational settlements. In our 2012 report volume 1, chapter 12, we set out the results of our audit of the Ministry of Government Relations' provision of safe drinking water to Saskatchewan's northern settlements.

We concluded for the period from September 1, 2011 to March 31, 2012 that the ministry did not have effective processes to provide safe drinking water to seven northern settlements. We made 10 new recommendations for the committee's consideration. I'll now describe each of those recommendations, along with our reasoning.

In our first recommendation on page 112, we recommended that the Ministry of Government Relations, in consultation with the government, consider if or when the provision in *The Public Health Act, 1994* should come into force that requires the Minister of Government Relations to ensure that there's a safe supply of drinking water for the use of residents in northern settlements. Section 14(2) of *The Public Health Act, 1994* contains a legislative obligation for the Minister of Government Relations to ensure that there is a supply of safe water for the use of residents of northern settlements. However at March 31, 2012, we found that this provision had not come into force. At January 1, 2014, this provision is not yet in force.

In our second recommendation on page 115, we recommended that the Ministry of Government Relations complete its analysis of the 2010 waterworks system assessment reports for northern settlements and communicate how it intends to address recommendations that were made in these reports. The ministry by practice completes an assessment of its water systems for each northern settlement every five years, and the last assessment, done in 2010, assessed drinking water and sewage needs, risks to communities' drinking water, and the condition of existing water systems. However we found that by March 2012 the ministry had not completed its analysis of its 2010 assessments. Also the ministry had not made these reports available to the public.

In our third recommendation on page 116, we recommended that the Ministry of Government Relations define its approach for the long term to provide safe drinking water. Because it had

not analyzed the results of the 2010 assessments, the ministry had not set out how it planned to provide drinking water to northern communities over the long term, for example a water management plan. Unless the ministry considers and plans for the long term, it may not be able to provide safe drinking water on a sustained basis.

In our fourth recommendation on page 117, we recommended that the Ministry of Government Relations consistently carry out all required maintenance for its water systems.

In our fifth recommendation on page 118, we recommended that the Ministry of Government Relations document its monthly supervision of maintenance that's carried out on its water systems to provide evidence that all required maintenance is occurring. The ministry had up-to-date permits from the Ministry of Environment for the water systems that it owned and operated. These permits set out requirements for operating and maintaining the water systems, for sampling and maintaining water quality, for record keeping, and for reporting. While the ministry had established maintenance procedures to meet the requirements of these permits, we saw no documented evidence that the ministry reviewed maintenance records on a monthly basis as its procedures require. We also found examples of incomplete maintenance logs. Inadequate supervision of required maintenance increases the risk that required maintenance work will not be completed. Maintenance is required to keep water systems working effectively which reduces the risk of providing unsafe water to those northern settlements.

In our sixth recommendation on page 119, we recommended that the Ministry of Government Relations, where it has contracted for its supply of drinking water from a First Nations community, specify in its contract that that First Nations community provide water quality tests to the ministry on a timely basis. The ministry had contracts with the First Nations communities that provide drinking water to two northern settlements. However the contracts did not require the First Nation communities to give the ministry water quality testing results. The ministry needs these results to monitor the safety of drinking water and to tell northern settlement residents about the safety of their drinking water.

In our seventh recommendation on page 120, we recommended that the Ministry of Government Relations test drinking water samples and document the results as required by its water system permits issued by the Ministry of Environment. We found that the ministry did not collect all samples for bacteriological testing for one community as required by the permits from the Ministry of Environment. Also the ministry did not know if all tests were completed as required for two other communities because the ministry did not receive timely monthly water test logs from the water system operators in those communities. Completing all tests required by permits is necessary for adequate monitoring of the safety of drinking water.

In our eighth recommendation on page 120, we recommended that the Ministry of Government Relations implement a formal process for communicating in writing about the safety of drinking water to residents of the northern settlements of Stanley Mission and Wollaston Lake as required by its water

system permits issued by the Ministry of Environment. We confirm that the ministry reported, as required by the water system permits, the results of water quality testing to residents of communities where it owns and operates the water systems. However the ministry had not communicated information about drinking water safety in writing to residents of northern settlements where the ministry contracts for drinking water from First Nations communities. We think it should.

In our ninth recommendation on page 121, we recommended that the Ministry of Government Relations formally report to its senior management the results of water tests and issues with water systems. We found that the ministry did not have a formal process to report to senior management on the results of water tests and issues with water systems such as maintenance. The lack of a formal reporting process could contribute to senior management not having all the required information that it needs to make an informed decision.

In our 10th recommendation on page 122, we recommended that the Ministry of Government Relations take prompt action to address problems in providing safe drinking water to northern settlements. We found instances where a community had a drinking water advisory since 2001, another community that was experiencing issues in limiting trihalomethane levels, and another community that continued to provide drinking water even though the last available testing results were unsatisfactory for meeting required chlorine levels. Unless the ministry takes corrective action to resolve these drinking water issues, residents' health remains at risk.

This concludes our overview of the 2012 report volume 1, chapter 12. And I'll now pause for consideration by the committee of these 10 new recommendations which start on page 112.

**The Chair:** — Thank you, Ms. O'Quinn. Mr. Hilton, perhaps if it works for you, you might want to do what you did last time and go through the recommendations if you've got comments. That I think worked really well.

**Mr. Hilton:** — Sure. Thank you, Chair. I just warn the committee in advance that I'll be speaking for quite a while if I'm going to do that. So if you get bored, feel free to stop me halfway through.

So the first recommendation was that we consider if or when the provision of *The Public Health Act, 1994* should come into force that would require the Ministry of Municipal Affairs at the time to ensure that there is a supply of safe drinking water for the use of residents in northern settlements. I consider that recommendation complete.

Currently *The Environmental Management and Protection Act*, or EMPA as we call it, ensures certain standards around potable water, and those standards are captured in the permits that are issued by the Water Security Agency. And we work really hard to meet those standards as required by the permit. We've discussed this issue, as recommended by the auditor, with our colleagues from SaskWater and from the Ministry of Health, and they feel that the current approach is appropriate and the right one. And certainly the Ministry of Health continues to work with us in ensuring that safe drinking water is provided.

So there's generally a sense across the different agencies of government that the regulatory framework we have right now is working and is the right one.

With respect to the recommendation around, this is no. 2, that we complete the "... analysis of the 2010 Waterworks System Assessment reports for northern settlements and communicate how it intends to address recommendations made in these reports," I can report that the waterworks system assessment reports are complete. They were reports that were prepared by engineering consultants in association with SaskWater.

Starting in 2014, water system upgrade projects related to capacity, condition, and regulatory compliance will be financed in Brabant Lake, Wollaston Lake, Stanley Mission, Missinipe, and Sled Lake at an estimated cost of \$6.6 million. These assessments are being used to inform the annual capital works planning and capital budgeting processes for the settlements under the Northern Municipal Trust Account. And commissioning of these projects is expected to enable the settlements to be compliant with their water system operating permits. So I would characterize that as partially complete.

Recommendation no. 3, "... that the ministry define its approach for the long term to provide safe drinking water" in the North, I would characterize that as partially complete. Obviously the long-term objective is to ensure that the provision of drinking water is fully compliant with all the requirements of the WSA [Water Security Agency] permits in consultation with the northern municipal services branch and the Northern Municipal Trust Account and SaskWater. We're working hard to prioritize the work that needs to happen in order for this to be achieved. We have a good asset inventory and condition assessment data system and we're updating that.

[11:00]

Advisors in the North receive reports from settlement system operators and sign off monthly on water quality and use records, and they also receive written reports on significant maintenance work undertaken by system operators. So as I say, partially complete.

Recommendation no. 4, which recommends the ministry "... consistently carry out all required maintenance for its water systems," I'm characterizing that as complete. We take the position that all the required maintenance has been and is being carried out for its water systems, although in the past admittedly some of the documentation, from a pure audit perspective, is not what it needs to be. Scheduled preventative maintenance is carried out as per each maintenance plan. Repair works are carried out on an as-needed basis. Operational logs continue to be maintained in water system facilities and are updated when maintenance is carried out. And to help prevent future concerns and demonstrate satisfaction, advisors are maintaining copies of these logs in their offices. So complete, I think.

Recommendation no. 5, that the ministry "... document its monthly supervision of maintenance carried out on its water systems to evidence that all required maintenance is occurring," partially complete. The system operators submit maintenance logs to northern municipal services, and water test results are received directly from the testing labs. Technical resources visit

communities twice per year to perform maintenance checks, train staff, and provide them with guidance and instruction as needed. Advisors review these logs and reports and use them to inform and initiate corrective action as necessary. And formal documentation of maintenance supervision will begin in 2014 with advisors and managers signing off on the logs. So partially complete on no. 5.

No. 6 recommends:

... where it has contracted for the supply of drinking water from a First Nations community, specify in its contract that the First Nation community provide water quality test results to the Ministry on a timely basis.

Here I would characterize it as partially complete. The Lac La Ronge Indian Band Stanley Mission Reserve has a contract with the northern settlement of Stanley Mission and the Hatchet Lake First Nation with Wollaston Lake. The requirement for providing water test results are stated in the terms of these contracts. And you know, we'll undertake to get those specified in all the other contracts as well.

Although while I appreciate the need for clarity and precision in these contracts, the realities of doing business in the North, sometimes with First Nations, is that if the First Nation does not feel compelled necessarily to do water testing, and they provide the water to the communities, sometimes one has to be a little flexible in all the specificity and monitoring of contracts. It's not like doing business in Regina.

Recommendation no. 7, recommend that the ministry test drinking water samples and document the results as required. We consider that to be complete. Although again from a practical perspective I would observe that, given the remoteness of some of these locations and the weather and geography that we have in northern Saskatchewan, sometimes it might not be possible to get the actual, you know, whatever they deliver the water in, little tubes of water to the — jar — you know, to the lab twice a week on time. But I think that we do a good enough job of risk management overall that I'm prepared to accept the fact that geography and weather sometimes is going to get in the way of being perfect. So no. 7, I would consider complete.

No. 8, that the ministry "... implement a formal process for communicating in writing about the safety of drinking water to residents of the Northern Settlements of Stanley Mission and Wollaston Lake, as required by its water system permits ..." I can report, I think, that we are complete on that one.

Recommendation no. 9, that the ministry "... formally report to its senior management the results of water tests and issues with water systems," my staff in briefing me described this as partially complete. And they go on at some length to describe the process that they've put in place.

I guess one of the observations I made to my staff and I would make to this committee is it really depends on what one means by senior management. Certainly the results are reported to what I would consider to be senior management, which is the executive director of the northern municipal services branch. They're not reported to me as the top senior manager because in my life, you know, these types of things wouldn't be reported to

me. I take from the spirit of the recommendation that maybe Keith needs to be better briefed on this, not on a weekly basis obviously, but let's say biannually or whatever. And we're going to put a system in place to do that.

I think I'm on no. 10. Am I?

**A Member:** — Yes.

**Mr. Hilton:** — Thank you. "... take prompt action to address problems in providing safe drinking water to northern settlements," I think I can say that we're complete. I could talk a bit about how we've done that if you like, but I would observe simply that the northern municipal services maintains a water binder for each settlement that includes checklists and reports including water permits, waterworks emergency response plans, waterworks quality assurance policy, and I could go on and on and on and on. So I consider that complete.

And I think we're done. In conclusion I would simply advise the committee that as of this morning we have water advisories in two communities: the long-standing water advisory in Uranium City, and one in Wollaston Lake. And Wollaston Lake gets their water from the adjacent First Nation. A lot of work has been done on this issue over the last year or more, and that's as a result of the leadership of Keith and other staff in the North.

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

**Mr. Cox:** — I think you just answered the question I was going to ask. But the water that we get from Wollaston Lake comes from a First Nation. Do we do testing ... Obviously we can't do it at source because that's the First Nation, but do we do testing when it gets to Wollaston Lake? And is that why the drinking water advisory has been issued?

**Mr. Comstock:** — Yes, that's correct. We for a long time did test the water in Wollaston Lake on the settlement side, and a couple of years ago the community hall in Wollaston Lake burnt down, along with all of our testing equipment and all of the records that we'd had. So there was a time when we had no facility, no person, and no equipment in Wollaston Lake to be able to do that, and that happened to be the time where the audit took place.

We've since implemented testing again on Wollaston Lake by our own folks on the settlement side. And the issue with the precautionary boil-water order on Wollaston Lake is an issue with the water treatment having a sufficient amount of chlorine used in it, and that's a long-standing problem with that particular system. So yes we do test, and that's the situation with the boil-water order.

**Mr. Cox:** — Do we have a mechanism in our contract to go to that First Nation and say these things need to be corrected?

**Mr. Comstock:** — The contracts do address the issue of how often the water needs to be tested and the frequency with which those tests are reported to us via the lab that tests them. And my observation is that it's not so much a matter with the contract. There's not anything particularly wrong with the contract. It's

the actualization of the contract, and as the deputy indicated, we have had discussions with leaders on the First Nations side, and those are ongoing.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Just to clarify. The first recommendation, and that's for your ministry to consider — and to do so in consultation with government; I believe you mentioned you did so with Health — to:

. . . consider if or when the provision of *The Public Health Act, 1994* should come into force that requires the Minister of Municipal Affairs to ensure that there is a supply of safe drinking water for the use of residents of northern settlements.

What I believe I heard was that the current way business has been done or the historical way business has been done from your perspective is satisfactory or sufficient. And I guess if you could just speak to whether to consider if or when the provision of *The Public Health Act, 1994*, was there a conclusion on that front?

**Mr. Hilton:** — Yes, I must say that I had a whole bunch of questions about this because we have ink on paper that is 20 years old, and presumably the provision of safe drinking water wasn't dependent on the enacting of this particular clause. So yes, right now the standards and all the protections are provided for in other legislation. So you have *The Environmental Management and Protection Act*, and Environment are pretty good about enforcing their stuff.

And of course all that gets captured in the permits that then need to be obtained from the Water Security Agency, and so the issue becomes whether or not you're meeting the conditions of those permits. And of course as I've just described, over the last little while essentially we are in most cases, and in those cases where we're not or not monitoring, we're taking corrective action to do that, which is kind of a long-winded way of saying we've concluded that enacting this particular provision of 20-year-old legislation is not necessary.

**Mr. Wotherspoon:** — Okay. Now obviously the auditor's office has, you know, reviewed this for a reason, found some breaches in management of the system or some challenges for the integrity of the water system in the North. Your recommendation was simply to consider if or when the provision applied. The ministry has done that. Are there any other considerations from the auditor's perspective?

**Ms. Ferguson:** — Where we were at is . . . Maybe what I'll do is I'll provide a little bit of context and background. When we initiated this audit, there was a little bit of a question from the ministry as to whether or not they were responsible for the safety of the drinking water. And when we looked at the legislative framework, we do agree that there is a legislative framework in place from a regulatory perspective most definitely, and it creates a relationship between the regulators, that we heard earlier this morning here, and the operators of each of the water supplies.

Where we paused actually, and I think in the result of this

recommendation, is situations that we have here where you actually have the government being in essence the municipality up north. And in some situations what they're doing is they're contracting out that service to others that are in essence the operators. So what we were thinking in terms of making this recommendation was to make sure that that little nuance, which I think is a very important nuance, is covered off in the legislative framework, and making sure that it's not just a regulatory operator perspective but also a regulatory municipal, in this case being the government, and you know, that little in-between aspect is also considered. So you know, I'm not too sure if that aspect has been considered to date or not. We do acknowledge that there's definitely a relationship between the operator of the waterworks and the regulator. It's that other dimension.

**Mr. Wotherspoon:** — The Water Security Agency is the regulator. The Ministry of Municipal Affairs is the operator. They might contract some of those responsibilities to someone else. But in the end the Ministry of Municipal Affairs in this case, as the operator, is ultimately responsible. Is that . . .

**Ms. Ferguson:** — In a couple . . . Sorry, in a couple of situations the ministry is not the operator. What they've done in Stanley Mission and Wollaston Lake, the operators are actually, in those cases, are actually the First Nations. And so they're using other operators to provide drinking water for residents within their responsibility.

**Mr. Wotherspoon:** — And the question is whether or not . . . Who is ultimately responsible, the contracted operator or the Ministry of Municipal Affairs? Is that . . .

[11:15]

**Ms. Ferguson:** — Our question was whether or not the regulatory framework that's presented captures that nuance. We do acknowledge it's definitely between the regulator and the operator. But when you have this middle person, which I think it's fair to probably say that that's quite unique in this situation, but when you have that middle ground, is it appropriately covered? And we were thinking . . . We're not lawyers, you know, but we were thinking perhaps that was the intention of *The Public Health Act* at that point in time. But hence the recommendation is just to relook at it and consider it. We're not advocating that the Act, *The Public Health Act* provisions go through, but we just want to make sure that there's not a gap in the regulatory framework.

**Mr. Wotherspoon:** — Recommendation no. 2, the 2010 waterworks system assessment reports, the question was the analysis that was going to be done of these and then the actions that would be taken, and ensuring both of those would be made public, I believe. Is that the understanding, and has that occurred?

**Mr. Comstock:** — We've completed the analysis and we have worked, upon the recommendation of SaskWater and the engineers that work with us, to make these sorts of decisions. We've included a number of projects into the water and sewer phase 4 that we planned in the North. These projects have not been made public yet because frankly our ability to undertake them is going to be dependent on other factors that we either

don't know the answers to yet . . . One of those is the content of the new federal Building Canada Fund and plan. And also there, in at least two of them, there's a substantial component, a funding component from AANDC [Aboriginal Affairs and Northern Development Canada] from the federal level.

So we have not made these public yet, but that would be our intention. As soon as the projects are up and to the point where we actually have made a commitment to them beyond the planning stage, then we would do that.

**Mr. Wotherspoon:** — So it seems that there's some progress on this recommendation, without doubt. The 2010 waterworks system assessment reports, have those been made public to the respective communities?

**Mr. Comstock:** — We've not made the 2010 ones public. We've updated the 2014 ones, though, and we will be making those public.

**Mr. Wotherspoon:** — Okay. And will the analysis that you've undertaken also be made public back to the respective communities?

**Mr. Comstock:** — I'd have to look at the actual document itself. I believe the analysis is embedded into it, but I would have to check on that.

**Mr. Wotherspoon:** — Okay.

**Mr. Comstock:** — I don't have the answer to that right off the top of my head.

**Mr. Wotherspoon:** — Sure. Would there be any issues with communicating the analysis of the Ministry of Municipal Affairs with communities?

**Mr. Comstock:** — No. It would be public information anyway that we would provide if anybody ever asked for it anyway. And it's, generally speaking it's the kind of thing where, you know, pump 2 on well 3 has reached its useful, you know, the end of its useful life. It's scheduled for . . . you know, so it's that sort of information.

**The Chair:** — Any further questions, Mr. Wotherspoon?

**Mr. Wotherspoon:** — Maybe a couple. Are there any others around the table?

**The Chair:** — Are there . . . Ms. Campeau.

**Ms. Campeau:** — Earlier the deputy minister indicated that there was a long-term boil-water advisory in Wollaston. I was just wondering what the length of time . . .

**Mr. Hilton:** — Just to clarify, the long-term boil-water advisory was for Uranium City. There's a short-term one in Wollaston. I can have Keith . . . How long has it been in place?

**Mr. Comstock:** — 2001. The one in Uranium City's been in place since 2001, and the one in Wollaston is fairly recent. There were two clear reports several months ago, and then as of late the chlorine issue has surfaced again, so there's a temporary

boil-water order in place at Wollaston Lake right now.

**Ms. Campeau:** — Okay. Thank you.

**The Chair:** — Mr. Hart?

**Mr. Hart:** — Just to follow up, what is the reason for the long-standing boil-water advisory in Uranium City?

**Mr. Comstock:** — In Uranium City . . . I'll just flip back to the right page here, if I can find it. The system in Uranium City was designed in the 1950s, and it was designed to support a population of up to 5,000 people. And in 1982 when the mines were closed and most of the residents left, we're down to about 100 people now. And so the settlement has been under a precautionary drinking water advisory since 2001. It's a surface water system and it's old. And in order to make upgrades to it, because of its size, in order to make it fully compliant again, it's an incredibly expensive venture. So we have been exploring with SaskWater and with the Ministry of Environment and with local leaders the idea of what other sorts of options are there. Might we think of a small-scale water treatment system, a new one? Is there some other sort of technology that would be available to us? Perhaps we might even just go back to a non-potable water supply and folks would then augment that with — as they do in other communities — with bottled water.

It's a very difficult problem in Uranium City because it's fly-in only and we have significant technical challenges there. So we've not come up with the right answer yet, an affordable answer, one that's acceptable to community leaders. We continue that work.

**Mr. Hart:** — Well thank you for that because that certainly does clarify that and can certainly appreciate the challenges that you have with Uranium City being such a unique situation there. As you said, I mean at one time there was a much larger population there and then . . . And some of this is I guess, you know, if people are concerned about the quality of their water some of it has to do with simply the fact of the area of the province that you live in. You know, I mean it's not unlike myself where I live out on a farm and have to supply my own water and so on. I do that by choice. I'm not saying that all the people in Uranium City have a choice in that sort of thing but I mean all those issues are factors in determining the quality of water that you have available to you.

**The Chair:** — Thank you, Mr. Hart. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Just going back to the matter of water testing. And there's questions as to whether the operator should be testing or is testing, or whether the ministry is where there is contracts in place. But let me just make sure there are some assurances here. Is the water, for example, of . . . And there was a question by Mr. Cox already on this front. I just want to make sure I'm clear. For Wollaston Lake, has it been consistently tested by Municipal Affairs to ensure that it's safe? Other than, I guess there was a period of time where you had an issue that's been resolved.

**Mr. Comstock:** — Yes.

**Mr. Wotherspoon:** — Okay. There was a comment here about

communication of water testing results with residents. And specifically the auditor highlights some communities including Stanley Mission, Wollaston Lake to improve communication or to have a formal system of writing to a community. I guess my question would be, what is that system? It's been suggested that something's been implemented.

**Mr. Comstock:** — The water regulations require the provision of an annual notice to consumers, and that shows the results of the water quality testing for the prior year is provided as a part of that process. And our advisers provide these annual notices to the local advisory committees in each of the northern settlements. A local advisory committee is . . . In an incorporated municipality, they would be like the local council. But they are elected locally but they act as advisers to us, to my ministry officials as volunteers primarily, and to make sure that we maintain good communication with the residents of the community on an ongoing basis.

So what we do then is we provide copies of those, an annual notice to consumers in all of those local advisory committees. We also make sure that copies of the notices are provided to the water system operators, and we set them out for distribution at local stores and gas stations and distribute them through the community in that way. We've implemented that same process in Stanley Mission and Wollaston Lake now.

**Mr. Wotherspoon:** — And just on recommendation no. 9 — this is senior management — there was some discussion to define what senior management was. It's a good discussion to have. And there was a suggestion that there's going to be a system that's going to be put in place. What will be the change there and what will that system be?

**Mr. Comstock:** — As the deputy noted, the executive director of northern municipal services is the lead responsibility for undertaking these, for these responsibilities. And again it can be debated whether or not . . . We certainly consider the executive director level to be part of our senior management system. However, we will have implemented an additional level of reporting where now the executive director of northern municipal services will report to me any situation where there's been a water system upset or a bypass condition where something is . . . Sometimes a power failure will happen and they'll get a backflow, and that's an upset condition.

So anything that's out of the ordinary will be reported to me. We will not be reporting, however, negative . . . So like if everything's good, I won't hear about it. But when there's an upset or a bypass or some other sort of extraordinary situation that would be cause for alarm, then that will be reported to me.

**Mr. Hilton:** — I might just add that's normally the way it works with senior management. You don't hear about anything until it goes wrong. You never hear about the good stuff.

**Mr. Wotherspoon:** — And just on the very last one there, the recommendation is pretty straightforward. I think most people would feel common sense recommending that prompt action be taken to address problems in providing safe drinking water to northern settlements. I heard a commitment from the deputy minister that that would be or that is implemented or that compliance is in place. Could you give an example of breaches

of not fulfilling that responsibility?

**Mr. Comstock:** — So, as part of the audit, there were some gaps in documentation at the local level and we were not keeping copies of all of the maintenance logs and all the various reports in our offices in La Ronge. So, for example, we couldn't answer the question of whether or not all the maintenance had been done in a timely way in Brabant Lake because the manual was in Brabant Lake. So what we've done now is we've revamped our record-keeping system, and now in our offices in La Ronge we keep duplicate copies of all of the logs and all of the maintenance records that are happening at each one of the water treatment systems. And in addition we have strengthened and recommitted ourselves to monthly sign-offs by our advisers and by the executive director of northern municipal services on those maintenance logs.

So we kind of took recommendation 10 as a what are you going to do all the way right through the system in order to make sure that you've fulfilled your responsibility. So when we call that complete, if you add up the sum of all of the actions that we've taken with respect to the recommendations, we believe that we have satisfied the spirit of the auditor's recommendations in terms of making sure we can provide and prove accurate record keeping, ensuring that the appropriate maintenance is taking place on an ongoing basis, and that we can substantiate that. So it's sort of a roll-up recommendation for us.

**Mr. Wotherspoon:** — And we had the Water Security Agency in here earlier this morning, and it was highlighted that inspections hadn't occurred in the same proportion, or that non-compliance of inspections, or that inspections hadn't occurred in a disproportionate way in the North. And there was an explanation from their end that they were short on the inspection capacity at that time. They say they're staffed up now. Do you see any challenges from your end to seeing this backlog of inspections being expedited and ensuring that those are completed?

**Mr. Comstock:** — No, I wouldn't see any issues from our perspective, notwithstanding the Water Security Agency's issues and problems with doing their inspections. We still had our circuit rider program that we're doing and their own inspections twice annually, and our training efforts we're continuing. So not having had the chance to hear what the Water Security Agency folks said about that process, but I don't see anything from our end that would preclude that.

**Mr. Wotherspoon:** — There's been some gaps that have been identified in this report. You've put forward actions, in most cases, that would seem to address them. It's a massive responsibility to ensure the health and safety of drinking water. So thank you for I guess your commitment as a ministry to ensure that the people of the province and through the North are provided just that.

**The Chair:** — Any further questions? I do have one. Just a clarification on the first recommendation. Well, Mr. Comstock, you've referred to the spirit of recommendations. I know, Mr. Hilton, you had felt that the ministry had complied with that, that you didn't need *The Public Health Act* to come into force in order to provide safe drinking water to northern settlements.

But I know we've heard from the auditor today around the discussion around the regulatory framework, including third party operators or other operators. I'm wondering if you did in fact take that into consideration in saying you've complied with it. Did you in fact look at the regulatory framework and think about those third party providers?

**Mr. Hilton:** — Yes.

[11:30]

**The Chair:** — Okay. Thank you. With that, I know with . . . What are the wishes with respect to the 2012 report volume 1, chapter 12? What would the wishes of the committee be? Mr. Cox.

**Mr. Cox:** — Madam Chair, with regard to the 2012 report volume 1, chapter 12, in the interests of time, can I bundle these?

**The Chair:** — You can bundle them.

**Mr. Cox:** — Okay. With regards to recommendations 1, 4, 7, 8, and 10, I would make the motion that this committee concur with the recommendation and note compliance.

**The Chair:** — So for the 2012 report volume 1, chapter 12, recommendations 1, 4, 7, 8, 10, Mr. Cox has moved that this committee concur with the recommendations and note compliance. Are those the wishes of the committee?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried.

**Mr. Cox:** — With regards to volume 1 in the 2012 report, chapter 12, I would make a motion that this committee concur with the recommendations and note progress with recommendations 2, 3, 5, 6, and 9.

**The Chair:** — So for the 2012 report volume 1, chapter 12, recommendations 2, 3, 5, 6, and 9, Mr. Cox has moved that this committee concur with the recommendations and note progress. Is that the wishes of the committee?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. That would be all of them, all of them. That's great. Well thank you very much to Mr. Hilton, Mr. Comstock, and all your officials here today. And we will take a brief recess to bring in the next officials. Thank you.

**Mr. Hilton:** — Thank you.

[The committee recessed for a period of time.]

**The Chair:** — Welcome back, everyone, and welcome to the officials from the Ministry of Finance. Ms. Isman, would you like to take an opportunity to introduce your officials?

### Finance

**Ms. Isman:** — Thank you, Madam Chair. Certainly I will do

that. There are a number of officials here with me today. On my right is Chris Bayda, the executive director of the provincial comptroller's division, whom you know and is usually sitting in a different chair. And on my left is Larry Jacobson, the acting director of the financial services branch. I also have Brian Smith, the assistant deputy minister of PEBA [Public Employees Benefits Agency] with me; Margaret Johansson, the assistant deputy minister of the revenue division; Joanne Brockman, the executive director of economic and fiscal policy; Arun Srinivas, who is our executive director of intergovernmental and taxation; Jim Fallows, the executive director of treasury and debt management; and Scott Parker, the acting manager of our financial services branch.

**The Chair:** — Thank you, Ms. Isman, and again, welcome. I will pass it off to the acting auditor, Ms. Judy Ferguson, to make some comments about the 2011, '12, and '13 reports. Thank you.

**Ms. Ferguson:** — Thank you very much, Madam Chair, committee members and officials. This morning I'm accompanied by Carolyn O'Quinn, a principal with our office, and Jason Shaw, the senior manager. And they're responsible for the audit of the Ministry of Finance.

Before we discuss our findings, I'm just going to pause and thank the management and staff of the ministry for the excellent co-operation we received in the course of the audits that we're going to discuss this morning, but also this afternoon here, too.

So this morning we're covering three chapters actually, from three different reports. Ironically they all up being chapter 9. That wasn't by design; it just happens with the alphabet. And so the chapters set out the results of our annual integrated audits of the ministry and its special purpose fund. You'll note that these three chapters contain three new recommendations for the committee's consideration. And chapter 9 of our 2011 volume 2, it contains the results of two follow-ups. We're actually not going to talk about those follow-ups this morning. We're going to defer that conversation to this afternoon when we . . . because there's a related chapter on those follow-ups, so we're just going to ignore that aspect for this morning.

So I'm going to turn it over to Ms. O'Quinn and she's going to present these chapters.

**Ms. O'Quinn:** — Thank you. I'll start with a brief overview of our annual integrated audits for the Ministry of Finance for the years ended March 31st, 2011, 2012, and 2013. As Judy mentioned, these reports are included in chapter 9 of our volume 2 reports for those years. For each of these years we concluded that the Ministry of Finance complied with its related authorities and it had effective rules and procedures to safeguard public resources except for the items noted in those chapters. We made three new recommendations for the Ministry of Finance.

Our 2011 volume 2, chapter 9 includes two new recommendations. In the first new recommendation on page 166, we recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter. Because annual capital tax returns are filed after the ministry's

fiscal year-end, Finance must estimate what resource surcharge revenue it has earned. Estimates should be based on the most probable set of circumstances. We found Finance recorded resource surcharge revenue using taxpayers' estimates as reflected in their monthly instalment payments without taking steps to confirm that these instalments provided a reasonable basis for its estimates. Without adequate estimation processes, Finance may record significant revenues in the incorrect quarter or fiscal year. Our 2013 report volume 2, chapter 9 noted that at March 31st, 2013, Finance had partially implemented this recommendation.

We made our second new recommendation on page 167. We recommended that the Ministry of Finance establish a current service agreement with the Public Service Commission for the provision of human resources services because its agreement at that time was not current. Our 2012 report volume 2, chapter 9 reported that Finance had implemented this recommendation in 2012.

Our 2012 report volume 2, chapter 9 includes our third new recommendation. On page 95 we recommended that the Ministry of Finance revise its processes to estimate and record corporate income tax revenues so that it only records revenue that it has earned.

Finance uses corporate income tax instalments received from the federal government to estimate and record corporate income tax revenue. Starting in 2013, Finance receives 12 months of corporate income tax revenue over a six-month period starting in February instead of the past practice of receiving corporate income tax revenue monthly throughout the fiscal year. In our opinion the revised payment schedule increases the risk that corporate income tax may not be recorded in the year that the revenue is earned.

While Finance recognizes that its estimate of corporate income tax revenue may materially differ from the amount it has recorded, it has not determined the extent of that difference — that is, the range of reasonably possible amounts. It requires such a range for other estimates where amounts may materially differ. Determining the extent and direction would help Finance confirm whether federal instalments reflect the best estimate of amounts earned in the fiscal year. Our 2013 report volume 2, chapter 9 noted at March 31st, 2013, Finance had not implemented this recommendation.

That concludes our overview. I will now pause for consideration of the three new recommendations by the committee. You'll find these on pages 166 and 167 of our 2011 volume 2, chapter 9 and on page 95 of our 2012 volume 2, chapter 9.

[11:45]

**The Chair:** — Thank you, Ms. O'Quinn. Ms. Isman, would you like to make some comments?

**Ms. Isman:** — Thank you very much, Madam Chair. Maybe I'll deal with each one of them individually.

With regard to the resource surcharge in terms of revenue forecasting, the Ministry of Finance has indicated to the

Provincial Auditor that we're currently exploring alternative ways of actually looking at the resource surcharge and how we account for the revenue in public accounts, and that we will report our progress by the end of this fiscal year. There's always going to be uncertainty here with regard to this because it will always be based on estimates. This generally relates to four various sectors with regard to the surcharge, and all of those areas are subject to changes in both resource price as well as sales that deviate from year to year. Having said that, we absolutely concur with the auditor that it is best to have a system that supports the best estimate that we can come up with, with regard to what's presented in the budget and the financial statements.

Subsequent to the auditor's recommendation, we're actually reviewing all of our processes to consider breaking it down by sector, and rather than applying a singular model to all of the sectors together, we're looking to see whether or not a different model for each of the sectors may actually give us a better estimate. And we're still undergoing that work and doing all the modelling with regard to current numbers and then comparing them to budget.

I think one of the things that is absolutely critical when it comes to this is to ensure that we're getting the best estimate, but at the same time we're balancing the need of the resources that we need to get the estimate. In other words, we don't want to spend more money than the improvement of the value of the estimate. So that's the analysis that we're currently going through and, as I say, we will respond back to the auditor's office of where we've gotten to at the end of this fiscal year.

With regard to the Public Service Commission, we have got signed agreements there so I think that's already been noted by the auditor's office.

With regard to the corporate income tax revenue and the recommendation that we revise our process to estimate and record corporate income tax so that it only records revenue when it's been earned, we would note that we are following the public sector accounting standards which notes that the timing of income tax instalments is intended to simulate the timing of the taxes that would be levied on those earnings as they occur. And income tax instalments are normally deemed to be the way in which that is. We're following our past precedent in this regard and recording the instalments as revenue when they're received.

Since the issue was raised, the ministry has spent considerable time and effort to ensure, number one, that the auditor understands the way in which the tax system works so that we've got a common base of understanding. And I think that that has been helpful. And we do note that tax assessments from year to year can vary quite significantly over that period of time. We track the differences, but we don't feel that we can more accurately predict them based on a model just because of the breadth of the complexity of the system and the volatility that exists. So the revenue that's recorded for the year, we believe is the best estimate of what that tax revenue is going to look like and available at any given point in time.

Having said that, we will always continue to monitor this and to see if there are different models or different ways in which we



can do it. It's also been noted in 2013 that the federal government did change the timing of when the instalments are, so I think it will take some time as we look at the new system and the new timing. And we'll go back and double-check our estimates against what the future looks like. And as I say, if there are improvements that can be made, the ministry is absolutely committed to make them at the point in time that we can justify the change.

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

**Mr. Wotherspoon:** — Thank you for your answers. Thank you for being here today. Just as it relates to the corporate income tax revenues and the complex structure in place to put an estimate forward, are there other provinces that are employing a different system? Have you canvassed other provinces to see if there's a best practice on this front or a better system that's being utilized?

**Ms. Isman:** — Thank you, Madam Chair. So just to double-check, based on what we know from at the officials level, we believe that on a budget side that all jurisdictions are actually handling it the same way. And I think Arun believes that there's maybe three jurisdictions right now that have made some modifications that are accruing the cash differences at the end of the year slightly different than what we currently are, based on the new model. So as I indicated, that's the area that we're looking at in terms of, can we get a better estimate based on what the actuals look like in relation to our projections?

**Mr. Wotherspoon:** — No, I think it was well described on the first recommendation about that you're looking at different models for each sector for the resource surcharge, and certainly we'll be interested in tracking that progress as well.

**The Chair:** — Are there any further questions? No? With respect to the 2011 report volume 2, chapter 9, what would the wishes of the committee be? Mr. Wotherspoon.

**Mr. Wotherspoon:** — I have other questions on the outstanding recommendations, but I think because we've considered the three new ones, maybe we can deal with those right now.

**The Chair:** — Okay.

**Mr. Moe:** — I would make a motion that with regards to recommendation no. 1 in the 2011 Provincial Auditor's report volume 2, chapter 9, that this committee concur with the recommendation and note progress.

**The Chair:** — So for the 2011 report volume 2, chapter 9, recommendation no. 1:

We recommend that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter.

Mr. Moe has moved that this committee concur with that recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Carried.

**Mr. Moe:** — In reference to chapter 9 of the 2011 report volume 2, recommendation no. 2 on page 167, I would move that this committee concur with the recommendation and note compliance.

**The Chair:** — So for the 2011 report volume 2, chapter 9, recommendation no. 2:

We recommend that the Ministry of Finance establish a current service agreement with the Public Service Commission for the provision of human resources services.

Mr. Moe has moved that this committee concur with the recommendation and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

**Mr. Moe:** — And I would move with reference to the Provincial Auditor's report 2012 volume 2, chapter 9 on page 95, recommendation no. 1, that this committee concur with the recommendation and note compliance.

**The Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Sorry, that's the one as it relates to corporate income tax, Mr. Moe?

**Mr. Moe:** — Right.

**Mr. Wotherspoon:** — I may have heard incorrectly but I don't believe compliance, you know, would be the case. If anything I think, you know, maybe I heard this incorrectly and we can ask officials for some clarity. But I heard that they identified the challenge that's been identified by the auditor, and we can concur on that. But if anything, I think I heard some challenges brought forward as to how that can be addressed. I know I heard that there's some work being done to review different systems, and that if an opportunity is, you know, presents itself to strengthen those systems or improve them, that that would be there. But am I wrong to . . . I didn't hear that this has been implemented.

**Ms. Isman:** — Would you like me to clarify that?

**The Chair:** — Yes, please. Sorry.

**Ms. Isman:** — Okay. Thank you. Thank you, Madam Chair. No, I think we believe that we are accounting for it on the right basis right now, based on the information that we have. My comment with regard to always monitoring to make sure that we're doing it as best we can will be based on whatever learning's going forward, which is just a commitment to continuous improvement on all accounts of the recording of revenues.

**Mr. Moe:** — And that is what I heard when I heard the

Ministry of Finance felt that they were doing it in the best method right now, but we can endeavour to monitor it into the future. So I would move my motion of compliance.

**The Chair:** — So Mr. Moe has moved that with respect to the 2012 report volume 2, chapter 9, recommendation no. 1:

We recommend that the Ministry of Finance revise its processes to estimate and record corporate income tax revenues so that it only records revenue that it has earned.

He has moved that this committee concur with that recommendation and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. I understand, Mr. Wotherspoon, that you have some further questions.

**Mr. Wotherspoon:** — Well I'm sure there'll be other members that will be interested. And while there's quite few outstanding recommendations that are summarized at the end of the 2013 volume 2 report, some of which that have been implemented and some that haven't been implemented, I guess these have been tracked for some time.

**Mr. Moe:** — Did Ms. Ferguson indicate that we'd be dealing with some of these this afternoon?

**Ms. Ferguson:** — If we're referring to figure 4 on page 77 to 79, not that set.

**Mr. Moe:** — Okay.

**Mr. Wotherspoon:** — So maybe just looking at these recommendations, there's actually quite a few, and I think it would actually take us a fair amount of time to go through each one of them here today.

And maybe to make sure our officials have access to all of the information that they deserve as well, I'm wondering if, as it relates to these recommendations, if the Ministry of Finance could endeavour to provide specific actions that they've taken on these fronts — the similar type of information that they'd be sharing with the auditor — and timelines towards the implementation on these recommendations. And certainly that doesn't need to be done, as I say, here and now at this committee, but just a response from the Ministry of Finance to members of the Public Accounts.

**Ms. Isman:** — I'm sorry, I was trying to find my place in the binder in terms of a response during this session today, which we can absolutely do, or simply a response back.

**Mr. Wotherspoon:** — Yes, I think for us to go through each one of these today would probably take significant time, but they're important recommendations. What might be helpful for Public Accounts members is to receive a document, an action plan from your ministry as to what actions have been taken, timelines towards implementation. And I believe as a committee we could review that information. And if we saw a need to have a specific hearing on that, we could do that at a future date.

**Ms. Isman:** — We'd be happy to do that.

**The Chair:** — Thank you. Okay.

**Mr. Moe:** — Excuse me. Would it be possible . . . Is it my understanding that the Provincial Auditor's office has done a follow-up on these recommendations?

**Ms. Ferguson:** — Excuse me. These recommendations are a part of our annual audit, so we will be looking at them in the course of our next audit. So the next report that you'll get back to the committee will be next December on these matters.

**Mr. Moe:** — On these recommendations?

**Ms. Ferguson:** — Yes.

**Mr. Moe:** — Would that be sufficient for committee members to have that, as the Ministry of Finance would report to the Provincial Auditor's office as they do their follow-up audit, that we would obviously get a copy of that?

**Mr. Wotherspoon:** — Well I'd appreciate that we're here today and it's reported. It's important information that the auditor's laid before us to consider for the 2013 year. I don't know that we have adequate time to go through it but to defer it for an entire year without getting updates on each of these, as it relates to actions taken by the ministry, is something that I'd prefer not to do. A lot of the information I would be looking for is the information that I know Finance would already have on record and would be communicating and preparing for the auditor.

So certainly I'm not looking to add an activity for the Ministry of Finance that's labour-intensive in any way. It just simply allows us to get something back that states the actions that are taken. And I think as individual members or as a committee we could analyze to see if there are specific gaps or risks that aren't being addressed in the way that maybe we see as a committee.

But I wouldn't want to just . . . There's a very good follow-up system built in from the auditor and with government. It's a good system, but part of that system is to be reported back to us as Public Accounts. And if we just punt any consideration of these to next year, then they actually never get considered at this table here. And if we had more time here today, I would definitely go through each of these follow-up items. So I'd prefer to see an action plan come back.

[12:00]

**The Chair:** — Mr. Wotherspoon, do you have a timeline in which you were . . .

**Mr. Wotherspoon:** — I'd be very reasonable on that front to whatever the Ministry of Finance for the most part required. And so if they required a month to provide that document — and, as I say, not everything's going to be necessarily implemented. That's okay too; that's processes of government — but just the information that would be basically provided to the auditor but in a condensed form.

**The Chair:** — Ms. Isman?

**Ms. Isman:** — Yes, Madam Chair. I think generally speaking we were prepared to speak to these in committee today, so a summary of basically what our conclusions are. And we may get to some of them later in the day as we go to the eight chapters because many of these are carry forwards that have sort of come forward. So it will be a matter of which topics we sort of address this afternoon, I guess.

**Mr. Moe:** — If Ms. Isman is prepared to maybe just give us a brief update if anything is changed on the recommendations or a quick overview of the action plan today, let's stay a few minutes here into lunch and do it.

**Ms. Isman:** — Do that now?

**The Chair:** — Ms. Isman, in terms of time would you prefer to do this now or after lunch?

**Ms. Isman:** — If I could, Madam Chair, if we do it after lunch, one of the things that was probably the most complex in preparing for today is because we're doing three years all at one time, is just to make sure that I cover the right ones in the right order because some of them carry forward. So if we could just have the noon hour to sort of come up with the summary list for you, then hopefully I won't address things that are maybe redundant and not in the right order.

**Mr. Wotherspoon:** — The members are struggling with that same piece as well, so that makes sense.

**The Chair:** — So you can provide us a bit of an update or overview following lunch then.

**Ms. Isman:** — Sure.

**The Chair:** — That would be great. So I guess we need to take a recess for lunch until 1 o'clock. Thank you.

[The committee recessed from 12:02 until 13:00.]

**The Chair:** — Welcome back, everybody, to this afternoon's consideration of the auditor's reports. We're looking at Finance here this afternoon. Ms. Isman, over the lunch hour did you have an opportunity to prepare a bit of a summary of those outstanding recommendations?

**Ms. Isman:** — Yes, I did, Madam Chair.

**The Chair:** — Yes, if you just want to go ahead.

**Ms. Isman:** — Thank you very much. I thought what I would do is maybe refer the committee to chapter 9 of the 2013 volume 2, starting on page 77. If we go to 2013, then everything that has already been dealt with for '11 and '12 has been removed, and this would be the most recent list of outstanding items. So once I know everyone is sort of in the right place, then I'm just going to run down that list. Just go ahead? Okay. All righty.

So I believe that we have . . . On figure 4, starting on page 77, I think we addressed the first, second, and third items on that list this morning. So starting then with the recommendation with regard to “. . . the Ministry of Finance confirm, in writing,

processes and policies that the Information Technology Office (ITO) uses to address its specific . . .” So I'll start with that specific recommendation which I think follows from the 2006 report volume 3.

So with regard to that item, the ministry does agree that processes and procedures must be in place to ensure that the critical business functions and systems can be restored in the event of a disaster. Each year in November the ministry does full disaster recovery tests of our critical mainframe revenue management system. And each year in May a full disaster exercise is completed with regard to the MIDAS [multi-informational database application system] financial applications.

We're continuing to work with the ITO on the balance of this recommendation, and we anticipate by March 31st of 2014 to have finalized a new memorandum of understanding with the ITO that will identify the specific data security and recovery requirements for each of the other ministry's IT applications. The ITO will then be requested to assess the disaster recovery capability for the ministry's applications so that we can put the appropriate policies and procedures in place following that item.

The next recommendation on that table is with regard to the ministry “. . . require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available.” That recommendation also relates to the response that I just provided with regard to the memorandum of understanding that we are hoping to have signed with the ITO by the end of March of 2014. Once that's completed, we will then request, hopefully prior to the end of this fiscal year, a written assessment of the adequacy of the controls on the rest of those systems by the Information Technology Office.

Following along on that table, the next recommendation is with regard to “We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data . . . [on a prompt basis].” We believe that we have actually addressed this issue. We continue to reinforce with all of our managers and supervisors the need to remove individuals from the system once their access is no longer required.

In February of 2013, Finance began receiving a monthly report from the Public Service Commission identifying all employee terminations and transfers for the previous month. We then compare that list to the active accounts that we get from the ITO and ensure that all of the people whose access should have been removed has been removed.

We've also now coordinated with the ITO and the PSC [Public Service Commission] to increase the frequency of those reports to get them biweekly rather than on a monthly basis so that we're checking it every two weeks. And we'll continue to monitor that to ensure that those names come off the system.

The next recommendation is “. . . that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance.” This has been implemented. Finance prepares a

quarterly report of investment expectations and results internally within the ministry. Beginning with the quarter ended September 30th of 2012, these reports include an evaluation of the market rate of return on the sinking funds against the DEX Mid Term Government Bond Index, which is an independent external benchmark.

The next recommendation is “. . . that the Ministry of Finance monitor and report publicly on its performance of the investments in its sinking funds.” We do publish overall expectations of the sinking fund earnings in our budget, and actual earnings are reported in volume 1 of the Public Accounts. We believe that we are providing the appropriate level of public information and reporting on this. It’s a relatively complex area of accounting and market fluctuations in terms of the details, with many different ways of actually reporting on the market conditions. We would note that no other province reports market-based information at all. So we’re following PSAP [public sector accounting principles] requirements and think that that probably continues to be the best model to be following.

The next recommendation is that “. . . the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover.” We’ve got extensive documentation of our investing and borrowing procedures; a manual with regard to the documents that the money market, investing, and short-term debt issuance functions; a step-by-step checklist of procedures to be followed when long-term debt is issued, which basically provides adequate follow-up regardless of the staff that are doing this, and would note that several months sometimes can elapse from one time that we issue debt to another.

In addition to that, Finance has completed a manual that documents the processes and procedures related to the Saskatchewan Savings Bonds and all other fully registered securities, and we’ve made significant progress on a new IT system regarding the debt system for the province, which we are continuing to work on this year.

On page 80 of that chapter as well there were a couple of previous recommendations with regard to the Ministry of Finance IT, and the ministry agrees that the implementation of the strategic IT plan, including an IT risk management plan, is critical and is required for the ministry. I understand the ministry drafted an IT strategic plan in 2010, working collaboratively with the Information Technology Office.

In June of 2012, the ITO released a new IT service continuity program that provided a common government-wide integrated framework for that IT strategic planning and business continuity planning, and that does include the IT risk management. We’re currently using that new framework, and the ministry is updating our draft plan and aligning it to our overall ministry priorities and strategic plan. And once again we hope to take that plan forward to our senior management committee and have it endorsed by the end of March of this year. That relates to both recommendation 7-3 and 7-4 on that table.

And with regard to 8-6 — that the Public Employee Benefits Agency periodically test the effectiveness of its IT security —

is that PEBA has tested the effectiveness of the security system. That was completed in the fall of 2012, and the recommendations coming out of that review are currently being implemented. I think that covers all of the items.

**The Chair:** — Thank you for that. Mr. Wotherspoon, did you have some follow-up questions?

**Mr. Wotherspoon:** — No. Thank you very much for the update on all these recommendations. I think one of the strengths of our system is the follow-up that’s conducted between the government and between the auditor’s office, and what’s provided to us here. And certainly appreciate the chance to get an update on the actions. Thank you for all the work towards implementation on these fronts.

**Ms. Isman:** — Thank you.

**The Chair:** — Are there any further questions? No? If there are no further questions, that will complete our consideration of the 2011, 2012, and 2013 reports volume 2 of the auditor’s reports. And we will move on to 2012 report volume 1 and the 2013 report volume 1 as well. So I will pass that off to the auditor.

**Ms. Ferguson:** — Thank you. Good afternoon, Madam Chair, members and officials. This afternoon I remain accompanied by Carolyn O’Quinn and Jason Shaw who are responsible for the audits of the Ministry of Finance. And Kim Lowe is joining us once again this afternoon. She’s our office liaison with this committee.

Before I discuss the findings, I’d want to reiterate the thanks that I had mentioned this morning of the ministry staff, and for the excellent co-operation received in the course of the audits that we’re discussing this afternoon.

This afternoon we’ve actually got 14 chapters in front of us from five different reports. As reflected in your agenda, what we’re going to do is we’re going to group these into eight different presentations. So we’re breaking down the presentation into eight parts. We’ll pause after each part that contains a new recommendation for the committee’s consideration. So without further ado, I’m just going to launch into the first part when we’re going to talk about the MIDAS financial audits.

Our 2012 report volume 1, chapter 7 and our 2013 report volume 1, chapter 9 includes the results of our annual MIDAS financial security audits for 2011 and 2012. We concluded that the ministry had effective central controls to manage and secure MIDAS financials with certain exceptions.

We made one new recommendation in each report. On page 81 of our 2012 report, we recommended that the Ministry of Finance implement a policy for the timely removal of user access upon receipt of request for removal from user agencies. In our 2013 volume 1 report, chapter 19, we report that Finance has implemented this recommendation in 2012.

On page 93 in our 2013 report, we recommended that the Ministry of Finance establish service level of agreements with user agencies to clearly align responsibilities for key payment processing activities. At December 31st, 2012, service level

agreements between Finance and all ministries did not exist. Without signed service level agreements, ministries and Finance have not formally assigned and may not understand the respective responsibilities for key payment processing activities.

So I'm going to pause at this point for consideration of the committee of these two recommendations.

**The Chair:** — Thank you, Ms. Ferguson. Ms. Isman, do you have some comments?

**Ms. Isman:** — Thank you, Madam Chair. With regard to the first item, I think the auditor's already identified that that one has been implemented. And with regard to the central accounts payable service agreements, we now have signed memorandums of understanding with all of the agencies which assign responsibility for all the key payment processing activities.

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

**Mr. Wotherspoon:** — Just to clarify, so I see implementation of possibly both recommendations. Certainly the first with the memorandums of understanding, does that represent from your perspective implementation of the auditor's recommendation?

**Ms. Isman:** — Yes, it does.

**Mr. Wotherspoon:** — Thank you.

**The Chair:** — No questions? No further questions? What are the wishes of the committee with respect to these two recommendations?

**Mr. Moe:** — I would make a motion that with respect to recommendation no. 1 in chapter 7 of volume 1 of the 2012 Provincial Auditor's report that we concur with the recommendation and note compliance.

[13:15]

**The Chair:** — Okay. So for the 2012 report volume 1, chapter 7, recommendation 1, "We recommend that the Ministry of Finance implement a policy for the timely removal of user access upon receipt of requests for removal from user agencies," Mr. Moe has moved that this committee concur with the recommendation and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. For the 2013 report volume 1, chapter 9, recommendation 1, do we have . . . What are the wishes of the committee?

**Mr. Moe:** — I would move that this committee concur with the recommendation and note compliance.

**The Chair:** — Okay. So again for the 2013 report volume 1, chapter 9, recommendation no. 1, "We recommend the Ministry of Finance establish service level agreements with user agencies to clearly assign responsibilities for key payment processing

activities," Mr. Moe has moved that this committee concur with the recommendations and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. All right. We'll move on to the 2012 report volume 1 and . . . Oh no, just the 2012 report volume 1, chapter 6.

**Ms. Ferguson:** — Thank you, Madam Chair. In our 2012 report volume 1, chapter 6, we reported that the extended health care plan for the year ended December 31st, 2011 had reliable financial statements, complied with legislative authorities governing its activities, and had effective rules and procedures to safeguard resources except for the matter reported in this report.

We made two new recommendations. On page 78 we recommended that the Public Employees Benefits Agency and the joint board of trustees of the extended health care plan improve their processes to identify and document key financial decisions in their minutes of the extended health care plan.

On page 78 we recommended that the Public Employees Benefits Agency promptly record all financial transactions of the extended health care plan.

We are pleased to note that in our 2013 report volume 1, chapter 6, that both of these recommendations have been implemented by the ministry. So I'll now pause for consideration of the committee of the two recommendations.

**The Chair:** — Ms. Isman, any comments?

**Ms. Isman:** — No, nothing further other than they've been implemented.

**The Chair:** — Okay. I open up the floor for questions. No questions? What are the wishes of the committee with respect to this? Oh, sorry. Mr. Cox?

**Mr. Cox:** — Thank you, Madam Chair. With regard to the 2012 report volume 1, chapter 6, the two recommendations 1 and 2, I would like to make a motion that this committee concur with the recommendation and note compliance.

**The Chair:** — Okay. So for the 2012 report volume 1, chapter 6, recommendations no. 1 and 2, "We recommend that the Public Employees Benefits Agency and the Joint Board of Trustees of the Extended Health Care Plan improve their processes to identify and document key financial decisions in their minutes of the Extended Health Care Plan."

And recommendation no. 2, "We recommend that the Public Employees Benefits Agency promptly record all financial transactions of the Extended Health Care Plan," Mr. Cox has moved that this committee concur with these recommendations and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Okay. Moving on to the 2013 report volume 1, chapter 22 and chapter 23, and I'll pass it off to Ms.

Ferguson again.

**Ms. Ferguson:** — Thank you, Madam Chair. The committee has actually considered the recommendations in these, in the chapters that I'm just going to refer you to, and our previous follow-up was included in our 2011 report volume 2, chapter 9. So in our 2013 report volume 1, chapter 22, we reported that the ministry had partially implemented our two past recommendations related to the development of IT risk analysis and risk management plan along with an IT strategic plan. In our 2013 report volume 1, chapter 23, we report that the ministry has implemented our past recommendations with respect to provincial sales tax audit selection.

I'm actually going to move on to part four. So this part contains two actually unrelated chapters. One is a follow-up of past recommendations relating to the audit of IT security at the Public Employees Benefits Agency, and the other is the results of our 2012 annual integrated audit of the municipal employees' pension plan.

In our 2012 report volume 1, chapter 8, we reported that PEBA had implemented four of the five past recommendations in the area of IT security. The one remaining recommendation relates to the testing of the effectiveness of its IT security. This recommendation remains outstanding.

In our 2013 report volume 1, chapter 1, we reported that the municipal employees' pension plan for the year-end at December 31st, 2012 had reliable financial statements, complied with legislative authorities governing its activities, and had adequate rules and procedures to safeguard public resources, with one exception. We worked with Deloitte in the audit, the appointed auditor of this plan, to carry out this work.

So on page 29 of the 2013 report volume 1, chapter 1, we recommended that the Municipal Employees' Pension Commission direct the plan's administrator to establish additional financial reporting controls to ensure those responsible for the preparation of the plan's financial statements obtain sufficient information to appropriately disclose risks relating to investments in the plan's financial statements.

The plan's statements presented for audit did not include the required disclosures of risks related to the plan's investments. We found that the plan did not have sufficient financial reporting controls to confirm the understanding of the financial reporting implications of these investments when preparing its financial statements. Adding additional controls will help ensure that the draft financial statements appropriately disclose all significant investment-related risks. The financial statements that were finalized did include the additional information.

I'll now pause for the committee's consideration of this new recommendation.

**The Chair:** — Ms. Isman, do you have any comments on any of those chapters, particularly the one with the outstanding recommendation?

**Ms. Isman:** — Yes, thank you, Madam Chair. With regard to the last one regarding the Municipal Employees' Pension Commission, the pension commission did agree with

recommendation of the auditor and directed PEBA to establish additional controls, and those controls have been put in place in 2013.

**The Chair:** — Thank you, Ms. Isman. Any questions? No questions. So I'm wondering what the wishes of the committee are on the 2013 report volume 1, chapter 1. Mr. Cox.

**Mr. Cox:** — With regards to the Provincial Auditor's report 2013 volume 1, chapter 1, I would like to make the following motion: that this committee concur with the recommendation and note compliance.

**The Chair:** — Thank you, Mr. Cox. So for the 2013 report volume 1, chapter 1, the recommendation 1, Mr. Cox has moved that this committee concur with the recommendation and note compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. And that will conclude our considerations of the 2013 report volume 1, 2013 report volume . . . sorry, volume 1, chapter 22, 23, and the 2012 report volume 1, chapter 8 and the 2013 report volume 1, chapter 1. So moving on, I'll pass it off to Ms. Ferguson again.

**Ms. Ferguson:** — Okay. Now we're on actually part five and part six. These include chapters related to the government's financial reporting practices and the quality of its annual reports. There's no new recommendations contained in part five and one within part six. I'm going to actually turn it over to Ms. O'Quinn, and she's going to present these two parts.

**Ms. O'Quinn:** — Thank you. Chapter 10 of our 2011 report volume 2 reports our concerns with the government's continued practice of using General Revenue Fund financial information as a main source to communicate financial information to the public. This chapter provides information to legislators and the public about the nature of financial reporting in Saskatchewan and the importance of using the summary financial statements to assess a government's performance. The separate report issued by our office in the spring of 2013 called *The Need to Change — Modernizing Government Budgeting and Financial Reporting in Saskatchewan* discusses these concerns in more detail.

Chapter 11 of the 2011 report volume 2 examined the summary financial reporting practices in Saskatchewan in comparison to those used by other Canadian provincial governments. We found Saskatchewan's practices inconsistent with other provinces and with best practice.

Chapter 12 of our 2011 report volume 2 provided information on the financial status of government pensions. It noted that pension debt was growing and continued careful financial management was needed.

I'll now move on to part six, which relates to the quality of annual reports. Our 2011 report volume 2, chapter 26B provides our updated assessment of the overall quality of the content of the 2011 annual reports of 10 ministries and six treasury board agencies. For this update we compared the results of our assessment of the content of these agencies' 2011 annual

reports to our previous assessment based on their 2006 annual reports. We found that the content of the annual reports had generally improved from our 2006 assessment although further improvements could be made.

We made one new recommendation. On page 493 we recommended that the Ministry of Finance encourage ministries and treasury board agencies to disclose performance measures in their annual reports.

I will now pause for the committee's consideration of this new recommendation.

**The Chair:** — Thank you, Ms. O'Quinn. Ms. Isman, do you have some comments you'd like to make?

**Ms. Isman:** — No, I think I'll just respond to questions with regard to the breadth of these number of chapters.

**The Chair:** — Okay. Fair enough. I'd like to open up the floor for questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — As it relates to the new recommendation on the quality of annual reports, this recommendation that's been brought forward that recommends that the Ministry of Finance encourage ministries and treasury board agencies to disclose their performance targets for their performance measures in their annual reports, have there been actions taken on that front? Has implementation occurred? And if not, I guess, what's the plan and timeline?

**Ms. Isman:** — Thank you, Madam Chair. The auditor in the report did note that the contents of annual reports had improved over the last number of years. And the Ministry of Finance continues to work with ministries in terms of ensuring that there is good alignment between the ministries' budgets and plans and the annual reports that are put out.

The specifics here is with regard to putting in place performance targets. A number of ministries are moving in this direction with regard to the establishment of targets, and I think probably most noteworthy would be the targets that are established in the plan for growth which has got targets established in it out to 2020 with incremental targets established thereunder. So those ministries that are aligned with regard to those targets, we'll be reporting back to them in a very public way.

The other area I think where targets as well have been established and communicated very publicly is the Ministry of Health with regard to things like surgical wait times, reductions with regard to ER [emergency room] wait times, and those sorts of things.

So from the Ministry of Finance perspective, those are the nature of the kinds of targets that we're looking for from ministries and where feasible and practical are reporting on them publicly in response to the plans that have been established.

**The Chair:** — Are there any further questions?

**Mr. Wotherspoon:** — Not on that recommendation.

**The Chair:** — On any of those, 2011 report, any of the 10, 11, 12 chapters — questions?

**Mr. Wotherspoon:** — I think there would be. But should we deal with this recommendation?

**The Chair:** — Yes, we can. Okay. There are no other questions on this particular recommendation then? Okay.

So what is the wish of the committee on the 2011 report volume 2, chapter 26B, that recommendation?

[13:30]

**Mr. Moe:** — Recommendation no. 1, I would move that this committee concur with the recommendation and note progress towards compliance.

**The Chair:** — Okay. So for the 2011 report volume 2, chapter 26B, recommendation 1, "We recommend that the Ministry of Finance encourage ministries and Treasury Board agencies to disclose performance targets for their performance measures in their annual reports," Mr. Moe has moved that this committee concur with that recommendation and note progress towards compliance. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Well there was a few other significant reports that were introduced briefly by the auditor's office. I'm just wondering if from the audit office perspective, or the auditor's perspective, if there could be a bit of presentation to those, maybe specifically the chapter around financial reporting that was done back in 2011 and the need to change. And it seems that the change hasn't occurred on these fronts by government and that things are changing and some of what has changed is the most recent report that has placed an adverse opinion on the GRF [General Revenue Fund] on the books of government. And I know we have that report that we'll be looking at here shortly. But maybe . . . This report was prepared two years ago, or more than that, in 2011. I'm just wondering if there could be, if someone could speak to some of the points laid out in that report.

**The Chair:** — Ms. Ferguson.

**Ms. Ferguson:** — Most definitely. I guess maybe I'll defer a little bit to the committee's wishes on this. Part of the thoughts of our office are reflected in the report that Ms. O'Quinn referred to, *The Need to Change — Modernizing Government Budgeting and Financial Reporting* . . . Really what we're doing as an audit office, we're raising two separate issues.

One is really . . . In Saskatchewan we've got a situation here where the government is currently regarding two sets of financial statements as their main financial statements: the summary financial statements, which are included in volume 1, and also the General Revenue Fund financial statements, which are included in volume 1 also, the second set. That's a bit unique across Canada, to use two sets of statements, regarding two sets as the main financial statements.

So that's the one point that we're raising here is, how do you use the General Revenue Fund set of financial statements? What's the purpose of those statements? In our office's view, those statements are the reporting against the estimates, the budgetary estimates, as opposed to reporting on the performance of the government as a whole.

And what we're calling for is really a clarification to the public to make sure that the public understands the purpose of the summary statements, and really what the purpose is of the General Revenue Fund statements. And when the committee discusses the special report, in there what we've done is we've had a look at legislation that surrounds the reporting obligations of the government. And you'll find that a lot of those obligations currently right now centre on the General Revenue Fund as opposed to being centring on the summary financial statements.

So it's looking . . . Is the legislative framework for reporting to the Assembly, is it a current reporting framework? Our office, in the special report, we've concluded that that reporting framework should be reconsidered and maybe updated.

The second issue that we're raising that we'll be discussing I think later this afternoon is the accounting policies used to prepare the General Revenue Fund financial statements. Our office considers that they should be prepared using generally accepted accounting principles, and we'll discuss in terms, a little bit later this afternoon, of what errors we're identifying when we compare it to GAAP [generally accepted accounting principles].

So it is two separate issues that we're raising as an office. One is really the use of the General Revenue Fund statements and making sure that the public understands how they should be used and the purpose of those statements. And then secondly the accounting rules, or the accounting policies used to prepare the General Revenue Fund statements.

**The Chair:** — Thank you, Ms. Ferguson.

**Mr. Wotherspoon:** — Is it fair to say that it's inaccurate to compare your province's financial position, as in the province of Saskatchewan with the GRF, to other provinces utilizing, or that have . . . that are in accordance with generally accepted accounting principles and are using a summary budget?

**Ms. Ferguson:** — We recognize as an office that the government does prepare summary financial statements, and it's that set of statements that should be compared to other provinces. And I think that's where the confusion arises. Because what happens in the media, what happens sometimes even in the public, is that they are using the information from the General Revenue Fund as opposed to using information from the summary statements. And part of that is that from a budget perspective the level of detail isn't there from a summary perspective. You aren't provided what the overall planned revenues are going to be, what the overall planned expenses are going to be on a summary basis.

As you're aware, a lot of the discussion is really about budget. And that level of detail is only provided for the General Revenue Fund, unlike other provinces where it's provided on

both the summary basis and the information on the General Revenue Fund is really used to prepare that summary basis on a budgetary aspect. So I think that's part of the confusion that arises — the information for planned revenues, planned expenses, don't exist on a summary basis. So when people start trying to do comparisons across Canada, because they don't have that here in Saskatchewan, they tend to migrate to use the GRF numbers.

**The Chair:** — Ms. Isman.

**Ms. Isman:** — Thank you, Madam Chair. Maybe just in response to some of the additional detail that the auditor has provided, I may just offer a couple of comments in terms of clarity. I think first of all it's critically important to appreciate that the Ministry of Finance is committed to fiscal responsibility and accountability for the Government of Saskatchewan and responsive to the policy direction of government. Government's direction is that the General Revenue Fund and summary based information each have a role to play in providing important accountability information to the public on the finances of the province.

The clarifying point I think that the Provincial Auditor is raising is clarification that the General Revenue Fund is the central accounting entity, where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly. And that actually is what the Legislative Assembly votes on in the spring with regard to approving the expenditures that are therefore authorized by law. The General Revenue Fund statements are a significant public accountability document then, because they provide a report against that annual budget and the estimates that are approved by the Legislative Assembly, an overall accountability document. Having said that, the summary financial statements do provide information on the results on the financial position of the government as a whole, and we continue to report on that.

Two of the items with regard to the specifics, with regard to the General Revenue Fund in terms of how we're actually accounting for them, I think the auditor spoke about the two issues being raised. One is the two sets of financial statements but as well the accounting policies that are used. There are two items — pensions and the Growth and Financial Security Fund are issues for which the auditor has qualified the opinion for a number of years. We believe that the treatment of these items is appropriate and is consistent with the policy of government, although we appreciate that the statements have been qualified on those issues and accept those qualifications.

There are two other items that are new, and in that case, we do disagree with the auditor's position and believe that we're accounting for those items in the General Revenue Fund financial statements in accordance with Canadian GAAP as it relates to the public sector. So on the second part of that, I think there is simply an acknowledgement and a disagreement as to how we're using GAAP in the public sector.

**The Chair:** — Thank you, Ms. Isman. Further questions or comments?

**Mr. Wotherspoon:** — I mean one piece, and I guess what was relayed was that this is . . . that you're reporting in a way that's



consistent with government policy. But you know, I think for many the challenge is that most organizations, most businesses, most charities, most households don't get to set their accounting policy. They comply with an accounting standard or an accounting policy that's in place.

So you know, as we meet often with the public, and I recall spending some time last week with businesses from across Saskatchewan at the chamber of commerce forum, and for these businesses, they don't get to choose their own accounting policy. They comply with accounting standards and policies that are in place. I guess what sort of example . . . And I know that this is a long-standing issue. There's some changes that are newer. But what sort of example does it set for those businesses or for any municipality, for any university or for any charity or for any organization that isn't able to set its own policy, for whom it just simply wouldn't be appropriate? What example does it set for government to be able to set its own?

**Ms. Isman:** — I think with regard to government setting policy, that would be a question best directed to government. Having said that, I think it is important to note that we are following policy through the preparation and the audit of the summary financial statements. So those rules are being followed.

**Mr. Wotherspoon:** — You know, I definitely recognize the distinction of the Public Accounts Committee as opposed to a policy field committee and I don't want to blur lines in an inappropriate way. And I also do not care to sort of engage in a debate about policy with a respected senior administrator in government. So certainly these are debates that I think most Saskatchewan people know have occurred for some time between government and for some time while oppositions have been raising this issue and also with a minister. We'll follow that up in due course. But it's a tricky balance, because these are serious concerns as well that we certainly want to make sure they've come to us as the Public Accounts Committee. So we want to make sure that we're shedding some light on them as well.

Maybe if we could speak directly to . . . because there's the two issues. There's the fact that we're really the only province in Canada that is using two statements or two sets of books. And then there's the other issue with the concern over the integrity or trustworthiness of the books, particularly, I should say, of the General Revenue Fund that has been noted by the auditor.

And on the point setting aside the concerns of pensions and of the transfers between government growth and financial stabilization fund or the rainy day fund, the new concerns that have been addressed by your office relate to some of the agreements around infrastructure with health regions, I believe, and with school boards. Could the audit office maybe speak to it? Because, you know, we've heard from government that they feel that they're fine with the policy they've chosen on this front.

**Ms. Ferguson:** — Yes. I was wondering if I could ask the committee if they would like me to present like what we call part 7 which is really chapter 1 of both reports, the 2012 and 2013 reports. If I could just take a moment to do that and then maybe that might answer part of your question.

**Mr. Wotherspoon:** — If we could go back into chapter . . . I don't want to confuse, you know, matters too much because there's still important information I think from some of the reports that were put forward.

**The Chair:** — That would be fine.

**Mr. Wotherspoon:** — It seems to be blending as a conversation anyway.

**Ms. Ferguson:** — Okay. So I'm going to, as I indicated, I'll discuss the Public Accounts chapters which I think already in part we've initiated that conversation. So that includes the results of our annual audits of the two sets of financial statements that are included in volume 1 of Public Accounts each year, the summary financial statements and the General Revenue Fund financial statements for the two years, for the year ended March 31st, 2012 and March 31st, 2013. And you can find these in chapter 1 of both our volume 2 of our 2012 and 2013 reports.

And for both years we've reported that the summary financial statements are reliable. They're a reliable set of statements. Our office does not have any concerns with those statements. Our concerns centre around the statements for the General Revenue Fund. In our 2013 report volume 2, we explain why the office for the first time has issued an adverse audit opinion on the 2012-13 General Revenue Fund financial statement, which says that in our opinion the 2013 financial statements of the General Revenue Fund are not reliable.

It has already been mentioned by this committee it is an adverse opinion. An adverse opinion is rare and it should be a cause for concern for the members of the public and the legislators.

Before I actually highlight the concerns that we raise in those statements, I just want to pause and talk about why our office is using Canadian generally accepted accounting principles, commonly referred to as GAAP, to assess the reliability of the financial statements of the General Revenue Fund.

GAAP is always appropriate for financial statements that are prepared for legislators and for the public. So if they're public statements, in our view, GAAP is the appropriate measure to use. Generally accepted accounting policies, or GAAP, are basically, they're accounting rules or principles that are established by the Canadian Public Sector Accounting Board. That board is independent of the auditors and independent of government, so independent of preparers and auditors.

[13:45]

And that board also, it uses due process to set the accounting policies or rules. These rules that it sets are intended to standardize the presentation, disclosure, and accounting for the financial activities of governments and their entities. The board sets up principles so that the financial statements prepared using GAAP reflect the economic reality of the entity.

The board sets measurement principles that guide the determination of the period in which transactions will be recorded, and how much will be recorded. It sets disclosure principles that determine information that is essential for

understanding the financial activities and that type of information to be presented in the statements itself.

Overall, the use of generally accepted accounting principle makes an entity's financial statements more comparable and understandable so that users of those statements can make rational decisions about the financial performance of the entity being reported.

Without the use of GAAP, management would be free to decide for themselves what information to report and how and when to report it, making things difficult for legislators and the public and perhaps even creditors to understand the financial performance of that entity.

The chapter identifies four areas where, in our opinion, the government did not follow GAAP, that is, Canadian public sector accounting standards. The first is not recording pension liabilities and a disability benefit in the financial statements. This has resulted in an unrecorded General Revenue Fund liability of \$6.56 billion. The second is including transfers to and from the Growth and Financial Security Fund in the determination of the GRF surplus for the year. This has resulted in an inappropriate increase of 42 million in the annual surplus and not recording in the GRF financial statements 666 million of investments held by the Growth and Financial Security Fund as an asset in the GRF statements. As was just acknowledged by management, these are both long ongoing issues that the government has acknowledged that it is not following GAAP.

The two new areas are, the first one is not recording obligations to fund certain long-term debt. For certain capital projects, the government has established practices of providing agencies with money to enable these agencies to repay principal and interest as it becomes due on capital projects in borrowing that the government previously approved. The General Revenue Fund accounts for these funding arrangements on a pay-as-you-go basis instead of an accrual basis. In our view this has resulted in an unrecorded GRF liability of 270 million and unrecorded expenses of 101 million in the March 2013 financial statements.

The second area is recording assets constructed under shared ownership agreements as tangible capital assets of the General Revenue Fund. During 2012-13 the government changed how it accounted for capital funding to school divisions and regional health authorities for 14 different facilities where it entered into shared ownership agreements. For these facilities the GRF recorded the amounts it provided as tangible capital assets. It argues that it owns the majority of the facility, given the proportion of its funding. For other capital projects of school divisions and regional health authorities, the government continued with its past accounting. It continued to expense the funding it provided, and the school divisions and the regional health authorities continued to set up the amounts that it used for that funding to build tangible capital assets as its own facilities, as its own tangible capital assets.

In our view, in substance the 14 agreements did not substantially change the risks and the benefits that the government, that the GRF obtains from the facilities that it finances. The school divisions or regional health authority continue to substantially bear the risks and benefits of

ownership. We note that the appointed auditors of regional health authorities, subject to these agreements, also disagreed with the accounting for these projects for the same reasons that our office did. We further understand that the management of school divisions involved in these agreements hold the same view of accounting for these assets as does our office.

So this has resulted in the 2013 statements of the General Revenue Fund incorrectly recording \$69.5 million as tangible capital assets instead of a capital transfer expense. So as shown in figure 1 on page 11 of our 2013 report, in our view net debt is understated by \$6.164 billion and the annual surplus is overstated by \$648 million. As noted, the government does not agree with our view of the last two accounting treatments. And it's the first time our office has raised those two concerns.

You know, the essence of our concern is that we feel that the current accounting does not reflect the underlying substance of the transactions. So in our view, the General Revenue Fund 2013 statements are materially misstated to these departures from the Canadian public sector accounting standards, or GAAP, and that the errors are so pervasive to the statements that the average reader cannot adjust for them, and that the financial statements don't present an accurate picture of the financial position or the performance of the General Revenue Fund.

So on page 14 of our 2013 report, chapter 1, we recommend that the government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements.

This concludes our presentation.

**The Chair:** — Thank you, Ms. Ferguson. Ms. Isman, would you like to make some comments?

**Ms. Isman:** — Thank you, Madam Chair. Maybe just a little bit with regard to the specifics of the two items that had question with regard to the debt of certain entities as well as the shared ownership treatment.

With regard to the debt of certain entities, the auditor indicates that they believe the government should be recording the liability of that on the general books of government. Our response to that is that government has not provided a loan guarantee to the third party financial institutions with regard to any of the entities' debt. We also have not committed to pay the principal and interest on this debt. Annual communication to the entities about the government's funding may refer to the requirement for interest and a repayment of the principal because the entities have gone, obviously gone into debt with regard to that capital. However government retains the discretion to decide each year how much funding to provide with regard to those entities. Because this happens on an appropriation basis, on an annual basis that that decision is made, we believe that we've accounted for this properly and that it isn't the debt of the General Revenue Fund.

With regard to the shared ownership, in 2012-13 a new shared ownership model was announced by government for select school capital and health facility projects. Finance believes that the accounting treatment for the shared ownership project is

appropriate and reflects the substance and the legal form of these transactions in accordance with GAAP in the public sector, and completely aligned to the legal agreements that are in place between the regional health authorities and as well with the school divisions. So thank you.

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

**Mr. Wotherspoon:** — I guess I was expecting to hear, or hopeful that I'd hear, just something a little bit different here today from the Ministry of Finance. The information that's been brought forward in this report I think is disturbing to anyone who engages with it, and reads it, and digests what's been put forward. There had been some statement from the Premier following this, following the release of this report, something to the effect that maybe they could improve how they account for the finances. I think it was something about focusing on the summary. I guess what direction have you received, or the Ministry of Finance, either from the Premier or cabinet?

**Ms. Isman:** — The direction that we've received is with regard to considering all of the options that are available with regards to summary financial statements, the focus of summary financial statements versus the General Revenue Fund statements. And government has currently got that under advisement in terms of . . . And we've had no direction to date on the outcome of those discussions.

**Mr. Wotherspoon:** — And the statement or the position of the Ministry of Finance as it relates to the debt that's in discussion here with the health regions or school divisions as an example, it's the government's perspective that in no way government's on the hook for this borrowing of, say, school boards for example.

**Ms. Isman:** — That's right. With regard to the General Revenue Fund, because the General Revenue Fund is appropriated on an annual basis and government and the legislature makes a decision each and every year with regard to the funding that's going to be provided to those parties and for what purposes, that that debt is borne by the entities themselves and not by government as a whole.

**Mr. Wotherspoon:** — Even though in the example of the school boards, government is the funder.

**Ms. Isman:** — Yes, I think the point that Mr. Bayda is making is that on a summary basis, that all is netted out. And so on a summary basis, it is all recorded as one liability and one set of debt with regard to the General Revenue Fund because of the appropriation rules. And whether or not it's going to be funded at any given point in time, I think the principle still holds true, that it isn't the debt of the General Revenue Fund.

**Mr. Wotherspoon:** — And it gets to the point as well of this inappropriate focus on the GRF, that this, I mean that this issue is the issue that it is because it is netted out on the summary basis. And in many ways this debate or discussion maybe wouldn't be existing if we were just talking about it on a summary perspective because it does net itself out on that side.

But it is . . . Potentially if this is allowing government, as the

auditor would suggest, to artificially lower expenses and not fully record debt of the people of the province, then it seems that government may be motivated to make certain policy decisions and utilization of the second set of books, the GRF, that may not be in the best interests of Saskatchewan people.

I mean these school divisions for example: fully funded by the province of Saskatchewan or by the taxpayers of Saskatchewan, they're borrowing at a higher rate than the province is. So certainly that's taking dollars out of program or other opportunities that . . . and covering off higher interest. So it seems that maybe that the decisions and this desire for government to put this position forward of the province's finances that's not accurate is actually as well causing other poor policy decisions in how we're funding capital.

**The Chair:** — Any comments? Does anyone have any further comments?

**Mr. Wotherspoon:** — So it was stated that government is now looking at the options as it relates to summary financials. Is government looking at the options of how they comply with the auditor's recommendations?

**Mr. Moe:** — I think that was indicated with regards to the four qualifications, that Ms. Isman had indicated that on the last two, and quite well explained, that really there's . . . I suppose you'd call it a disagreement of, or the interpretation is different on what GAAP is on those last two, is what I heard there. Tell me if you heard anything different. But that's what I heard on the last two qualifications.

**Mr. Wotherspoon:** — I have one other question just about any changes from government following the adverse opinion, the unprecedented adverse opinion that was placed on one of the sets of books in the province. My question was, what's government's considerations? What's government's response?

It looks to date that the Premier and cabinet haven't acted in any manner to address the adverse opinion or to address the outstanding recommendations. And there was some reference from the deputy minister that there's — and I don't want to take the words incorrectly — that there's some considerations as it relates to this discussion around summary financials and the recommendations of the auditor, I suspect. And I'd be interested in hearing if that consideration is to ensure compliance and implementation of the auditor's recommendations. And I guess then what specific recommendations is government currently considering?

[14:00]

**Mr. Moe:** — You're getting into a policy question there, and I'm not sure that this is the room for a policy question. And what I heard Ms. Isman say was on the four qualifications that are presently there, qualification no. 1 has been there for some time. Qualification no. 2 as well has been there for some time. And then 3 and 4 there was, the interpretation was different between the Provincial Auditor's office and what the Ministry of Finance officials have. There's a different interpretation on what is acceptable or what is complying with generally accepted accounting principles on those two qualifications. And those are the two that lead into your policy question, I believe.

**Mr. Wotherspoon:** — No. Mine would go right back to . . .

**The Chair:** — Just a reminder here, folks, to put the questions through the Chair. And I think that there was a question directed to Ms. Isman regarding those two points.

**Ms. Isman:** — Thank you, Madam Chair. So I think if I'm understanding correctly, it related back to the comments that had been made by the Premier following the auditor's report in December and a look to the options for a greater increase in terms of the communication with regard to the summary financial statements and increased usage of the summary financial statements in communicating that information to the public. And in my earlier comments I think, further to what the Premier has stated publicly, that's what the Ministry of Finance is looking at, is what options are available that would enhance the ability to communicate on a summary basis. And that's a piece of work that we are currently doing and government will take under advisement in due course and make their decisions based on that. And we have received no direction I think is what I suggested earlier, no direction from government in terms on how to proceed on that matter.

**Mr. Wotherspoon:** — So if a government were to make a step to communicate more often with summary, that doesn't mean all of the time. It doesn't mean the primary focus. Am I understanding this issue properly? It's an outstanding issue for some time. It's the fact that it's the primary communication of a government's finances needs to be the summary. Is that correct? To the auditor I guess.

**Ms. Ferguson:** — Yes, that's what we're saying, is that when the government's talking about its financial performance and it's talking about the government's financial performance, in our office's view they should be using the information from the summary budget and from the summary financial statements.

**Mr. Wotherspoon:** — So I think this is where the challenge lies, and that's where I'd appreciate expansion of some of the statements from the Premier. Because at the end of the day it's, you know, a little bit of advancement isn't really good enough. We have an adverse opinion on the books of our province. The auditor has highlighted to Saskatchewan people that they're not reliable, not trustworthy. And this has been the problem in the past. You can have a well-audited summary statement that's quietly tabled in the legislature, but then if government with public resources utilizes just for an example the debt from the GRF to be the one that's communicated in a news release or on a billboard or on a commercial, that's wrong. It's improper, and it's in part why we're here.

And I think Saskatchewan people are smart people. And I guess I look to my colleagues around the table at this front, and I look for them, and I suspect that they've chewed on this one a bit since they've seen that adverse opinion or the special investigation or special review that was put forward in June. I'm hopeful that my colleagues around the table, government colleagues, are in a position to concur with some of the past recommendations of the auditor, and for us to call upon government to comply with the auditor's recommendations, to implement the auditor's recommendations, and in the end provide books to Saskatchewan people that they can trust, books that when they go before the Provincial Auditor are

deemed reliable, not unreliable, and all of the language that we've seen.

I think it's very dangerous for a government to dig its heels in, and I don't believe it's sustainable. I don't believe it's responsible to the people of the province to continue to move forward when we have language that says it's misleading, inappropriate, wrong, not reliable, materially incorrect. At some point there needs to be a change here.

And this is a long-standing issue and parts of it go back through different governments. And that's fine. For us it's 2014, for us around the table, and it's about our future. And for us to somehow dig our heels in on a position that's out of line with the rest of Canada, that's out of line with Canadian GAAP, that has an adverse opinion placed in an unprecedented manner on the books of this province is something that I suspect we all care about and something that we should be urging to be rectified.

I'm fully prepared to work with colleagues opposite here today to put forward some motions to call on government for us to concur with some of the auditor's past recommendations and call on government to make the changes that are required. And I'm also prepared to put forward a motion for us to call on government to address the unacceptable adverse opinion that's . . . or I should say the unacceptable preparation and communication of financial statements that have caused an adverse opinion to be placed on our public finances.

And I think, you know, this isn't . . . This shouldn't be an issue of politics from a spectrum perspective. This should be about . . . This isn't about left or right; it's about right and wrong. And we have an opportunity, as I say, to make a motion, show some leadership, and to call on government to provide Saskatchewan people with the reliable, full picture they deserve.

So I guess I look to my colleagues. I have, you know, a willingness and look forward to hopefully passing some motions here today.

**The Chair:** — Thank you, Mr. Wotherspoon. Mr. Hart?

**Mr. Hart:** — Yes, thank you, Madam Chair. Just to kind of clarify things, I'm having a bit of difficulty in kind of getting my head around this whole issue here. I'm looking at the 2012 report volume 2 where the auditor issued a qualified opinion. And that is based, I understand, is based on the fact that we are, you know, this government and previous governments have been using the General Revenue Fund to report, to present their budgets in conjunction with the summary, and the qualified opinion was centred around the fact that the auditor feels that we should be using a summary financial budget and not a General Revenue Fund budget. Would that be a fair statement? Would that be the reason why in 2012 a qualified opinion was registered?

**The Chair:** — Ms. Ferguson.

**Ms. Ferguson:** — Actually when we render an audit opinion, what we're doing is we compare the financial information within a set of financial statements against a benchmark called GAAP. And so the opinion actually has nothing to do with how

the information in those statements is used in terms of summary versus GRF. Really it's the opinion that we're rendering is that in 2012 when we did the comparison between the financial statements and generally accepted, we identified two areas of concern. They're the ongoing areas, the area that relates to the accounting for the pensions and then the second one is the accounting for the transfer . . . so the growth and financial statements, Growth and Financial Security Fund.

The difference between 2012 and 2013, in 2013 we identified two additional areas, so we've got more errors. And so it's a little bit of auditor jargon, but when you move from unqualified to adverse it's the . . . what you're trying to do is figure out can the users adjust for the statement, adjust for the errors in the statements, you know. And what we felt is that with being four areas of errors that it was, and the nature of the errors that were being . . . that we found, that it was too hard for users to make the adjustments. So that's the difference between the qualified and adverse. So it really doesn't have the . . . When we're rendering an opinion, it's not because of the use of the General Revenue Fund vis à vis the summary financial statements.

**Mr. Hart:** — So going back to the 2012 qualified opinion. You mentioned there was two items, the way the unfunded pension liability has been handled, and it seems to me that's been an ongoing issue for quite some time. So then would it be fair to say that the way the transfers between the savings account and the current account, the way they were registered at that time, was the second factor? And is that a new factor or has that practice also been around for a while? And that practice, you've had a difference of opinion. How long has that second factor, the transferring of the money between the savings fund and the current fund, how long has that been an issue?

**Ms. Ferguson:** — Off the top, I can't really say, but I would say a long time. I would probably, I'd venture to guess it started with the Fiscal Stabilization Fund in terms . . . and I think Finance can probably correct me if I'm wrong. But it has been an extended period of time, a second one.

**Mr. Hart:** — And the reason I ask is just to kind of, you know, set some time frame here, and sort of in a logical order here, as to how these things have progressed. So then when we get to 2013, there are two new issues. Correct? And one of them has to do with . . . I did hear the deputy minister of Finance and the auditor also say that as far as the summary financial statements, the way the capital projects in education and in health, they're netted out.

So could you explain exactly what you mean by netted out, or perhaps correct me. I'll give you my understanding of that. In netting them out, you would add in the value of the asset but then also add in . . . or subtract the outstanding indebtedness. Is that correct? Or have I got it confused there?

**The Chair:** — Ms. Ferguson.

**Ms. Ferguson:** — You kind of have it right.

**Mr. Hart:** — So tell me how it should be.

**Ms. Ferguson:** — Well when we look at the . . . It's like if you want to think of your family, okay, the summary financial

statements is really the financial results of your entire family. And so when you do, if you provide funding to your son or your daughter or your grandson or your granddaughter, provide them with a loan, and they go and buy a car. You know, if you look on a summary basis, that car's yours and that loan is yours.

If you look on an individual basis, and that's where the question is arising, you know. In our view, in terms of the one that deals with the shared ownership agreements, pretend you are the General Revenue Fund and your son or daughter is the regional health authority or the school division. In our view, the General Revenue Fund does not own the car. The son or daughter owns the car. In the government's view, the way that they've accounted for it is, if you provided financing for that car, you would own the extent that you provided the financing. So we have a difference of view in terms of how to account for that transaction. So that's the one area. That's the shared ownership agreement.

The other one is long-term debt. So using the same car scenario, you've both agreed that your grandson or granddaughter is going to buy a car. You've both mutually agreed and you know that they're going to have to go and get financing for that car. But they're not working. Their only source of income is you. You know, they may do a little bit of babysitting on the side but that's about it — very, very small amount of income. Right? And in reality over a period of years, instead of them going and doing work independent of you to make those car loan payments, you give them money to handle the principal and interest.

So in our view, we think it's your loan even though on a legal, like a legal construct, it may look like it's their loan because they're the ones that have the loan with the bank and you have not written a little letter to your son or daughter that you've given them a loan guarantee. But in reality, because of year after year after year you provided them with the principal and interest to repay that loan, we regard it in our accounting jargon as a constructive obligation, and we regard it as your loan. And again this is another area where we disagree in how the accounting should be, between our office and the Ministry of Finance.

[14:15]

**The Chair:** — Thank you, Ms. Ferguson.

**Mr. Hart:** — But I would now ask the deputy minister of Finance if she has any comments in response to what she heard from the Acting Provincial Auditor.

**Ms. Isman:** — Thank you. I'm going to use those examples with my children the next time. They are helpful, thank you. You know, I think in many ways this comes back to the technicalities of how you account for something and how you interpret the guidelines established through GAAP. You know, on one hand I very much appreciate the comments that the Acting Provincial Auditor is making. On the other hand, I think we believe that we have legal agreements in place with regard to shared ownership. It's a model that was announced and a policy decision taken by government, and we are accounting for things based on the legal obligations that have been established and those contracts that are in place. And we think that that is

an appropriate application of what the accounting standards expect us to be.

So you know, I don't know that there is a right and a wrong here. This is a matter of interpretation of how we do it. And I think you can hear the arguments on both sides here as to the logic and the rationale as to doing it, but I believe that from a professional accounting point of view that we've got valid logic and reasons and legal agreements behind us to substantiate the way in which we've accounted for things. So we simply agree to disagree on these two points, I think would be a fair comment.

**Mr. Hart:** — Thank you.

**The Chair:** — Mr. Steinley.

**Mr. Steinley:** — Just going back to the Acting Provincial Auditor's example there, and I think I've got it right. So the parent's paying the loan for the car and it's their loan, but they don't get to have the asset of the car under their name. Is that what you're . . . So you couldn't report that car as an asset to the parent?

**Ms. Ferguson:** — Sorry, I probably confused you with my two examples. In one scenario, where you're doing the payment of the loan year after year, we're saying that in our view it's your debt because in essence you've agreed to . . . Informally you're paying it year after year. By your established practice of paying for that loan, although you haven't signed the agreement with the bank, you've undertaken that obligation to basically finance and fund that loan. So we think it's your debt.

**Mr. Steinley:** — But who has the asset?

**Ms. Ferguson:** — In that scenario it's not so much of an asset discussion on that model. It's the other model that the asset's under discussion. So sorry, I probably confused you, probably gave you poor examples. My apologies.

**Mr. Wotherspoon:** — Can I ask a question? There was a statement that the other auditors of the health authorities had identified these concerns or shared the same concerns. So who would these . . . Who would these auditors be?

**Ms. Ferguson:** — What we have is we've got a situation where there's seven regional health authorities that are involved, and each of them have private sector auditors. Actually I don't have the names right off the top, but they do range from the national firms to the regional firms in terms of sizes. In one situation the size of the tangible capital asset and the loan under question is so small that it's insignificant, but for the remainder of them, those regional health authorities were directed by the Ministry of Health, I think, to not record the full balance of the tangible capital asset or the facility that they were building. And in those cases the auditors have actually rendered qualified audit reports on each of the six regional health authorities.

**Mr. Wotherspoon:** — So that in itself is a concern. And I just want to follow up with government to make sure that we understand what happened here. So the independent auditors have the same concerns as it relates to how this is booked in the health authorities. Our first, I guess, is the deputy minister

aware of that difference, that the fact that these independent auditors share the perspective of the auditor?

**Ms. Isman:** — Yes, we are.

**Mr. Wotherspoon:** — Okay. My question would be, there was a statement that there was some direction from government to the RHAs, to the regional health authorities. Who did that direction come from as it relates to how to book these assets?

**Ms. Isman:** — Madam Chair, the direction came from the Ministry of Health to the RHAs. That's the working relationship between the ministry governance and the RHAs individually. Having said that, the ministry was working collaboratively with the Ministry of Finance in terms of the appropriate accounting treatment with regard to the shared ownership legal agreements, as well as the accounting treatment of those same agreements.

**Mr. Wotherspoon:** — Did the Ministry of Finance or the Ministry of Health have the perspective before they were calling for that sort of accounting treatment? Did they have the perspective of, I guess, the audit community at that point in time, knowing that this would be called into question by the audit community?

**Ms. Isman:** — Madam Chair, yes. With regard to the establishment of our opinion in terms of the appropriate accounting treatment, that would have been done in advance. And then when the auditors were looking at it, the conversations were going on between the Provincial Auditor's office, the Provincial Comptroller's office, the Ministry of Finance, as well as with the independent auditors with regard to the accounting treatment.

**Mr. Wotherspoon:** — So I guess my question is, why would government choose to proceed in that fashion if they went into it with eyes wide open that this would be the debate and the question placed upon them by the audit community?

**Ms. Isman:** — Madam Chair, we believe that our accounting treatment is appropriate, and that's based on our professional accounting perspective. And as I say, it's different than some of the other accountants but we believe it's accurate.

**Mr. Wotherspoon:** — The school boards, do you care to comment on how these are going to be treated or resolved? I believe there's been a bit of debate as to how they'll book the assets. And the discussion that we're having here today, where is that at with the school boards?

**Ms. Isman:** — Madam Chair, I don't think it would be appropriate for me to comment on the decisions that those boards are going to take. Our advice has been consistent with regard to the appropriate accounting treatment though of the assets and the legal agreements.

**Mr. Wotherspoon:** — And do you sympathize with, let's say, an organization that's been proud of their financial management, their accountability to the public, and even the professionals within those organizations, whether it be an RHA or a school board, who are really conflicted on a matter like this because they're being asked to do something that they're being

called out upon by the professional audit community as being improper and inappropriate?

**Ms. Isman:** — I don't think it's appropriate for me to comment on how they feel or don't feel.

**Mr. Wotherspoon:** — Okay. Well I can share that I've heard concern, without a doubt, across the province with strong professionals and organizations that have pride in the organizations that they've run, and that they have a responsibility to the public on. And it shouldn't be one that's dismissed by government. But as I say, this discussion here today is a different nature of a discussion than with, you know, as opposed to maybe if we had the Minister of Finance here today, but I appreciate your answers.

**Ms. Isman:** — Thank you. If I could, and I certainly don't want to leave an impression that . . . I would never dismiss anyone's view in terms of how they're being treated or the direction, only to affirm that I mean we have a professional opinion on an item that we believe is the appropriate professional opinion, and that's the best that we can do, and of course be sensitive and hear from them in terms of what concerns they have and if there's any future way to address the concern, not specifically the accounting treatment.

**Mr. Wotherspoon:** — Who constructed this program, this shared ownership program, in the manner that I guess allows for this treatment, from your perspective?

**Ms. Isman:** — Madam Chair, I believe that was a decision taken by government in terms of a model of shared ownership, I think reflecting that the nature of where the funding is coming from, the risks and the obligations, and government's obligation with regard to provision of both health and education services. So it was a decision taken by government through the budget process in '12-13 in terms of the establishment of this model.

**Mr. Wotherspoon:** — What were the budget considerations or implications of this model? I guess, as this model was constructed and reviewed, was the impact on how it may allow government, in the way that this government communicates its finances, was it analyzed to understand the impact, which in this case, you know, in part allows, as the auditor says, it creates a lower statement of debt and lowers expenditure as well, which may in a given year with this GRF set of books change the picture of, the financial picture that's being reported?

**Ms. Isman:** — Madam Chair, yes, I think from the General Revenue Fund perspective it does allow the General Revenue Fund to amortize their share of the asset over the life of the asset rather than fully expensing that amount in a given year as a transfer to the third parties. That would be the impact of the accounting treatment on the General Revenue Fund.

**Mr. Wotherspoon:** — And was that impact the ability in a GRF to show a rosier financial picture, if you will? Was that part of the considerations, and was that well understood by government when making this decision — or by the ministry?

**Ms. Isman:** — Madam Chair, well I wasn't in the Ministry of Finance at the time, so I don't think I can actually speak to

government's decision-making process at that time and how they considered it in the budget process.

**Mr. Wotherspoon:** — Would there be officials that are with you here today that would've been here throughout that time that would've seen some of the preparations, some of the analysis that was being reviewed, that could comment on that?

**Ms. Isman:** — I'll double-check. I don't have budget people here so . . .

**Mr. Cox:** — Madam Chair, while we're waiting for that . . .

**The Chair:** — Mr. Cox.

**Mr. Cox:** — Are we not wandering into some policy issues here a little bit? I understand that's not the mandate of this committee to be getting into policy, what decisions were made by whomever. I'd ask you to think about that.

**Mr. Wotherspoon:** — This is a matter of fact. This is a matter of procedure and what was the analysis, very different than a policy discussion. So I'm mindful of the two discussions and . . .

**Ms. Isman:** — Yes, Madam Chair. Yes, I think further to, you know, the points that I made with regard to what the impact was and the information provided by the bureaucracy in terms of the accounting treatment and the ownership of assets and those sorts of things, as I described earlier with regard to the consideration of cabinet's consideration during that process, that would be up to cabinet and the considerations of cabinet.

**Mr. Wotherspoon:** — Okay. But you did comment — and I appreciate it — to some extent. And you said that the budget impact of the shared — and correct me, please, if I'm in any way wrong — that the budgetary impact on the GRF of the shared ownership agreement was understood. So the accounting treatment that was being chosen, that the budgetary impact was understood through this process?

**Ms. Isman:** — Yes. So not having the officials here that would've communicated that, I mean I would hope to say that my predecessors, yes, would've explained the implications of the accounting treatment on the overall budget in the decision-making process. But having said that, I wasn't in the room and I didn't communicate that information.

**Mr. Wotherspoon:** — I really appreciate your being so forthright.

**The Chair:** — Is the committee ready to make a motion with respect to this?

**Mr. Wotherspoon:** — Sure. Well maybe there's a couple of motions but I'll make a motion as it relates to the . . .

**The Chair:** — Recommendation. Yes, recommendation.

**Mr. Wotherspoon:** — Oh sure. Let's vote on it.

**The Chair:** — Yes, 2013 report volume 2, chapter 1. Okay, do we have a . . .

**Mr. Wotherspoon:** — So I move that we concur with the recommendation.

**Mr. Moe:** — I actually was looking at it and in light of some of the discussion here with the officials from the Provincial Auditor's office as well as some of the discussion from the Finance officials from the Ministry of Finance, there's, with relation to qualifications point 3 and 4, there's a disagreement on the interpretation of qualifications 3 and 4 which then results with the adverse opinion. So in light of recognizing that there is an interpretation difference there, I would like to make an amendment to the recommendation in the 2013 report volume 2, recommendation no. 1, and it would be:

Recognizing the difference of the professionals' interpretations, the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.

I would move that amendment.

[14:30]

**The Chair:** — So we have a motion by Mr. Wotherspoon that this committee concur with the recommendation, "We recommend that the Government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements," which is from 2013 report volume 2, chapter 1.

And Mr. Moe has moved an amendment which I will actually . . . Oh, sorry. One at a time.

**Mr. Wotherspoon:** — Is that an amendment, or does it change the spirit and intent of the original motion? Or should we be dealing them separately? It might be simply a stand-alone motion. I'm not . . .

**Mr. Steinley:** — I haven't seen the text there for the co-operation between the auditors and the Ministry of Finance officials.

**The Chair:** — I think we need to vote on the first is the advice I'm getting here, as new in this role, is that we should vote on that one recommendation. So what . . .

**Mr. Wotherspoon:** — I think we do a lot of really important, constructive work around the committee. And I think a lot of what we saw this morning was evidence of that, and hopefully we see more of that through this discussion. This item, I'm not sure if this is going to be an area of division between members around the table or whether there's some new opportunities moving forward here, but in light of that, I think that I would call for a recorded vote on these matters.

**Mr. Moe:** — [Inaudible] . . . the reason for the amendment is to move forward on clarifying some of the interpretations on the generally accepted accounting principles that have been discussed here today on, in particular, points 3 and 4. I think points 1 and 2 have gone back a number of years. I'm not sure exactly how many years, but it's a number of years. But points 3 and 4 are new, and there is a discrepancy on the interpretation

of those points. And it would be my hope that this amendment to that recommendation would, you know, would foster further discussion and ultimately rectifying the interpretation of those qualifications.

**The Chair:** — Mr. Wotherspoon, do you want to move ahead with your recommendation? I'm getting some advice here that we need to deal with that. But are you wanting to move ahead with your . . .

**Mr. Wotherspoon:** — I'd like to move that we . . . so in light . . . Just to respond though to the hon. member's comments, certainly that's a reasonable additional recommendation for consideration.

Let's just remember though, and certainly for those that are back at home, you know, the position of the auditor, although not known to us as legislators on an adverse opinion in advance or to the public, it's been known to government for some time and that that dialogue and that working together certainly is ongoing. So I think that we're calling for something that already occurs. I'm willing to support the additional motion, but I do want to place the other one as well.

So I move that we . . . Sorry, Madam Chair. Am I okay to move a motion? I move that we recommend that we concur with the Provincial Auditor's recommendation that "We recommend that the Government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements."

**The Chair:** — So Mr. Wotherspoon has . . .

**Mr. Wotherspoon:** — Call for a recorded vote.

**The Chair:** — I think we need to have a verbal vote before we can have a voice . . .

**A Member:** — No, no, no.

**The Chair:** — No? No? We can . . . [inaudible interjection] . . . Okay, with a show of hands. Okay.

**Mr. Hart:** — Madam Chair, before you call the vote, I would have, just for clarification, I'd have a question to the deputy minister of Finance on this generally accepted accounting principles, and I would like to ask that question.

**The Chair:** — Fair enough.

**Mr. Hart:** — Is it, the Ministry of Finance, it is your . . . Is it correct, or do I understand your position correctly, you believe you are using generally accepted accounting principles? It's a matter of, you feel that is your interpretation on this issue?

**Ms. Isman:** — Yes. With regard to the last two items we do believe that we're using generally accepted accounting principles. And we acknowledge the qualifications that have been on the previous statements with regard to pensions and the Growth and Financial Security Fund. We understand that those are not in compliance with GAAP and we note that difference in our financial statements. So yes, we use generally accepted accounting principles, with the two exceptions of the pension



liability and the recording of transfers with regard to the Growth and Financial Security Fund.

**Mr. Hart:** — But just as a follow-up then, as far as in the 2013 report, the basis for adverse opinion, as far as no. 3 and 4, you feel you are using generally accepted accounting principles with regards to those two issues that are raised, no. 3 and no. 4.

**Ms. Isman:** — Yes, we do.

**Mr. Hart:** — Good. Thank you for that clarification.

**The Chair:** — I just have a quick question. I know that I have a small opportunity. In terms of that adverse opinion, even despite those six adverse opinions in the regional health authorities, you still believe that you're following generally accepted accounting principles?

**Ms. Isman:** — Yes, we do.

**The Chair:** — Okay, thank you. Are there any other questions on this motion that we concur with this recommendation? I'll take hands. Could we vote? Who is in favour of . . . Mr. Wotherspoon has moved:

That we recommend that the government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements.

Who is in agreement with that recommendation? Please raise your hand. Mr. Wotherspoon. Who is opposed? Thank you. That motion is defeated. We have one for and six opposed. The motion is defeated.

**Mr. Moe:** — In light of the recent motion, this is the amendment that I would have liked to move, but I'll move it as a motion. And then I need to sign it here, I guess. What is the date today? July? June?

**The Chair:** — January 14th.

**Mr. Moe:** — And it goes:

Recognizing the difference of professionals' interpretations, the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.

**Mr. Wotherspoon:** — Can I just add a comment there?

**The Chair:** — Oh yes. We can . . . the motion is up for debate. Mr. Wotherspoon?

**Mr. Wotherspoon:** — Yes. I guess I just don't accept the line that it's a difference of professional opinion. And that engagement and that communication has occurred for years, and it's certainly occurred for the past few months in the run-up towards an adverse opinion being placed.

So I trust in the independent provincial auditor. I trust in the perspective of the professional audit community in this

province and across Canada and, I expect, compliance with Canadian GAAP as it relates to the public sector. So I won't be supporting this motion because to do so allows that this is a simple debate of, you know, different views of professionals. Not so. I trust in the independence of our accounting community and the importance of accounting standards.

And I'll tell you, it's a pretty slippery slope. If we want to be fast and loose with professional differences on these sorts of matters, how does that apply to a publicly traded company or a private company as it relates to their obligations? I mean the fact of the matter is, if this would have been a publicly traded company, there would have been impacts on that company and those responsible for it. If it was a privately traded company, just the same, and all sorts of potential sanctions. So I think it's past time. As I say, this is an issue — or parts of it, some of it's new — but this is a long-standing issue. It's 2014. Let's get on with providing the full picture to Saskatchewan people.

**Mr. Moe:** — And I would just add to that that I would not be so quick to discount the interpretation or the opinion of the Ministry of Finance officials. And thus we've been moving this motion because they feel they are in compliance in qualifications 3 and 4. And with that, I'd like to move the motion and ask for a standing vote, please.

**The Chair:** — So Mr. Moe has moved that:

Recognizing the difference of professional interpretations, the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.

Who is in favour of this motion? And opposed? Thank you. So we have six in favour and one opposed. That motion carries. So, Mr. Wotherspoon?

**Mr. Wotherspoon:** — I mentioned before that I wanted to place a motion that deals more directly with the adverse opinion. So maybe be patient with me. I'm typing in one now but I have . . . And I guess I have to write this up as well, right?

**The Chair:** — Yes.

**Mr. Wotherspoon:** — Should I read what I'm going to say first or should I write it and then . . .

**The Chair:** — Write it and then . . .

Just to note an error that I made on Mr. Wotherspoon's motion on concurrence with the auditor's recommendation, I counted a hand when there wasn't one. Mr. Hart abstained on that vote. So I would just like to add that to the record. And we'll just be patient for Mr. Wotherspoon's motion.

[14:45]

**Mr. Wotherspoon:** — I move:

That the Standing Committee for Public Accounts finds that it's not acceptable for the Government of Saskatchewan to prepare and present the public finances of

Saskatchewan in a manner that has caused an adverse opinion to be placed on the General Revenue Fund, and calls on the Government of Saskatchewan to take action to rectify this to ensure that Saskatchewan's public finances are prepared and presented in compliance with Canadian GAAP and in a manner that is deemed appropriate, reliable, and trustworthy by the independent Provincial Auditor.

**The Chair:** — So Mr. Wotherspoon has moved:

That the Standing Committee for Public Accounts finds that it's not acceptable for the Government of Saskatchewan to prepare and present the public finances of Saskatchewan in a manner that has caused an adverse opinion to be placed on the General Revenue Fund, and calls on the Government of Saskatchewan to take action to rectify this to ensure that Saskatchewan's public finances are prepared and presented in compliance with the public sector accounting standards, specifically Canadian GAAP, and in a manner that is deemed appropriate, reliable, and trustworthy by the independent Provincial Auditor.

Is there any debate? Mr. Steinley.

**Mr. Steinley:** — Thank you very much, Madam Chair. And I think we could go around and around and make motions like this for the next three hours if we'd like, but I think I feel that our opposition or colleague is discounting the effort that our Ministry of Finance officials put into doing their budgets. They're also professionals and they also take pride in doing their work and they also work very hard to make sure that they show a clear picture of our finances to the people of Saskatchewan.

And I think the motion that was previously voted on — and he voted against — says that, very clearly, that the Ministry of Finance officials and the independent Provincial Auditor officials should work hard together in ensuring that the people of Saskatchewan have a clear picture of this government's finances. And I think the motion that we just spoke to says basically the same thing you're saying, Mr. Member, and I think that we agree that we all want to do the best we can for the people of Saskatchewan. We all want to make sure that they know where government sits, where our finances sit. And I think that this motion with the intentions it has is very similar to the motion we just passed.

The deputy minister has said that they work hard to match up with the generally accounted principles that Canada has accepted, and she says that there's two different opinions on two of the recommendations. And I think I'm confident that both of these officials from both offices are going to work hard to make sure that our books are shown in the best light.

**The Chair:** — Thank you, Mr. Steinley. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Nonsense from the hon. member opposite. But to the officials at the end of the table and the many that work across the province, absolutely no question of the professional integrity of our civil service. That's not the debate here. Had it been, it would have been a different type of debate here today. It's about a decision of a government,

decision of a premier, decision of a cabinet. And as I said before, this is in some ways a long-standing issue dating back to other governments, the NDP [New Democratic Party] government as well. And then there's some new issues, some new schemes that have been created and new issues that are addressed here today.

The motion that was put forward was even-handed in its language, simply drew upon the reports and findings of the Provincial Auditor, and it's not too much for Saskatchewan people to receive their finances presented in a way that are deemed reliable, trustworthy by our independent Provincial Auditor. And I believe they deserve nothing less.

**The Chair:** — Mr. Moe.

**Mr. Moe:** — I will not be supporting this motion on the fact that it again does not acknowledge the qualifications 3 and 4 that the Ministry of Finance officials believe they are in compliance with GAAP with. This motion here does not acknowledge it and thus I will not be supporting it.

**The Chair:** — Thank you, Mr. Moe. Any other comments? What are the wishes of the committee? I call for a vote. Okay, sorry, the motion. I'll read the motion again. Mr. Wotherspoon has moved:

That the Standing Committee for Public Accounts finds that it's not acceptable for the Government of Saskatchewan to prepare and present the public finances of Saskatchewan in a manner that has caused an adverse opinion to be placed on the General Revenue Fund, and calls on the Government of Saskatchewan to take action to rectify this to ensure that Saskatchewan's public finances are prepared and presented in compliance with public sector accounting standards, specifically Canadian GAAP, in a manner that is deemed appropriate, reliable, and trustworthy by the independent Provincial Auditor.

I'll call for a vote. Those in favour of this motion? Mr. Wotherspoon. Those opposed? We have defeated. Mr. Wotherspoon.

**Mr. Wotherspoon:** — I'd be interested in bringing a very short motion, not like that longer one there — disappointed that it is defeated — but just a simple motion with the intent that we call on the Province of Saskatchewan to use summary financials on a primary basis.

**Mr. Moe:** — That is a policy decision and not the purview of this committee, and I move that we move on as we are 20 minutes behind here now.

**Mr. Wotherspoon:** — No, not true. The reason we get reports to the Public Accounts Committee is for our consideration. That's a long-standing recommendation of the Provincial Auditor and it's directly the purview of this committee. And if it's not of this committee, then whose is it? I'll be moving a motion in a moment.

**The Chair:** — Mr. Cox.

**Mr. Cox:** — Are you going to rule on whether this motion is in

order?

**The Chair:** — Yes.

**Mr. Cox:** — Okay.

**The Chair:** — [Inaudible] . . . conversation and please forgive my newness in this role and trying to figure this out here. The report *The Need to Change — Modernizing Government Budgeting and Financial Reporting in Saskatchewan* isn't before us at this moment in time but will be in the near future. So Mr. Wotherspoon, your motion is out of order at this point in time, but when this is in our purview down the road that is a motion that's possible. Again?

**Mr. Wotherspoon:** — So in our purview is the reports that we've had here today which have highlighted all of these concerns. From page 193 of the 2011 volume 2 report, it highlights outstanding recommendations of the auditor, one of them being — and there's a couple — but one of them being, and importantly, is that the government use the summary reporting entity as the primary basis for reporting its financial plans and results. It's also important for us as a Standing Committee of Public Accounts to remember that we do have the ability to make motions independently and on our own. And certainly this motion would be supporting or concurring, I guess, with the 2008 report volume 2 recommendation, but that's the report that was before us here today.

And just to . . . Maybe I'll read my motion so that you can consider it in light of what I would be putting forward. And I'm fine going a couple different ways. I'm fine with, "I move that the Standing . . . [inaudible interjection] . . . I'll read the . . . Could I read the motion that . . .

**Mr. Moe:** — I think the Chair has made a ruling and I abide by it. And I would move that we move on with our agenda items. There's no place to question the Chair's ruling, and your motion was ruled to not be dealt with and I think we should accept that and move along. There's an opportunity to deal with it at a later date.

**Mr. Wotherspoon:** — Well I'd appreciate the opportunity to read the motion into record and for committee members. I'll guess I'll wait for the Chair.

**The Chair:** — Mr. Wotherspoon has in fact pointed out that in discussions that I'd had with the auditor that the report isn't before us. But it is referenced in the documents in front of us that we're considering today, so Mr. Wotherspoon can make his motion.

**Mr. Wotherspoon:** — I'm fine with putting this motion as a stand-alone motion of support from the Public Accounts Committee calling on government. I'd also be fine with us putting in a form for us to be concurring with a previous recommendation of the auditor. But I'll put it forward directly, and if you're more amenable as committee members in a form of concurrence, we can do that. But my motion's as follows. I move:

That the Standing Committee for Public Accounts call on the Government of Saskatchewan to use the summary

reporting entity as the primary basis for reporting its financial plans and results.

**The Chair:** — So we have a motion before us. Mr. Wotherspoon has moved:

That the Standing Committee for Public Accounts call on the Government of Saskatchewan to use the summary reporting entity as the primary basis for reporting its financial plans and results.

Are we ready for the question? Mr. Hart?

**Mr. Hart:** — Yes, I'd like Mr. Wotherspoon to explain what he means by summary entity. The government has been reporting on summary financial statements for quite some time. And the previous government, you know, I think in the year 2004 or '05, the previous government did report on a summary financial basis, so a statement. So what is it that you mean, summary entity?

**The Chair:** — Just to note that the motion refers to the primary basis for reporting, but I'll let Mr. Wotherspoon speak to that.

**Mr. Wotherspoon:** — So I think the important point is that, and what's been highlighted in the past, is that there's these two sets of books, the summary being the full picture and then that government then sometimes picks and chooses what they're going to communicate. But often government's communicating from the GRF.

So my recommendation, and it's a recommendation that I guess is one that's been brought forward by the Provincial Auditor, is that the summary financial entity is the primary reporting basis. If that were the case, from my perspective, and the auditor could clarify, it would then be inappropriate for, as we see quite often, for government in a news release to be highlighting the financial picture from a GRF perspective. And we see that often as government talks about purported surplus. We see it often as well as when they're trying to communicate about debt, and we see it in advertisements on TV run by government, also in news releases, and I believe also in billboards we've seen it. So it would be consistent with the auditor's recommendation that we have one focus, primary focus — that's the summary financials.

**The Chair:** — Mr. Moe.

**Mr. Moe:** — I don't see a basis for this motion. As you go across Western Canada you hear of governments talking about core government services, taxpayer funded services, operational services. There's to me no basis for this motion. The government already does report on summary financial statements and for those reasons I'll be not supporting this motion.

**The Chair:** — Mr. Hart?

**Mr. Hart:** — Yes, Madam Chair. Actually the very last chapter that we have not yet dealt with, chapter 51 of the 2013 volume 2 report on our agenda study, it deals with some of this as far as comparisons of what is being done in other provinces. And I would find it quite difficult at this point in time . . . Until we actually deal with and review the information in that chapter, it

seems to me we should either adjourn debate on the motion until we deal with that chapter or at least defer the vote until we have a full discussion on chapter 51.

[15:00]

Now I'm not so sure whether we have time to deal with that today, Madam Chair, in light of the fact that we need to deal with the auditor's budget, and if committee members would be open to the suggestion that we adjourn debate on Mr. Wotherspoon's motion until we have had some time to deal with chapter 51 in depth so that we have a full understanding of what it is other provinces are doing, because there is some variability in what they do.

I know Alberta instituted or brought forward or at least changed or modified the way they present their financial statements, and I would really like to understand what it is they are doing. And I did see when I looked at it very briefly that there is some differences that exist between the provinces. And so I would at this time just simply make a motion that we adjourn debate on Mr. Wotherspoon's motion and that it would be brought forward after we discuss chapter 51, hopefully possibly at our next meeting.

**The Chair:** — Thank you, Mr. Hart. I understand because there is a motion on the floor that we have to vote on that motion. So would we . . . Question?

**Mr. Wotherspoon:** — Could I just respond to . . . [inaudible] . . .

**The Chair:** — Yes, quickly.

**Mr. Wotherspoon:** — So it was suggested by one of the members that each province is doing things differently and to some extent there's some of that within an internal budget. But what they're . . . When they're communicating with the public, it's my understanding that they're compliant with public sector Canadian GAAP and that they're reporting on a primary basis being the summary focus and that we're out of line with the rest of Canada on this front. And this is a well-documented issue to this Assembly, to this committee, and certainly the recommendation that I'm putting forward isn't a new one.

I do look forward to some of the interprovincial comparisons of how information's provided. That's a good discussion for us. I found it . . . I mean as well there should be improvements where once we shift to a summary basis of course, we shouldn't be in the middle of summer with a quarterly report that's just the GRF. And I think we're going to find some of that when we look at the interprovincial comparisons, but with all due respect, we're out of line with the rest of Canada. This isn't a new position, and I call for us to certainly vote on the motion and to support the motion.

**The Chair:** — I just need one moment for clarification with my support staff. Thank you for your patience everyone. I appreciate that. I was mistaken. Mr. Hart's motion to adjourn the debate on this motion is in order. So I guess Mr. Wotherspoon can speak to that.

**Mr. Wotherspoon:** — I find it, you know, these are matters that have been before us for a long time. They're ones that are

well understood to members around the table, around not reporting on a summary basis, and I see absolutely no reason for us to not be able to vote and consider this item here right now.

I do look forward to some of the discussions we're going to have in the interprovincial comparisons. They do, many provinces do have strengthened reporting as well, sharing the summary at the quarters as well. I'd certainly like to see that as well.

But the motion I brought forward is an important one. It's straightforward. And I'd ask actually the hon. member to consider allowing a vote to occur, and I have no problem with taking a little extra time today if need be as well. And I do look forward to future meetings on some of the other items. But this is of no surprise, this position of the auditor, and one that I believe we should be supporting.

**The Chair:** — Mr. Cox or . . .

**Mr. Hart:** — Madam Chair, would you read the member's motion once again? We've had a lot of discussion and it's sort of . . .

**The Chair:** — I would read the . . .

**Mr. Hart:** — Please read the member's motion just for my . . .

**The Chair:** — Okay. We've now moved adjournment of that motion so we're on the debate of your . . .

**Mr. Hart:** — All that I would like you to do is read the member's motion, and I will reconsider whether I'd like to withdraw my motion to adjourn debate. Okay? Could you do that, please.

**The Chair:** — Okay, fair enough. You bet. Thank you. Mr. Wotherspoon . . .

**Mr. Hart:** — Seeing that I don't have a written copy in front of me.

**The Chair:** — Okay. Mr. Wotherspoon moved:

That the Standing Committee for Public Accounts call on the Government of Saskatchewan to use the summary reporting entity as the primary basis for reporting its financial plans and results.

**Mr. Hart:** — Okay. Madam Chair, I will withdraw my motion to adjourn, and let's deal with the motion. Thank you.

**The Chair:** — Thank you, Mr. Hart. So we have a motion before us I've just read. What is the committee's will? Who is in favour of this motion? We can record the vote. Mr. Wotherspoon. One in favour of the motion. Now who is opposed to the motion? We have five opposed. Defeated. Mr. Hart abstained.

So moving on to section 51. And thank you everyone for your patience here. I will pass this off to the Provincial Auditor to give us further information.

**Ms. Ferguson:** — And actually I'm going to ask Ms. O'Quinn to present chapter 51 of our 2013 report volume 2.

**Ms. O'Quinn:** — Thank you. I'll be very brief. Chapter 51 of our 2013 report volume 2 compared Saskatchewan's finances on a summary basis to other provinces for five key indicators. The intent of this chapter is to help legislators and the public better understand Saskatchewan's summary financial statements.

We noted that Saskatchewan's overall financial condition was more favourable than most other provinces. We also noted that the extent of information provided in Saskatchewan's 2013 financial statement discussion and analysis was average, and the content of Saskatchewan's 2012-13 summary budget limited the ability to be able to provide meaningful comparisons of planned and actual results. That concludes our overview.

**The Chair:** — Thank you, Ms. O'Quinn. Ms. Isman, do you have some comments?

**Ms. Isman:** — Thank you, Madam Chair, just briefly as well. Government's very committed to full and transparent financial reporting to the public, and we always look at ways to improve public accountability in the FSD&A [financial statement discussion and analysis]. We modify it on a regular basis, and we appreciate the comments of the Provincial Auditor's office.

**The Chair:** — Are there any questions? Opening the floor to questions. Seeing none, that would conclude our considerations of 2013 report volume 2, chapter 51, and the others actually as well on which we had no recommendations here this afternoon. That concludes our consideration of those as well. Thank you to the Ministry of Finance officials here today, and thank you for your patience with a brand new Chair as well. So we will take a five-minute recess and come back to do the rest of our work this afternoon.

[The committee recessed for a period of time.]

### **Provincial Auditor Business and Financial Plan for the Year Ended March 31st, 2015**

**The Chair:** — Welcome back, everyone. And we will now be looking at the Office of the Provincial Auditor *Business and Financial Plan for the Year Ended March 31st, 2015*. So I will hand it over to Ms. Ferguson. Do you have any comments or opening statement that you would like to make?

**Ms. Ferguson:** — I do. What I'd like to do first is introduce the officials I have with me this afternoon. I've got Angèle Borys on my right here, Angèle, and behind me I have Heather, and Kim Lowe. Angèle is our office's chief operating officer, deputy provincial auditor. Heather is our office manager, and Kim you've met before as liaison with this committee.

I've actually got a few opening comments I'd like to make and then turn it over to questions. So hopefully maybe in some of my opening comments it might explain some of the areas that you may have questions of.

So this afternoon as the Acting Provincial Auditor I have the privilege of presenting the office's *Business and Financial Plan*

*for the Year Ended March 31st, 2015*, that's required under *The Provincial Auditor Act*. The Speaker tabled this plan on December 16th, 2013, and it's publicly available on our website. The plan contains information that's required by *The Provincial Auditor Act* along with additional supporting information to assist you, as members, in understanding our budget request and our upcoming plans.

This plan sets out the work that's necessary and required to discharge our responsibilities under *The Provincial Auditor Act*. It includes our request for resources for the year ended March 31st, 2015, for the committee's consideration and approval for submission to the Speaker and in turn in the inclusion of the estimates to be tabled in the Legislative Assembly.

We prepared the business and financial plan using the Public Sector Accounting Board's statement of recommended practices, SORP-2, called *Public Performance Reporting* as published by CPA [Chartered Professional Accountants] Canada. CPA Canada was formerly known as the Canadian Institute of Chartered Accountants. Use of the statement helps ensure our office provides the members with relevant information to assess our request for resources.

You'll find that the plan contains three main sections. I'm going to provide a brief overview of each and focus on actually section 2.0 which is our 2014-15 funding request.

Section 1, the Office of the Provincial Auditor. This section starts actually on page 1. This section briefly describes the office, including who we serve and what we do. The Provincial Auditor establishes the office and sets out its key responsibility. This section highlights our responsibilities to the Legislative Assembly and the relationship between our office and this committee.

You will find that this plan is essentially a status quo plan given that the office does not currently have a permanent Provincial Auditor. This means in the 2014-15 plan the office's goals, objectives, services, and planned organization structure are unchanged from the 2013-14 plan approved by this committee. Currently the office is in year 3 of a five-year strategic plan, and that plan was developed in 2012 under the prior provincial auditor. The full plan, the 2014 to 2017 plan, you can find that in section 4.6 of the *Business and Financial Plan* before you.

The second section I want to highlight is section 3.0. It's our annual work plan for 2014-15 with supporting schedules. This starts on page 17. This section includes our audited financial forecast, along with key supporting schedules such as our 2014-15 work plan, and that starts on page 26.

The office has provided this committee with an audited financial forecast each year since 1999, and in 1999 the Board of Internal Economy had requested that our office provides an audited financial forecast. So in doing that, this committee's received an audited financial forecast for the last 16 years. The audit report on that financial forecast provides you, as legislators, with assurance or advice independent of our office, that the information that we provide you is reliable.

Section 3.2, if you look on page 19, it contains the current audit report and it's a Virtus Group, and it's an unqualified audit

report on the financial forecast for the year ended March 31st, 2015. It reports that our financial forecast is consistent with and reasonable in relation to our annual work plan and our strategic plan.

The financial forecast on page 20 details our planned 2014-15 revenue, our planned expenses, and then you'll find in note 7 on page 23 our planned expenditures. We used *The Provincial Auditor Act*, the strategic plan, and a risk-based model to set our priorities and allocate resources when developing our annual work plan, and in turn in developing our annual fiscal financial forecast.

We also recognize that a number of external factors affect our expenses. These include changes in the government agencies, the quality of their management, the use of appointed auditors, changes to accounting and auditing standards, employment market for auditors, cost of living adjustments provided to the Saskatchewan Public Service, and the impact of changes in operating costs and leasing costs, on our leasing costs.

The last section I want to highlight is actually section 2.0, and that starts on page 9. That's our 2014-15 funding request. And that's the key section that needs, that requires the consideration of this committee. This section sets out the request for resources for the year ended March 31st, 2015. The request is based on the revenue amount reflected in our audited financial forecast which is in that section 3.0.

Consistent with *The Provincial Auditor Act*, the request includes two appropriations. The first is our main appropriation, and as noted on page 10, for 2014-15 we are requesting \$8.205 million. This reflects a \$268,000 increase from our prior business and financial plan, or a 3.38 per cent increase. As set out in section 2.2, appropriation, starting on page 10 of the plan, this increase is comprised of increases in four items offset by decreases in two items. Each of these items are as follows.

First, the increase of \$304,000 for cost of living and market factors affecting salaries. For our office, our employees are our most valuable resource. To remain competitive, our salary costs include some market adjustments and general salary increases that match those authorized by the government in June 2013 for its public service. That is 2 per cent at April 1st, 2013 and 1.25 per cent at April 1st, 2014.

The second item is an increase of \$14,000 for employer pension plan premiums. This matches the increase that the government authorized in June 2013 to increase employer pensions for its public servants by 0.25 per cent effective April 1, 2014.

The third one is an increase of \$11,000 for the Provincial Auditor's salary. This one also reflects an increase that the government has provided, and it has provided this increase to deputy ministers and acting deputy ministers effective April 1, 2013. We estimate the Provincial Auditor's salary based on the formula set out in *The Provincial Auditor Act*.

I would like to note that each of these three requests include items that were not in our 2013-14 business and financial plan even though they are 2013 decisions, and the reason for that is that that 2013-14 plan was prepared and considered by this committee prior to the government making those decisions. So

we've got a bit of a lag occurring there.

The fourth item that's increased is a \$10,000 increase for escalation costs included in our lease. As Ms. Lysyk has previously advised this committee at its January 31st, 2012 meeting, our office has entered into a 10-year lease in December of 2011. This lease includes escalation clauses related to the building's operating costs, and the \$10,000 relates to that.

The two items for decreases, the first one is a decrease of \$53,000 related to the costs to co-host the 2013 CCPAC [Canadian Council of Public Accounts Committees] CCOLA [Canadian Council of Legislative Auditors] National Conference. And as a province we host this conference about every 10 to 11 years so we don't need this funding again for the current year.

The second decrease is a decrease of \$18,000 and it's related to the net impact of government agencies that were wound up. As previously noted, changes in government agencies can affect our annual work plan. Section 4.1, which is on page 34, provides the detail of changes in government agencies known at October 31st, 2013. And that's the date that we prepared the plan.

Our office plans to absorb the impact of costs of changes in audit methodology and the impact of inflationary costs other than those I've just noted above.

The second appropriation for the committee's consideration is the appropriation for unforeseen expenses. *The Provincial Auditor Act* requires the inclusion of the second appropriation with the estimates presented each year. Its purpose is to provide resources to the office to respond to unforeseen circumstances such as unplanned work, which may include requests from this committee, pressure to improve the timeliness of our work, and unplanned salary and benefit increases.

[15:30]

When the office uses this appropriation it reports the amount that it has used, and why, in its annual report on operations. All amounts not used are returned to the General Revenue Fund.

As noted on page 11, for 2014-15 we are requesting \$547,000 for unforeseen expenses. Consistent with prior years, our request reflects a net financial asset target of one month's salary and benefits.

In closing, with respect to 2013-14, which is our current year, as noted on page 20, we expect to use all of our main appropriation, and that appropriation's \$7 million, \$7.948 million, and return to the General Revenue Fund \$372,000 of the appropriation for unforeseen amounts. That concludes my presentation and we'd be pleased to respond to any questions you may have.

**The Chair:** — Thank you, Ms. Ferguson. I'd like to open the floor for questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — The budget — and thank you very much for the presentation — the budget that was put forward was

considered a status quo budget, I believe you characterized it as. Is that correct?

**Ms. Ferguson:** — It's based status quo in the aspect that what we're doing is we're not changing any of the nature of the work that we're doing. We haven't made any changes in our organizational structure, in our level of staffing, and it's to fund sort of the existing type of work that we're doing with the existing staff that we have.

**Mr. Wotherspoon:** — And could I ask the current proportion in Saskatchewan of your office that you're doing of performance audit or financial integrated audit?

**Ms. Ferguson:** — Sure. Let me provide a bit of context in that the term performance audit actually is subject to interpretation right across Canada. You'll see that different offices use different terminology and they measure it quite a bit differently. Our office, we're sitting around about at 18 per cent in terms of work that we do that's not financially related, you know, if we can couch it in that term. The work that we do each year as a part of our annual integrated office, some of that work where we touch on compliance with legislation and looking at the adequacy and effectiveness of controls that are financially related, in some other jurisdictions they would call that performance work too. So that definition is a little bit variable across Canada.

**Mr. Wotherspoon:** — So how do we hold up as compared to the other offices? Obviously that might be very difficult for you then if what's categorized as value for money or performance audit is different in each jurisdiction. So is it not really . . . It's difficult to . . .

**Ms. Ferguson:** — It's challenging to do the comparison, you know, but I think it is fair to say that we've actually, we do a modest amount of performance work relative to some of the other jurisdictions. Some jurisdictions, they do very few audits of the financial statements of government entities and some jurisdictions, they don't have very many financial statement audits to do because the government has less government agencies. So it's very hard to do a direct cross-comparison across Canada in that regard.

**The Chair:** — Mr. Moe.

**Mr. Moe:** — Just to my recollection from last year I thought it was indicated that the goal was to get to 20 per cent on . . . Is that correct?

**Ms. Ferguson:** — Yes, the goal that's set out in our five-year strategic plan is to get to 20 per cent by 2017.

**Mr. Moe:** — And I think . . . Were we at 15 per cent a year ago when we were in this meeting? And if we're at 18 per cent now, you're quite close to your goal.

**Ms. Ferguson:** — We were at 17.

**Mr. Moe:** — Seventeen last year, okay.

**Ms. Ferguson:** — Seventeen. So this one we're at 18 and it's really a matter of numbers and rounding.

**Mr. Moe:** — Sure. Just one question. Could you explain to me again — and I know it was explained last year — but on the second appropriation, which is 547,000 this year, could you just explain precisely again what that appropriation is, what the reason for it is?

**Ms. Ferguson:** — Sure, I most definitely can. The appropriation actually flows right out of *The Provincial Auditor Act*. It is a requirement in the Act, and basically what it is, is that when we present our budget, we present two budgets, two requests at the same time. The second one really is to provide . . . The way I like to look at it is almost pre-approval of a supplementary estimate, you know. So instead of us as an office coming back when we do hit something that's unforeseen, instead of us having to come back and reconvene, or conversely to ask government for funding, which would be not really appropriate given it's an audit function, at this point in time you're asked to consider what that amount may be. And so because we get pre-approval from it, there's a back end obligation on our part to make sure that we explicitly set out in our annual report on operations how much we're using and what we're using that for. So there's a . . . It closes the loop on the accountability process.

**Mr. Moe:** — Okay. And I think you had alluded to it by with regards to 2014, last year, there was some of that that was used. What was that used for? It started at 509 and then there was 372 returned to the GRF.

**Ms. Ferguson:** — That's right, you know. So as I indicated in the presentation, the government last year had made a number of increases to the COLA, cost of living adjustments. And so what we do as an office, we match that. And so when the government made those increases, we've actually implemented those increases effective April 1. And so those aspects were not included in our budget. And also we've done a little bit of already — last year already too — we were doing some market adjustments to keep our competitive salaries for our staff from a retention point of view.

**Mr. Moe:** — And then that would lead, those market adjustments would lead into the bulk of the request for today?

**Ms. Ferguson:** — Exactly, yes.

**The Chair:** — Mr. Cox.

**Mr. Cox:** — Thank you, Madam Chair. Just a couple of questions. Judy, last year we approved 7,937 estimate, and you've got 7,948. I'm looking at page 20.

**Ms. Ferguson:** — Yes.

**Mr. Cox:** — But we also approved 520 and you only took 509. Has that 11 just been put up one line? Is that what happened there?

**Ms. Ferguson:** — Can I ask you to repeat the question?

**Mr. Cox:** — Okay, sorry. On page 20, the appropriation you show on this statement of operation as being 7,948. But we approved 7,937 and we also approved 520 contingency, and you only show 509.

**Ms. Ferguson:** — Yes. So the difference between what you approved and what's being reflected actually is the Provincial Auditor's salary. If you recall, this Provincial Auditor's salary is a statutory appropriation. It's based on the formula set out in the Act. And when you crunch it through, it's actually \$11,000 different from what we had estimated it to be. You'll also see that was reflected in the General Revenue Fund last report too.

**Mr. Cox:** — So it just come out of the contingency and got put into the total appropriation?

**Ms. Ferguson:** — Exactly.

**Mr. Cox:** — Thank you. Another quick question, if I may. What's the difference between the statement of operations and the schedule of revenue expenditures?

**Ms. Ferguson:** — Actually the key there is if you go back to the statement of operations. Can I take you back to page 20 for a moment, please?

**Mr. Cox:** — Yes.

**Ms. Ferguson:** — So if you look, it's got revenue and expense.

**Mr. Cox:** — Yes.

**Ms. Ferguson:** — Okay. And the statement of revenue, it's revenue and expenditures. Okay? So the difference is really . . . Revenue — exactly the same in both statements.

The difference is between expense and expenditure. Expenditure, what you do is you actually include the amounts for purchasing tangible capital assets, and you ignore what you're doing for prepaids. Like, for example, for our . . . We don't have very many prepaids. But, for example, if we have somebody that's going on a course in April and we happen to pay that course conference fee or course fee in March, that would be included as an expenditure, but it would not be included as an expense because we haven't received the service. So it's the difference between the . . . It's an accounting . . .

**Mr. Cox:** — Yes. That's what we figured it was. Thank you. That covers it.

**Ms. Ferguson:** — That's the accounting 101 thing, yes.

**Mr. Cox:** — Yes, that's right. Okay. Thank you.

**The Chair:** — Any further questions? Going once . . . Oh, Mr. Wotherspoon.

**Mr. Wotherspoon:** — So I mean of course thank you so much to yourself as our acting auditor and to all of the staff of the Provincial Auditor's office. I know, I mean it's a . . . We sit down, as I was saying, we sit down with Saskatchewan businesses. We sit down of course with the public sector. And we hear about the challenges in retaining the professionals. You spoke to that a little bit here today, keeping the capacity that you require within the office.

Could you just speak to I guess how you're feeling your office is doing in ensuring the capacity that you need now and also

building out the proper succession and supports moving forward in what is I know a very competitive industry. So I give you credit for maintaining that capacity. You spoke a bit to it. But maybe just give us a bit of an assessment of your office.

**Ms. Ferguson:** — Thank you for the question. For our office, as I indicated, actually our, you know, basically the quality of our staff is really the bread and butter for our office. And we have to be very alert to what we can do to not just keep the people that we have but plan for their retirements, because we do have some impending retirements in terms of succession planning, but attract people into the door. And a lot of that is actually to try to make sure that we offer competitive salaries, you know — and the benefits actually were tied pretty well into what the public service is offering — but also a workplace that is a challenging workplace and a desirable workplace to work at.

What we, on the salary front, what we do is we monitor very closely what the public service is doing in terms of its salary. We're also very alert to the salaries that are offered by the Crown corporations and the industry, the accounting industry and the auditing industry in Saskatchewan. And we're finding actually, you know, it's tight. You know, it's tight. I think what we really have to do is try to stay in the ball game. We're never going to be a leader by any stretch, but we have to make sure at least we're in the ball game. And that's what we're trying to do with this request here, is to keep in the ball game.

We do recognize that particularly the new CAs [chartered accountant] that have about two and a half to three years of experience, we're finding that if they want to work someplace else, it's not very hard for them to find that job someplace else. And they're going for, you know, a significant increase in salary when they leave our office at that stage. I think it can be anywhere between 60 to \$100,000 increase in . . . [inaudible] . . . is what they . . . Did I say that right? I don't think I said that . . .

**A Member:** — Salary, not difference.

**Ms. Ferguson:** — Salary, yes, salary, which actually for us it's a huge increase anyhow. Like it's a significant increase for them. So for us it's to keep in the ball game, you know, in terms of that salary.

Over and above that, what we're trying to do too is offer them challenging work and diversity in what they're doing, you know. And that's actually where, as an office and as an audit office, the different types of audits that we do, it's a very attractive environment because it's very much of a learning environment. When you're entering into like the things that we talked about this morning, looking at regulatory aspects for drinking water, it takes a bit of homework to do. Yes, we do engage specialists, you know, to help us in those engagements where we don't . . . but we try to leverage our staff as much as possible. So we try to create a learning environment, but at the same time be respectful in terms of the audit costs.

Next to that really is trying to make sure we have a work-life balance and that what we're expecting of staff is reasonable expectations of them.



**Mr. Wotherspoon:** — Thank you very much.

**The Chair:** — Mr. Cox, yes.

**Mr. Cox:** — Just in light of that, and I commend you, I look at your average cost per hour, audit hour, and I commend you for holding that at basically a \$3 increase. Last year it seems to me I remember you said it was 69,000 hours of audit time. This year, if I did my math correctly, it's about sixty-nine nine. Is that correct, off the top? Okay, the question, do you forecast or foresee more hours coming up next year?

**Ms. Ferguson:** — As any organization, we're always looking for efficiencies. And you know, really our audit office is that's what we're supposed to be doing is auditing, right, you know?

And so what we're trying to do is keep our administration as lean as we can, and the areas that we'd look at is administration. We look at what we're doing for training. This year what we did is we identified an opportunity of shifting some time that we were spending and dollars that we were spending on training and moving them into audit. And part of that is sort of where we are at in terms of our succession planning training and also the number of students that we have in the office. So it's a matter of looking for those opportunities. So it's hard to say in terms of crystal-balling the future, it's always a continuous look.

**Mr. Cox:** — But nothing on the horizon that would make you think that you're going to have to increase at this point?

**Ms. Ferguson:** — No, no.

**The Chair:** — Mr. Moe.

[15:45]

**Mr. Moe:** — Just with relations to this year's in comparisons to last year's, I think last year was presented, 8.463 million was the total appropriation with both of them added up. And then it was forecast for 2015 to be 8.410 million, which I thought at the time was odd that it was less than what was being asked for in the current year. Correct me if I'm wrong, but now it was mentioned during that meeting that there was this market . . . there had to be some adjustments for the employees of the Provincial Auditor's office to make up for the . . . to make the market competitive, so to speak. And that's about what I see here today in the increase, is roughly about that 300,000 that you alluded to in your preliminary comments to bring it up to 8.758 million here today. That would be a correct statement?

**Ms. Ferguson:** — Partially in that really the market adjustments really only amount to probably about 100,000 of that three. The other relates strictly to the COLA.

**Mr. Moe:** — Okay.

**Ms. Ferguson:** — You know, it's the numbers in terms of, and it's really because it's a lag, that catch-up. We're dealing with two years of COLA adjustments in one budget.

**Mr. Moe:** — Okay. And then, so then moving forward to the 2016 year projection, it's up slightly. But will that take, will

that number take into account any immediate future market-based changes that you'll think you'll need to stay competitive in into the future?

**Ms. Ferguson:** — That one, actually what that's doing is that's adjusting for the COLA increase that was included in the January 2013 announcement by the government. They actually had a 2015 one there, and it doesn't really . . . It takes our existing organization structure and just pushes it out. So not in a direct aspect.

In terms of market adjustments, we're really having . . . we're already . . . When you stop and pause, we're preparing this in October for something that happens 18 months away. So from a market adjustment, it's always a revisit every time you have to do this. And looking at the compensation surveys that are out, and typically those are always usually a lag behind too. So you know, it's a continuous look every year.

**Mr. Moe:** — Okay. Understood.

**The Chair:** — Any further questions? Seeing none, we have a few motions that we need to take care of. If someone was willing to make them, I'll read the motion. If someone is willing to make the motion:

That the 2014-2015 estimates of the Office of the Provincial Auditor, vote no. 28, Provincial Auditor (PA01) be approved as submitted in the amount \$7,983,000.

Mr. Cox. Mr. Cox has moved:

That the 2014-2015 estimates of the Office of the Provincial Auditor, vote no. 28, Provincial Auditor (PA01) be approved as submitted in the amount of \$7,983,000.

Is that agreed upon?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. Okay. I have a second motion here:

That the 2014-2015 estimates of the Office of the Provincial Auditor, vote no. 28, unforeseen expenses (PA02) be approved as submitted in the amount of \$547,000.

Do I have a . . . Is someone willing to move that motion? Mr. Moe. Mr. Moe has moved:

That the 2014-2015 estimates of the Office of the Provincial Auditor, vote no. 28, unforeseen expenses (PA02) be approved as submitted in the amount of \$547,000.

Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I have a third motion here:

That the estimates of the Office of the Provincial Auditor

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

Do I have someone willing to move that motion? Mr. Cox. Mr. Cox has moved:

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

Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Do we have any further comments from the auditor?

**Ms. Ferguson:** — I'd just like to say thank you to this committee for supporting the appropriation and also supporting the office. We greatly appreciate that. Thank you very much.

**The Chair:** — Thank you. The time of adjournment has passed, and we will meet next at the call of the Chair. So thank you to the Provincial Auditor and all her staff and to everybody else. So thank you.

[The committee adjourned at 15:50.]