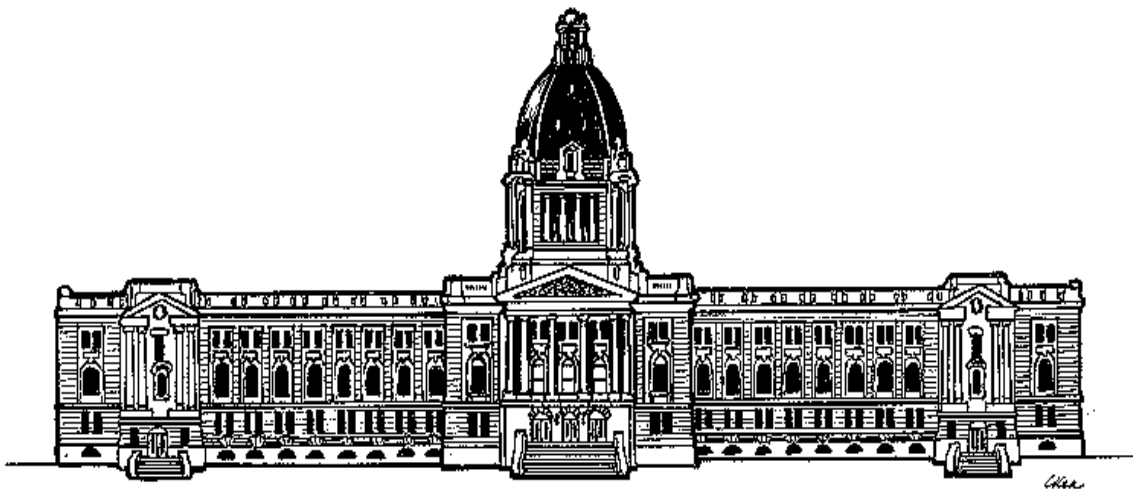




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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**Legislative Assembly of Saskatchewan**

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Ms. Danielle Chartier, Chair  
Saskatoon Riversdale

Mr. Paul Merriman, Deputy Chair  
Saskatoon Sutherland

Mr. Larry Doke  
Cut Knife-Turtleford

Mr. Glen Hart  
Last Mountain-Touchwood

Mr. Warren Michelson  
Moose Jaw North

Mr. Rob Norris  
Saskatoon Greystone

Mr. Randy Weekes  
Biggar

Mr. Trent Wotherspoon  
Regina Rosemont

[The committee met at 08:01.]

**The Chair:** — Good morning, everybody. Welcome to Public Accounts. We have a few items on the agenda here today, but first I'd like to introduce the members here. We've got Trent Wotherspoon, Glen Hart, Larry Doke, Randy Weekes, Warren Michelson, Rob Norris, and Paul Merriman. So welcome.

I'd like to advise the committee that pursuant to rule 142(2), the following document was deemed referred to the committee on October 17th, 2014: that's Public Accounts 2013-14 volume 2, *Details of Revenue and Expenditure*. And copies have been distributed to members.

I'd like to say welcome to the officials from the Provincial Comptroller's office today. We've got Terry Paton who is the Provincial Comptroller, and Chris Bayda who is the executive director of the financial management branch. So welcome this morning.

And I'd like to introduce, we have here with us from the Provincial Auditor's office Mobashar Ahmad which I should know your . . . the Deputy Provincial Auditor. The Acting Provincial Auditor is unable to be here this morning, Judy Ferguson, due to a family emergency. So Mr. Ahmad will be presenting on her behalf and on behalf of the auditor. So with that, I would like to pass it off to Mr. Ahmad to tell us what we'll be talking about today.

**Mr. Ahmad:** — Thank you and good morning, Madam Chair, members, and officials. With me today I have Mark Anderson — he's executive director in our office; Kim Lowe — she's a liaison with the committee; and we have Shokoufa Toukhi — she's executive intern from Johnson-Shoyama graduate public school.

This morning Mr. Anderson will present with an overview of two studies in our 2013 report volume 1 and 2 about governance of regional health authorities and school divisions. But first for the record, I want to thank all members and senior management of regional health authorities and school boards who responded to our governance survey. I also want to thank deputy ministers and the staff of both ministries for their co-operation.

Madam Chair, there is no recommendation in these two studies. Mr. Anderson.

**Regional Health Authorities — Board Governance Survey  
Boards of Education — School Board Governance**

**Mr. Anderson:** — Good morning. Effective governance is of particular importance for both regional health authorities and school divisions due to the high value that people place on the health care and education systems. Each of these chapters presents summarized results. More detailed results are available on our website.

Our surveys were not audits or evaluations of these boards. Rather, through these surveys we intended to increase awareness of current governance practices of these boards. We surveyed board members and selected executives of each sector

to gain an understanding of the state of board governance in each sector, to identify issues as perceived by board members and senior management, and to identify opportunities to improve governance practices. The study results offer insights into what is working and areas where governance training could be enhanced. We encourage board members and senior management from these sectors to consider their respective studies as a resource for discussions with management and their related ministry. I will talk briefly about each one.

First, the health sector. Chapter 30 of our 2013 report volume 1, on pages 315 to 330 presents selected findings of the governance survey we conducted at 12 regional health authorities, which I'll refer to as RHAs, and the Athabasca Health Authority. The survey took place over November and December 2012. The selected results section of the chapter starting on page 317 outlines nine governance attributes. We describe each attribute and then outline results for each.

So some results that you may find to be of interest include the following, and I'll just highlight some selected ones. Board members view that they are primarily accountable to the residents in the health region as opposed to the minister. Board members identified leadership skills and financial expertise as the largest gaps in skills on their board. Over one-half of senior management indicate that they are unsure whether the government takes these identified gaps of skills into account when appointing new board members. About two-thirds of senior management indicate concerns over the capacity of board members to review and sufficiently understand financial information. Boards and senior management agree that board member participation on the board is strong and that they work well as a team. Most board members believe that opposing views enhance discussion and contribute to decisions. Most members were satisfied with the quality and timeliness of information that they received from management. With respect to governance training, while most expressed satisfaction with training the ministry offered with respect to governance, they wanted more governance training and capacity-building opportunities. Most members of the boards and senior management suggested their relationship with the ministry could improve.

Now highlights and findings from the education sector found in chapter 50 of our 2013 report volume 2, on pages 329 to 341. Again it presents selected results from our survey of board members and selected executives of boards of education, and by that I mean school boards. The survey took place over May and June 2013.

Again we outline the nine governance attributes, describe each attribute, and outline results for each. Some results that you may find to be of interest include the following . . . And actually I would say that to a large extent the findings were similar to those in the health sector, but there were some interesting differences.

For the education sector, in most cases the board and senior management agreed on the various areas that we inquired about. This is a difference, so the results for the health sector, which I had mentioned earlier, indicated that there were different perspectives between the board and senior management on

quite a few issues.

Similar to the health sector, board members view themselves as being primarily accountable to residents of the division as opposed to the minister. Board members in both the health and education sectors identified the same skill areas as being the most important. And those were leadership, representation of community values and ethics, and representation of community demographics.

Almost all board members indicated they felt appreciated and valued. Board members and senior management agreed that the board participation was strong. Unlike the health sector results, in education both board members and senior management indicated that decision making was difficult because some board members represented special interests.

A higher proportion of board members in the education sector than in the health sector indicated that they were sometimes required to make immediate decisions on information received at meetings as opposed to before meetings.

Views on governance training were also similar. They found in the education sector that training was useful, but they wanted more. A significant percentage of members and executives in the education sector indicated that the public did not adequately understand the mandate of the school division and the issues that were faced. Similar to the health sector, they indicated that the board needed a better relationship with the minister and ministry. Overall each study provides a snapshot of the state of governance for each sector.

We understand each ministry has been using the results as a resource for dialogue and for identifying areas to focus additional governance training. That concludes my presentation.

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

**Mr. Wotherspoon:** — [Inaudible] . . . to confirm. This is a really good work and interesting analysis. I just want to make sure I'm interpreting this data correctly. If I go to table or figure 11 regarding external relationships in your chapter 30 as it relates to health region governance, am I reading this correctly? The one question is that, are board members, and then it's also put to the executive, are they satisfied with how the minister meets directly with our board, is the question. And it would seem that the board members that have been surveyed, is that correct that only 20 per cent would be satisfied on that front?

**Mr. Anderson:** — Yes, it looks like just over 20 per cent indicate satisfaction, agree with the statement.

**Mr. Wotherspoon:** — And then the executive is a little bit higher, but probably just under 30 per cent, maybe 25 per cent or so. Do you have the exact number on that one?

**Mr. Anderson:** — Yes, as I'm looking at the table, it looks like slightly more executives than board members agreed with that statement. What I don't have is the exact percentage in here. However we have that.

**Mr. Wotherspoon:** — Sure. Thank you. Well that's good

analysis, and I think it's important for the public at large and certainly for all members of the Assembly. Certainly if only 20 per cent of your boards for your health regions that are tasked with operating these boards and then executives just at 25 per cent are satisfied with the relationship or the amount that the minister meets directly with those boards, that's noteworthy in an area that would seem to be an area that could be improved and might also — this is from my perspective — speak to some of the disconnect we often hear, I'm sure as all legislators, of what may be going on on the ground and some of the pressures and realities and what the perception of cabinet or government or a minister is. But it's an interesting, interesting graph.

From looking at the school board analysis here to . . . A couple jump out as well and particularly as sort of how boards and how the education sector relates directly back to government. Of course it's important to always look at education as a shared partnership or as educational partners, from my view.

And one of the ones that really troubles me here — and I just want to make sure I'm reading this correctly — is from figure 2 because this is a partnership where these members are elected and they're an important, valued partner in making educational policy decisions and having voice. The one that really seems to stand out here is, the question is, the board gets adequate, timely feedback from the ministry on its strategic plan. And on that one there, well it's well below 20 per cent. It would seem that the executive, thus the administration, would be less than 10 per cent satisfied with that relationship, and the board itself would be less than 20 per cent. And these would be the elected boards for the 28 school divisions. Is that correct?

**Mr. Anderson:** — Yes.

**Mr. Wotherspoon:** — So this seems to me to be a place of . . . You know, we hear often — I'm sure we all do as members — about the lack of listening within the . . . of government to those that have elected responsibilities in this province, and I think that's in part one of those pieces that may speak to that in an area for improvement.

One of the other pieces that jumps out at me, and I just want to make sure I'm understanding it correctly, would be figure 3 around accountability. And the question that was put to school board members, I understand, and executive was: the minister and/or ministry provides school division with consistent messages about government expectations and priorities.

Now it troubles me, and I just want to confirm that these numbers are correct that are troubling me, but it seems that the administration of our school divisions would be satisfied or would feel that they get consistent messages from the minister or ministry at just over 20 per cent and the boards themselves under 30 per cent. It's maybe 28 per cent or so. Is that correct?

**Mr. Anderson:** — Those were the numbers that were the results of our survey at that time.

**Mr. Wotherspoon:** — Well certainly I mean this reflects what I often hear in meeting with school boards and educational partners. I'm sure other members hear this as well. It seems to me to be just one of those common sense areas of improvement. And I believe it's about valuing your educational partners, but it

also creates potentially a much more effective partnership to improve education. Those are just some of the pieces that jumped out at me.

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

[08:15]

**Mr. Merriman:** — Thank you very much, Madam Chair. I'm wondering if you have done anything as far as asking about local representation. The ministers responsible for both of these portfolios have, you know, hundreds of schools, hospitals, and health regions, and various subsets of that. What about the local representation?

Because I know in Saskatoon we meet with our school boards on both sides at least four to five times a year officially, and unofficially multiple times after that. And we've always touched base with them to say, if you have a concern or an issue, come through the local MLA [Member of the Legislative Assembly], and our responsibility as the local MLAs is to take that forward to the minister. So I don't see that represented in here. Obviously direct contact with the minister would be ideal in their eyes. But there's that local influence that needs to be there, and I'm wondering if you've taken that into account.

**Mr. Anderson:** — Yes. That's not a question that we asked in our survey results, so at this point the survey results pretty much speak to the questions that we asked.

**Mr. Merriman:** — Okay. Would it be something that you might consider in the future as part of your survey?

**Mr. Anderson:** — If we have plans to repeat the survey, we would definitely be willing to consult on different questions that we might want to ask.

**Mr. Merriman:** — Thank you. Because I think it's important that the local administrations touch base with the local representatives for the government. So just more food for thought than anything. But thank you for that.

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

**Mr. Hart:** — Thank you, Madam Chair. The question I'd have for the auditor is: is this the first time that this survey has been conducted with both the health region boards and the boards of education?

**Mr. Anderson:** — Yes, Madam Chair, to answer the question, this was the first time we had done this type of work.

**Mr. Hart:** — Okay. So then this is basically a snapshot in time. We don't have results of other surveys to compare to see whether things are improving. And in the areas where perhaps boards feel they aren't getting responses or direction from the ministries in adequate time, we don't really know how the current status compares to what has happened in the past.

And I guess and a follow-up question would then be, is it your intention to do another survey in two, three years in the future just so that we do have a bit of a trend line or at least we can compare the results of this survey and another survey that

would be done in the future?

**Mr. Ahmad:** — Madam Chair, we have not planned to do that this year. That doesn't mean that we won't be doing it in the future.

**Mr. Hart:** — No. And I don't, you know . . . In follow-up to that is I don't think it'd be necessary you'd do it every year but perhaps every two or three years so that we can then have some comparisons and so on. But no, I think this is a good initiative, and I would encourage, as I said, future surveys so that we have some comparisons.

**Mr. Ahmad:** — Certainly.

**The Chair:** — Mr. Norris.

**Mr. Norris:** — Madam Chair, thank you. Thanks very much. And I appreciate the opportunity to review this. One of the questions that I have relates to the methodology, especially on the education piece. I don't know if you would share the same concern that I do, but as offered in your overview of methodology, there were over 300 people that received the surveys. Just over 130 were completed, giving an overall response rate of 45 per cent. When we think about . . . And that breaks down for board members, 39 per cent. And if I'm reading this correctly, then it's higher on the executives, which is helpful. Just trying to understand and maybe receive insights from you about the low response rate and what that might do with some of these statistics that we're reviewing.

**Mr. Anderson:** — So sure. Thanks for the question. And, Madam Chair, what I would indicate is that the response rate in the education sector was lower than the response rate that we achieved in the health sector. The response rate nevertheless, compared to most survey instruments, is astronomically high.

But the question asked is a good one, and in fact we had calculated confidence levels and confidence intervals for the various groups and subgroups that made up the responses. And we have those because definitely any time you have response rates to a survey, and you always have response rates to a survey, but the response rates inform the data that you're reporting.

**The Chair:** — Mr. Norris.

**Mr. Norris:** — Yes. Thanks very much. Essentially what you're saying is statistically these are sound. And that's very helpful for us.

Any ideas about how you might be able to achieve a greater response rate? As I say, especially when I look at it from board members, I think it's just below 40 per cent when we drill down to specifically in that area. I'm interested in what some of those barriers may have been for us to receive feedback from especially board members but not exclusively. Thank you.

**Mr. Anderson:** — Madam Chair, to answer the question, as Mr. Ahmad noted, at this point for the current year we don't have a plan to repeat the survey. But if our work does involve looking again at doing a survey like this, we'll be looking at all possible measures to increase the response rate using all

communication vehicles at our disposal. And we had the assistance, as Mr. Ahmad noted, of the deputy ministers and the officials at the ministries. We would rely on that again as well as other participants in the sectors to try and get the message out as to how important this is.

**The Chair:** — Thank you, Mr. Anderson. Are there any further questions on these two chapters? Seeing no further questions, I'm wondering if I could have a motion to conclude consideration of the 2013 Provincial Auditor report volume 1, chapter 30 and the 2013 Provincial Auditor report volume 2, chapter 50. Mr. Merriman.

**Mr. Merriman:** — Thank you, Madam Chair. I recommend that we conclude considerations on those two chapters.

**The Chair:** — Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Oops, I'm sorry. I'm going to repeat the motion. I know we've agreed to it, but just for the record, Mr. Merriman moved that for the 2013 Provincial Auditor report volume 1, chapter 30 and the 2013 Provincial Auditor report volume 2, chapter 50 that this committee conclude consideration. And that was carried. Thank you.

Before we move on to the next few chapters, we have some special guests with us here today. I would like to take an opportunity to introduce our guests from Germany. They are here as part of our Partnership of Parliaments exchange program, studying our system of government and our economy. Last year some of our members had the opportunity to travel to Germany in 2013, and I had the privilege of meeting actually one of the guests here today. And our Legislative Assembly is now reciprocating that visit.

So I would like to introduce . . . And please forgive my pronunciation of any of your names. My German is not so great. So I would like to introduce the Hon. Beate Schlupp, Deputy Speaker of the Mecklenburg-Western Pomerania legislature; the Hon. Gerd Körner, head of delegation, former deputy mayor of Weiterstadt, member of the city council of Weiterstadt. And it was actually Mr. Körner who I had the pleasure of having dinner with one night and had some really great conversations. We have Mrs. Maria Steinhagen, staff of the Mecklenburg Pomerania legislature, department head central services; and Mr. Janneck Herre with the Partnership of Parliaments.

So welcome. I hope you are enjoying your visit to Saskatchewan. Unfortunately the weather seems to have taken a slight turn today but I do hope you are enjoying your time here and are having an opportunity to have some good learning visits with individuals and with different organizations. So on behalf of the Public Accounts Committee, welcome.

So moving on here, we have the 2014 Provincial Auditor report volume 1, chapter 31, and I would like to pass it off to Mr. Ahmad to speak to that chapter.

### Managing Risks of Public-Private Partnerships

**Mr. Ahmad:** — Thank you, Madam Chair. Madam Chair, from

time to time our office carries out studies to look at particular topics in depth to enable us to provide the Assembly with our views and advice on those topics. Chapter 31 outlines the best practices for managing risk of public-private partnerships, and I'm going to ask Mark Anderson to present that chapter. Mark.

**Mr. Anderson:** — Thank you. The study is found on pages 215 to 223 of our 2014 report volume 1. Public-private partnerships — and I'll just refer to them as P3s — are a type of public sector procurement. They include a broad range of arrangements where a government works with the private sector to deliver infrastructure and provide related services. All infrastructure projects involve risks. In the study we describe best practices for managing risks that are unique and specific to P3s and not those shared with other types of purchasing or complex contractual arrangements.

Managing risks of P3s is important because P3s are of significant economic and social importance. They involve complex and sensitive matters and large costs. If a government does not effectively manage the risks of P3s, it may pursue a P3 in an area unsuited for its use, make a bad contract with its private sector partners, not achieve its objectives, or not obtain value for money. We outline risks and related best practices in the following seven areas: the first is accountability and transparency, the second capacity, and then assessment, meeting government and user needs, risk transfer to private sector, innovation, and the last one is sustained monitoring. We encourage government agencies to consider these best practices when looking at the use of P3s and entering into P3 arrangements.

Madam Chair, that concludes my presentation.

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

**Mr. Wotherspoon:** — Maybe you could just speak to some of the risks that are, you know, or some of the issues that have occurred in other jurisdictions and that should be lessons for Saskatchewan (a) whether they should be entering into these risks and these private P3 deals or whether they should . . . or if they do, you know, making sure they're protecting themselves contractually.

And just to put this in a little bit of context, we see recently a current government, despite strength in revenues, choosing to go down this route — and a low borrowing, very low borrowing rate — go down this route to engage the private sector, usually international groups to borrow at higher rates and then contract with government to have a relationship, this contractual relationship to own our schools and other infrastructure.

But in other jurisdictions this hasn't always worked out very well. In Nova Scotia I know the auditor weighed in afterwards, after the government had scrapped their program, and said that they actually saved \$2 million per school by working with the lower interest rates of government and the traditional building process, of course engaging the private sector.

I know in Alberta they have recently scrapped their program, mostly attributed to shutting out the local construction industry and not having, or I should say, not having a competitive

process, not having multiple bidders, which seems to be a risk.

And then I look in Quebec. Just yesterday a report came out from the Institut de recherche et d'informations socio-économiques which says that two of the Quebec hospitals that were recently built, P3 hospitals, should be purchased back. They're saying that this would save taxpayers \$4 billion to bring them into the more traditional relationship.

And then I see here just recently that earlier this year the Government of France paid a penalty to exit their P3 contract and that it's reportedly brought forward a savings of \$982.4 million over the long term.

So those are big, big pieces. So could you speak to some of the risks or some of the issues that have arisen in other jurisdictions?

**Mr. Ahmad:** — Madam Chair, we have not studied what those jurisdictions' specific issues were but we do have risks identified, and I'm going to ask Mark Anderson to talk about those risks.

**Mr. Anderson:** — Thank you. Each section in our chapter highlights specific risks, Madam Chair, and those risks are drawn from our examination of, as we point out, the literature and, for example, the reports of our colleagues in legislative audit offices across Canada and actually in other jurisdictions as well. So the risks I think are a good summary of the types of risks that can occur. Together with risks, Madam Chair, we've described the best practices for managing those risks. That would be my answer.

[08:30]

**The Chair:** — Thank you, Mr. Anderson. Mr. Merriman.

**Mr. Merriman:** — Thank you very much, Madam Chair. I think, for the committee's sake and for everybody's sake, we've debated the P3 issue many times up in the Chamber, and I think that's probably the best place.

I think the auditor has done a great job of identifying that there could be some risks, but also identifying that there are benefits to this. And I think he . . . Just looking at one side of the equation of just what the risks are and not what the benefits are is looking at things certainly half empty, the glass half empty.

So I think the auditor has made the recommendations of what everything, or gone through everything very thoroughly. And I'm sure they are looking at other jurisdictions to look at the risks and the rewards. And I would suggest that we recommend that we conclude consideration on this.

**The Chair:** — I think that there are further . . . I think this is our opportunity . . .

**Mr. Merriman:** — Sure, that's fine.

**The Chair:** — . . . to discuss this issue. I think there are . . . We bring witnesses, or the auditor before us and I think Mr. Anderson and Mr. Ahmad answered Mr. Wotherspoon's questions with the information that they had. But are there

further questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — Sure. Well I mean again this is almost a concerning culture I see around these pieces because this should be a very common sense discussion of economics, and it shouldn't be something brushed away. If a government just simply doesn't have the accountability, the interest to make sure they understand risks and get things right right now, we're really going to be having liabilities and issues that we're kicking down the road here, and ones that we all have a responsibility for.

So I think that this contribution and analysis is a good one, and one that I would agree should certainly inform actions of government. But I would, you know, I'd be concerned to simply, you know, dismiss any consideration of a report that will have taken extensive resources of that office and that, when you look at all the examples of these P3s and where they've really gone wrong in some cases, and the costs that taxpayers end up bearing, or the impacts for communities, it's not easy to remedy after the fact. It's the upfront work that's really, that's really important.

And I mean just, and I don't . . . You know, we don't need to get overly political here at all. I think we should . . . But we can just look at even the recent record of government that can certainly be improved on on this front.

I hear from many people that the P3, for example, that to manage nine schools and have the private entities' relationship with it and all the impacts there is a very complex structure. And it's concerning to many. I've heard from many, many people that are concerned that we have, that government sort of seems to be pursuing this without necessarily a lot of question or scrutiny when some very basic either P3s or private deals are not being managed well by this government. And there's a loss when that happens.

And an example of something quite simple would be that recent example with the housing, important housing project or the important need to be addressed with housing in Regina with the partnership where government entered in with a private partner and that private partner then couldn't fulfill its terms. And it was government in essence walked away from that project despite a lot of attention, public resources, and it would seem that they, that I'm not sure exactly why they walked away, but it may have to do with not having the contract in place, the strength in that contract in place, which is certainly important.

So I know contracts are one of the important pieces here in managing P3s. There's a discussion of some of that within your chapter. Could the auditor's office speak to if a government's entering into P3s, why it's so important to get that contractual relationship right and, you know, then what's important to make sure that it's going to be successful.

**The Chair:** — Mr. Anderson.

**Mr. Anderson:** — Yes, Madam Chair. Thank you for the question. The question had to do with the importance of contracts in a P3 arrangement and absolutely the contracts are absolutely central to carrying out a P3 arrangement, and there's some various elements that I would probably highlight in terms

of the contracts.

And one of the preliminary elements is capacity, because a government has to make sure that it has capacity to evaluate the options, to decide what the contract should contain. It has to have the capacity to negotiate on an even footing with the parties that tend to be involved in this type of arrangement.

As a lawyer I can say that there are many ways that contracts can present problems, and what the literature suggests and what we mention is that the upfront time that seems to characterize P3 arrangements is necessary to help ensure that the parties have a solid contractual arrangement that allows the various attributes of a P3 to take place. And one in particular that I'd mention is the risk transfer that is again typical of a P3 arrangement that has to happen through the vehicle of the contract. So the contract is absolutely central, and there are risks that surround the reaching of the contract, so it has to be good.

**The Chair:** — Thank you for that, Mr. Anderson. Mr. Doke.

**Mr. Doke:** — Thank you, Madam Chair, to the auditor, Mr. Anderson. It's safe to say though that on a traditional build there's risk involved too. It doesn't matter how good the contract is if that contractor goes broke and, you know, if the bonding company . . . Delays usually happen if they've got to step forward to finish that project. Huge delays. Cost overruns. I think it's safe to say that there is lots of risk with traditional builds also.

**Mr. Ahmad:** — Certainly, Madam Chair, that's true. The contract is essential for both P3 and traditional.

**Mr. Doke:** — Thank you.

**The Chair:** — Mr. Norris.

**Mr. Norris:** — Thanks very much, Madam Chair, and I appreciate the conversation. I think for everyone, this government and others across the province, in fact across the country, are attentive. And so we in no way dismiss this work or in any way overlook it, and we know how important it is.

On the issue of capacity, what we of a government have done is establish SaskBuilds to help address that capacity issue, and the notion is that that aligns with the work that's under way indeed from the Provincial Auditor as far as one of the best practices. And I'm just wondering if you have any reference points for other jurisdictions and lessons learned or models that have been used to help bolster that kind of capacity question that you've raised.

**The Chair:** — Mr. Anderson.

**Mr. Anderson:** — Thank you, Madam Chair. I would note that there are organizations and agencies that are similar to SaskBuilds in various jurisdictions, whether we're talking about Partnerships BC or in Alberta or in Ontario, that do work similar to what SaskBuilds does. And I would say that having an institution that is dedicated to carrying out this type of work is a good practice.

**The Chair:** — Thank you.

**Mr. Norris:** — Great. Thank you.

**The Chair:** — Are there any further questions? Mr. Wotherspoon.

**Mr. Wotherspoon:** — One of the purported benefits of P3 at times is that it has a fixed-price contract or it is . . . They'll then suggest that they're on budget. But that number is a little bit, can be a little bit arbitrary, because I hear from the construction industry there's also a cost that comes with a fixed-price contract, that they have to build in some protection.

Now my point on this is that the whole notion of a fixed-price contract isn't something that's exclusive to be utilized simply through a P3 process. There's nothing that prevents the public sector from making the choice to either refine or change procurement practice and to utilize a fixed-price contract as well. And some of the other aspects of P3s are sort of stating that they might deliver on time and then this fixed price. But a lot of that can be attributed back to the specificity and the process in engaging on the front-end work.

Likely there's some important work that's done in recognizing responsibilities and clearly defining challenges of a project through a P3 process that could be also beneficial to more traditional public sector procurement. So I guess my comment about the fixed-price contract, is there anything that prevents the public sector from utilizing those in a similar way that the P3s seem to rely on them?

**The Chair:** — Mr. Anderson.

**Mr. Anderson:** — Madam Chair, yes, to answer the question, there's nothing that precludes a government agency from using a fixed-price contract in what would otherwise be called a more traditional procurement.

**The Chair:** — Thank you for that. Mr. Wotherspoon.

**Mr. Wotherspoon:** — I hear from the construction sector that due caution, they say you can choose that route. But I hear from sort of economists and others that say that when you do choose that route, just be aware that the construction sector may have to build in a little bit of protection for itself. So that fixed-price contract may include a little bit of protection built into it for the . . . as in it might come in at a little bit of a higher price initially. Has there been any analysis of that aspect from your office?

**Mr. Anderson:** — Madam Chair, in terms of analysis our chapter does set out, as I mentioned, the risks and best practices to manage the risk. To answer the question, the heart of the P3 arrangement is aligning incentives and payments with where the risks go. So in a P3, in fact, yes there is money paid for any risks that one of the parties takes on. So if in a contract the contractor undertakes to guarantee a delivery time, then they've assumed that risk. It is fair to assume that there will be some cost to that risk that will then be paid by the other party.

**The Chair:** — Thank you for that. Mr. Wotherspoon.

**Mr. Wotherspoon:** — I've heard as well that there can be inequities in maintenance of public infrastructure, with the example that often a P3 will contract that consortia or the group



to take care of maintenance aspects as well, and there's dollars allocated on the front end. So I think that Michael Ferguson, the auditor of . . . federal auditor, the auditor of Canada, spoke to this very specifically at his presentation in Regina to the . . . The Sask Chamber of Commerce organized a very, very good forum. And he identified that it's — and I don't want to misrepresent his presentation — but he identified that because you're paying more for this P3 structure with maintenance built into that, that you then, there's these assumptions that the facility's going to be maintained at a better level or be in better care 20 years from now.

But the point being that if you're a school division, you have many schools. And the public, you know . . . In Saskatchewan we have over 600 schools in 28 school divisions. He seemed to sort of challenge the notion that you should simply accept that you pay more and have it contractually delivered, that maintenance, through that partner and accept that then that school's going to be in better care. He suggested that the public sector has a responsibility here, and I think that we all have a responsibility on this front. There's nothing to suggest that a government can't manage its assets and ensure that there's an allocation of proper maintenance funding to ensure all infrastructure is renewed. So he says it's often not as sort of an apples-to-apples comparison. Do you have any comment on that piece, or is that any . . . was that of analysis?

[08:45]

**Mr. Anderson:** — Madam Chair, I guess I would harken back to some earlier questions and answers and say that it's really important that a government agency decides what its objectives are, and then the contract that has to reflect and make those objectives concrete is very important. So the contract's key.

**The Chair:** — Thank you for that. Mr. Wotherspoon.

**Mr. Wotherspoon:** — I thought it was an interesting point when you think of ministries that are looking at their whole region and how they're going to manage their assets, or a province that should be taking the lens of the entire province, and noted that it could be challenging that when you contractually start paying more in an inequitable way for certain schools, it potentially causes inequities back into your division as to the amount of resources that might be placed into the rest of the schools.

So right now, you know, and we're not here to debate policy, but we could discuss whether there's adequate funding for maintenance for school divisions. But then government's going to enter into contract potentially with a private sector partner and have it, in some ways, that sort of locked up through contract, but it doesn't necessarily allow a government to be as effective or a school board to be as effective as they can in making sure they're allocating their resources to maintain all infrastructure.

And then importantly, trends and birth rates change in communities, people move, and questions as well as to tying your hands to have some infrastructure, sort of you're paying a premium to have it contractually managed and maintained by the private sector. But maybe there's changes in the amount of young people within a community, but you're still having that

relationship in place where then you might need to actually be allocating, if you're a school board or a province, allocating resources to other areas or other schools that need to be either bolstered or better maintained.

So it's just, it's another area that I found really interesting that has had me thinking since Michael Ferguson spoke to the Saskatchewan Chamber of Commerce and spoke to some of these very specific risks. I thought that was an important area and certainly part that we should be considering here.

**The Chair:** — Any comments? You're good. Any further questions? Mr. Doke.

**Mr. Doke:** — Thank you, Madam Chair. I guess we're not having a debate by the sounds of it. But anyway, governments of the past have not kept up with maintenance on government buildings, schools, hospitals, or whatever. That's very obvious. The deficit there is very high. To enter into a P3 where maintenance is completely covered for 30 years, I think, gives governments a fighting chance to take that over and keep it going. The situation we have now through the process we have now is we have huge deficits on our government-owned buildings, and I think that's something that has to be looked at. And I don't know if you recognize that or take that into consideration when you do these audits.

**Mr. Anderson:** — Madam Chair, I would just point out that our office does occasionally do . . . Our office carries out audits of maintenance of government infrastructure and those have to speak for themselves.

**The Chair:** — Thank you for that. I know we have other things on the agenda. This is a pressing issue obviously for our province right now and good to have the auditor's office here. Mr. Wotherspoon, we'll maybe try to wrap questions up here, but you've got another question for the auditor?

**Mr. Wotherspoon:** — I do. The role of your office, I think this is a really important contribution because it allows some important considerations for a government to consider when it relates to the risks and some of the contractual challenges that exist. So it's an important body of work. Your role as an independent, after-the-fact audit is also going to be important in the role of monitoring and reporting back to the public if and when governments enter into P3s. So that's an important contribution of accountability that your office plays.

But I understand that it's . . . Your mandate as an office prevents you from being sort of that independent, upfront verifier, validator of government's choices sort of in real time before pen hits paper, and that's in conversations with your office. And that makes sense because then you're going to be auditing in essence your own decisions. But because of the fact that your mandate is after the fact and after contracts are entered into, because of the fact that if there's weaknesses in contract or poor analysis or inadequate analysis of risk, inadequate public sector comparators or aspects of that analysis, do you see value in having an independent analysis upfront, not done by politicians but independent, upfront analysis before a government enters into those contracts?

**Mr. Ahmad:** — Madam Chair, that's why we do these kind of

studies and chapters to make sure that risks are identified. And all those who are responsible to manage those contracts, they keep those risks in mind and have mitigation plans in place. And that's what we do. And certainly management should look at those things and risks before they enter into any contract.

**Mr. Wotherspoon:** — Thank you for that contribution. It's an area that's important. And I think for any of us that are, you know, there's many of us that I suspect are going to have interest in the health and welfare and financial affairs of our province for many years forward. It's really important for us to get it right right now. And I really think that we need to, as all members, whatever party we represent, be asking the questions of accountability of government as they, as it seems they proceed with decisions on these fronts.

**The Chair:** — Seeing no further questions, could I have a motion to conclude consideration on the 2014 Provincial Auditor report volume 1, chapter 31. Mr. Merriman.

**Mr. Merriman:** — Thank you, Madam Chair. I would recommend that we conclude consideration on that chapter.

**The Chair:** — Mr. Merriman has moved that we conclude consideration on the 2014 Provincial Auditor report volume 1, chapter 31. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Thank you. Mr. Ahmad, I'll pass this off to you again for the next chapter.

#### Summary of Implemented Recommendations

**Mr. Ahmad:** — Thank you. Chapter 6 of 2013 and 2014, they simply represent the recommendations, our past recommendations, and they inform you that those recommendations have been implemented.

**The Chair:** — Thank you for that. Are there any thoughts or questions on this chapter? Seeing none, seeing no questions on this chapter, could I have a motion to conclude consideration on the 2013 Provincial Auditor report volume 1, chapter 6. Mr. Merriman.

**Mr. Merriman:** — I would recommend that we conclude consideration.

**The Chair:** — Mr. Merriman has moved that we conclude consideration for the 2013 Provincial Auditor report volume 1, chapter 6. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Mr. Ahmad.

**Mr. Ahmad:** — It's the same thing, Madam Chair, talking about the same thing. This chapter 6 in 2014 volume 1, it talks about the recommendation and we tell you that the recommendations have been implemented.

**The Chair:** — Okay. Are there any questions on this particular chapter? Seeing none, could I have a motion to conclude

consideration. Mr. Merriman.

**Mr. Merriman:** — Thank you very much. Again, Madam Chair, I would recommend that we conclude consideration on that chapter.

**The Chair:** — Mr. Merriman has moved that for the 2014 Provincial Auditor report volume 1, chapter 6, that our committee conclude consideration. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Mr. Ahmad, the next chapter.

#### Labour Relations and Workplace Safety — Addressing Workplace Non-Compliance

**Mr. Ahmad:** — Thank you. Chapter 24 in 2014 volume 1 talks about the Ministry of Labour Relations and Workplace Safety. And again we inform you that the recommendations we had outstanding, they have been implemented.

**The Chair:** — Thank you, Mr. Ahmad. Are there any questions on this particular chapter? Seeing none, could I have a motion to conclude consideration? Mr. Merriman.

**Mr. Merriman:** — Thank you again, Madam Chair. I would recommend that we conclude consideration on chapter 24.

**The Chair:** — Mr. Merriman has moved that for the 2014 Provincial Auditor report volume 1, chapter 24, that we conclude consideration. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Seeing that that concludes . . . Well first of all, I'd like to say thank you to the Provincial Auditor's office. As always, we appreciate your time and your expertise. And to the Provincial Comptroller's office, thank you for being here. And to our specials guests from Germany, I hope you enjoy the rest of your trip and that we'll all have an opportunity to say hello to you before the day is out here.

So with that, could I have a motion to adjourn? Mr. Norris? Carried. We are adjourned until November 8th . . . November 5th at 8 a.m. Adjourned.

[The committee adjourned at 08:55.]