



# STANDING COMMITTEE ON PUBLIC ACCOUNTS

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Ms. Aleana Young  
Regina University



[The committee met at 09:00.]

**The Chair:** — Okay. Good morning, everyone. We'll convene the Standing Committee on Public Accounts. I'd like to introduce the members that are with us here today: Deputy Chair Nerlien, Mr. Goudy, Ms. Lambert, Mr. Harrison, Mr. Lemaigre, and Ms. Sarauer is substituting for Ms. Aleana Young.

I'd like to welcome and introduce officials from the Provincial Comptroller's office. We have Provincial Comptroller Chris Bayda, and with him here today is Ms. Donica Smart. Thank you for being here.

I'd like to welcome and introduce our Provincial Auditor, Tara Clemett, and all the officials that are in attendance from her office here today.

We have the following documents to table this morning: PAC 117-29, Financial and Consumer Affairs Authority: Responses to questions raised at the December 14th, 2023 meeting; PAC 118-29, Saskatchewan Research Council: Responses to questions raised at the December 14th, 2023 meeting; PAC 119-29, Ministry of Immigration and Career Training: Responses to questions raised at the December 14th, 2023 meeting; PAC 120-29, Executive Council: Responses to questions raised at the December 14th, 2023 meeting; PAC 121-29, Ministry of Education: Report of public losses, September 1st, 2023 to November 30th, 2023; PAC 122-29, 3sHealth Saskatchewan: Responses to questions raised at the December 14th, 2023 meeting; PAC 123-29, Provincial Auditor of Saskatchewan: Third quarter financial forecast for the nine months ending December 31st, 2023; PAC 124-29, Ministry of Finance: Report of public losses, October 1st, 2023 to December 31st, 2023; PAC 125-29, Ministry of Health: Report of public losses, October 1st, 2023 to December 31st, 2023; and PAC 126-29, Ministry of Advanced Education: Report of public losses, October 1st, 2023 to December 31st, 2023.

I'll introduce now our first item on the agenda is the various considerations and chapters for the Ministry of Highways. Thank you to Deputy Minister Toffan and officials for joining us here today. I'd invite DM [deputy minister] Toffan to make a brief introduction of the officials that are with him here today. Refrain from getting into the respective chapters at this time. We'll do so once we've turned it over to the auditor, and then we'll bring it back to you.

### Highways

**Mr. Toffan:** — Sure. Thanks, Chair. My name of course is Kyle Toffan, deputy minister of Highways, as the Chair mentioned. Officials here with me today are Wayne Gienow to my left. He's the assistant deputy minister of design and construction division. I have Tom Lees here to my right, and he's the ADM [assistant deputy minister] of operations and maintenance division. And just behind me, Ryan Cossitt who's the ADM of policy, planning and corporate services; as well as Karri Kempf who is our executive director of corporate services.

**The Chair:** — Okay, thank you. Thank you all for your presence here today and for all your work on these fronts. I'll turn it over to our Provincial Auditor. We're going to focus on chapter 7 by

itself, so that'll be our first focus.

**Ms. Clemett:** — So, good morning. Thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today is Mr. Jason Shaw. He's the deputy provincial auditor that is responsible for the Ministry of Highways. Behind me as well I have Nicole Dressler. She is a principal in our office who also is involved in the audits at the Ministry of Highways. And beside her is Ms. Kim Lowe who is acting as the liaison basically between our office and this committee.

So Jason's going to present the five chapters noted on the agenda in four separate presentations. The last two chapters are going to be combined into one presentation. He will pause after each presentation to make sure that there can be committee discussion and deliberation.

There's two chapters that overall we have five new recommendations for the committee's consideration. I do want to thank the deputy minister and all of his staff for the co-operation that was extended to us during the course of our work. With that, I'll turn it over to Jason.

**Mr. Shaw:** — Thank you. A considerable portion of Saskatchewan's provincial highway system is mature. Each year the Ministry of Highways pays contractors over \$500 million to design, build, and repair roads. It refers to this as roadworks. Roadworks can take considerable time; for example, contracts can be for longer than four years. Roadworks are expensive, with individual contracts up to \$50 million.

The ministry works with many different contractors. In 2020 the ministry planned to spend additional monies as part of the government's response to help the province rebound from the COVID-19 pandemic. This stimulus funding included a total of \$300 million allocated for highway projects from 2020 to 2022.

Chapter 7 in our 2021 report volume 1, starting on page 77, reports the results of our audit of whether the Ministry of Highways had effective processes for the period ending January 31st, 2021 to fairly select contractors for roadworks costing over \$100,000.

For purposes of our audit, roadworks includes services on highways, thin-membrane surface highways, twinning and passing lanes, rural roads, and bridges. Roadworks did not include services on airplane runways or spending on municipal roads.

Undertaking fair procurement of roadworks services increases the likelihood of the ministry selecting the most suitable bidder, achieving the intended results, and not paying more than intended or necessary. We concluded the ministry had effective processes to fairly select contractors for roadworks costing over \$100,000. We did not make any new recommendations in this chapter.

We found the ministry worked with the central agency responsible for ministry procurement when contracting for roadworks. At the time of the audit, this was the SaskBuilds Corporation, now the Ministry of SaskBuilds and Procurement.

The Ministry of Highways appropriately maintained up-to-date

and documented standard specifications for its various types of roadworks, such as width of bridges and pavement requirements. The ministry used procurement methods for roadworks consistent with SaskBuilds' requirements and trade agreements. That is, for roadworks procurements over \$100,000, the ministry uses either a pre-qualified tender or open tender.

We found the ministry set clear requirements for individual roadworks that it planned to issue an open tender. Requirements include scope, budget, design, specifications, and planned schedules.

The ministry selected bidders based on the results of SaskBuilds' evaluation of proposals. We found the ministry appropriately approved winning bidders for roadworks consistent with its delegation-of-authority policy. The ministry consistently used standard contract templates when drafting and finalizing contracts for roadworks with consultants. For roadworks with contractors, it used the signed bid submission of the selected bid as the contract. Overall, fairly procuring road work services increases the likelihood of the ministry selecting the most suitable bidder, achieving the intended results, and not paying more than necessary.

This concludes my presentation, and I'll pause for the committee's consideration. Thank you.

**The Chair:** — Thank you. Thank you for the focus of the work and the presentation. I'd like to table document PAC 127-29, Ministry of Highways: Status update, dated February 5th, 2024. I also want to thank folks with the ministry for putting together the status updates. They help us focus our questions here at the table.

I'll kick it over to Deputy Minister Toffan for brief remarks on chapter 7, and then we'll open it up for questions.

**Mr. Toffan:** — Thank you, Mr. Chair. As validated by the Provincial Auditor in chapter 7 of the 2021 report volume 1, the ministry places a high value on good communication, fairness, and planning. And Highways works diligently to ensure fair and clear procurement processes, as was alluded to in the remarks.

Every effort is made to make sure specifications to contract for road work align with good practice. And this is not just good practice in Saskatchewan, but we look more broadly outside our borders too to look at what others are doing. Proactive communication, multi-year planning, effective processes, and appropriate procurement methods ensure that interested contractors are treated equitably and that the ministry obtains the best value.

So I think I'll just maybe leave my comments at that. And you know, we were quite pleased at the recommendations, or actually the report, I should just say. And I look forward to any questions.

**The Chair:** — Okay. Thank you, Deputy Minister Toffan. I'll open it up at this point to members for questions on chapter 7. Ms. Sarauer.

**Ms. Sarauer:** — Thank you. And thank you to both of you for your report and the progress that's been made. I just have a few questions for you around the work that you're doing. I understand

that this audit specifically is dealing with the processes regarding awarding contracts for roadworks, for prices that are greater than \$100,000. Could you advise us about what percentage of your contracts for roadworks fall within that price range?

**Mr. Toffan:** — I don't know that we have the exact percentage, but it's the large majority of construction work would be over that. I think, over time \$100,000 just with inflation has led to most of our contracts being well over \$100,000 for construction works.

**Ms. Sarauer:** — That leads into the next question I was going to ask you, was whether or not that pool of contracts has been growing over time. Can you just elaborate a little bit more on that? You just indicated that it has, but I want to hear some more elaboration on that if it's possible.

**Mr. Toffan:** — You just mean the number of contracts over 100,000 relative to the . . .

**Ms. Sarauer:** — Correct. Yeah, you've indicated that it's grown over time, the amount, so I just want more elaboration on that.

**Mr. Toffan:** — Yeah, well there's two parts that's been growing. So it's been growing on the number just because there's, you know, inflation, more contracts over time. Especially during this period with stimulus funding, there's just more money available for contracts.

I don't have the exact number of how many contracts were let during this period, but I'm not sure if others do. But it was just the nature of the time period, just more stimulus funding available and more contracts that would be over that \$100,000 threshold.

**Ms. Sarauer:** — Can you walk us through the process for awarding contracts that are under \$100,000?

**Mr. Lees:** — Good morning, everyone. Tom Lees, ADM with the operation and maintenance division. So in terms of contracts under 100,000, I guess what I would say is the vast majority of our capital program, those are contracts over 100,000, and they go through e-bid or through the process that was essentially audited.

For our contracts under 100,000 we follow the thresholds under the trade rule agreements. When we go out we are taking a look at the contractors in the area as well as the type of work that we're going to be contracting out. So depending on that, we can take a couple of different routes. We can go through the full procurement process. For that we would go through a capital project. In some areas we may be looking at getting three bids from local contractors to be able to get the work done. And then in some circumstances we might go out and do a sole-source.

**Ms. Sarauer:** — Under what circumstances do you go sole-source contracting?

**Mr. Lees:** — So sole-source would certainly be the least amount of procurement that we would do. We're taking a look at the type of work we're delivering. So there may be times during our winter maintenance operations where we are facing a winter storm and we need immediate response. Or if there's an

emergency across the province like flooding where it needs an emergency response, we may look at sole-sourcing to get some of that work done. We still follow the rules under the trade threshold agreement, though, doing that.

**Ms. Sarauer:** — Moving back to contracts over \$100,000 and the subject of this audit, can you advise for the period that was under review by the auditor if any of the contracts awarded did not go to the low bidder, given that you're using a best-value set of criteria?

**Mr. Gienow:** — Wayne Gienow, ADM of design and construction. And your initial question about how many contracts we actually release each year, it's somewhere between 100, 150 on the construction side, and then a number on the consultant side that do our design and do our engineering in the field. So the auditor actually mentioned in the report there's about 200 contracts a year that we look at.

[09:15]

So when we look at best value, it's a combination of both price as well as other criteria we look at. Safety is an important one, and we look at past performance. So in the samples the auditor looked at, all but one was based on the overall best value. And in that one particular case, it was a discussion with a contractor. They'd just won a couple other contracts at the same time, so they didn't actually have capacity to get the work done by that time period. So it was mutually agreed that they wouldn't proceed with that contract. So it's very, very rare that you don't go with the best-value contract.

Now when you say is it always the lowest price, no it isn't, because that's why we moved to best value, looking at other factors as well. Like I said, past performance is usually a really good indication of how they're going to do in the future, right?

And the other piece is the safety component. We want to make sure that our contractors take that very seriously and that they are being very safe out there in the field.

**The Chair:** — Thanks. Just before we close, just to follow up and drill down on just a couple of those questions. If you don't have the information here today, you can certainly supply it in the coming weeks.

Are you able to provide us the number of contracts that are under that \$100,000 threshold then? You have roughly 200 contracts. Is that what I'm understanding? Do you know here today how many contracts would be under that \$100,000 threshold?

**Mr. Gienow:** — Yes, absolutely we can give you an estimate on the actual number less than 100,000. Going back to this time period, they're each stored within our different area offices, so we'll have to canvass and get you the estimates back. Yes.

**The Chair:** — That sounds good. I suspect as well you'll need to canvass them to answer the second question. The second is, can you supply to us the number of contracts that were sole-sourced, and then can you provide to the committee the value of that contract and who was contracted? Is that all information that you're able to provide back to us in the coming weeks?

**Mr. Gienow:** — Just to clarify, are you looking for this particular time period? I'm assuming so. Yes?

**The Chair:** — That's correct.

**Mr. Toffan:** — We'll be able to provide that information to the best of our abilities. We do have to do a bit of, you know, scanning our regions, as Wayne pointed out. But we don't have the exact number but it's a lot higher just because there's a lot of small contracts.

**The Chair:** — You bet. That's great. Thanks so much for that. And that information, is a one-month period of time, is that a reasonable time period for you to fulfill that request to this committee?

**Mr. Toffan:** — Yes, that should be fine.

**The Chair:** — Great. And that can just be supplied through the committee Clerk, and then that'll be shared with all of us, tabled with the Public Accounts.

Moving along here, I guess I'd welcome a motion to conclude consideration of chapter 7. I think Ms. Lambert's making a speech or a protest.

Moved by Mr. Nerlien that we conclude consideration of chapter 7. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried.

We'll move along now to chapter 4. There's some new recommendations here, and I'll turn it over to our Provincial Auditor to make a presentation.

**Mr. Shaw:** — Thank you. Saskatchewan's road network is the largest in Canada on a per capita basis. Year-round transportation of goods is critical to Saskatchewan's economic success.

Safe transportation in the winter requires clear roads. The Ministry of Highways is responsible for maintaining provincial highways, including in the winter. Winter maintenance entails keeping provincial highways clear of snow and ice. Snow- or ice-covered roads creates dangerous driving conditions for all highway drivers and increases the risk of sliding into the ditch or of collisions. The ministry uses its Highway Hotline website and application to inform the public about current road conditions.

In each of the last three fiscal years, the ministry spent more than \$50 million on winter maintenance. Effective processes for prioritizing snow and ice removal from provincial highways decreases dangerous road and driving conditions.

Chapter 4 in our 2023 report volume 1, starting on page 47, reports the results of our audit of whether the Ministry of Highways had effective processes for the 15-month period ending January 31st, 2023 to conduct winter maintenance on provincial highways in Saskatchewan. This audit did not include the processes to conduct winter maintenance on the Regina bypass since the ministry hired a third-party company to maintain it.

We concluded the ministry had effective processes to conduct winter maintenance except for the four areas highlighted in our report. We made four new recommendations.

On page 53 we recommend the Ministry of Highways update the Highway Hotline to provide clear and concise road condition terminology for winter driving. The ministry established guides for staff to use to determine highway conditions. It reports highway conditions to the public on the Highway Hotline.

We found areas where the ministry could improve its terminology used to help staff consistently assess and drivers interpret what is conveyed about the highway condition. For example, the ministry could make it clear that “travel not recommended” means that roads would be unsuitable for non-essential driving. Also the ministry could define what is meant by “highway is doubtful” when using this term in its definitions. Unclear terminology could result in drivers misinterpreting road conditions on the Highway Hotline, which could cause them to decide to travel on a highway when it may not be safe to do so.

On page 57 we recommend the Ministry of Highways sufficiently track whether winter maintenance equipment operators meet work-scheduling safety requirements, for example, comply with rest periods or waive mandatory 10-hour rest periods. The provincial government and the related union require a mandatory period of 10 consecutive hours of rest for each equipment operator in every 24-hour period for employee safety. The ministry schedules staff to consider this rest period.

The ministry has a waiver process for equipment operators when they do not take their required rest period. We found the ministry does not sufficiently monitor whether employees receive this minimum 10-hour rest period. When supervisors enter time into Highways’ IT [information technology] system, the system tracks all hours entered under that supervisor’s name instead of tracking the time to each individual operator. Therefore, reports from the system appear like the supervisor worked the amount of hours that the entire crew did. Thus, the ministry does not have the data by operator to be able to monitor working and resting requirements.

An employee may waive this rest period due to extreme weather conditions which require longer hours or more staff to clear the roads. The ministry requires a supervisor to approve this waiver of the rest period. By allowing staff to waive the required rest period, the ministry can schedule staff to assist in meeting its winter levels of service.

Because of the lack of monitoring, it is unaware how many employees waived the rest period. Furthermore, we found only two of seven employees tested documented their agreement to waive this rest period. The remaining five employees did not have their required waiver completed indicating they agreed to waive the rest period. Management indicated the employee and the supervisor reached a verbal agreement.

Not properly tracking or approving waiver agreements when employees choose to waive the 10-hour rest period increases the risk the ministry does not know whether operators meet work-scheduling safety requirements. Equipment operators who waive the mandatory rest period may become fatigued. Fatigue increases the risk of causing collisions and may make the

ministry liable for accidents.

On page 58 we recommend the Ministry of Highways set a time frame for reporting instances to management when not meeting service-level expectations for highway winter maintenance. Similarly, on page 59 we recommend the Ministry of Highways require managers to review instances where staff did not meet service-level expectations for highway winter maintenance.

Section 4.3 of the chapter on page 53 reports on the ministry’s prioritization plan called winter levels of service, for when it expects to clear snow on highways. These levels of service determine what activities equipment operators will complete and when. For example, the ministry plans to remove snow on driving lanes within six hours of the end of the storm on highways with more than 1,500 vehicles per day. The ministry expects staff to complete an exception report when it does not meet its planned levels of service. However the ministry does not have a set time frame for completing exception reporting or require staff to review these reports.

We found for three of nine exception reports tested, staff did not submit the report until at least a week after the event took place. For one exception report we tested, staff did not submit the exception report until 79 days after the weather event took place.

Also for the nine exception reports tested, we found management in charge of the area had not documented review of these exception reports. Having a manager review exceptions confirms the accuracy of the reports. Also having managers review exception reports timely helps ensure that all exception reports are reported that should be. Without timely reporting of exceptions to levels of service, the ministry cannot make timely adjustments to help ensure it meets its expectations for levels of service in the future.

This concludes my presentation. I will pause for the committee’s consideration. Thank you.

**The Chair:** — Okay. Well thank you for the important focus of your work on this front. I’ll turn it over to Deputy Minister Toffan for brief remarks, and then we’ll open it up for questions.

**Mr. Toffan:** — Thank you, Mr. Chair. As was alluded to, the Provincial Auditor recently undertook a performance audit on the ministry’s processes to conduct winter maintenance on provincial highways for the 15-month period ending January 31st, 2023. The report was released publicly in June of 2023 as chapter 4, as was just discussed.

As the ministry’s winter maintenance activities are closely tied to public safety, the ministry is very mindful of the criticality of the processes associated with these winter maintenance activities and has noted the importance of the four related recommendations provided by the Provincial Auditor.

The four recommendations are as follows, and it was gone through already: the ministry update the Highway Hotline to provide clear and concise road condition terminology for winter driving.

Number two, the ministry sufficiently track whether winter maintenance equipment operators meet work-scheduling



requirements, and that's basically whether they're complying with the rest periods or waiving the mandatory 10-hour rest period.

Third, the ministry set a time frame for reporting instances to management when not meeting service-level expectations for highway winter maintenance.

And also number four, the ministry require managers to review instances where staff did not meet service-level expectations for highway winter maintenance.

I will say that the ministry has started working on addressing these four recommendations and are taking them very seriously, and this will involve documenting processes and adding standards to the ministry's maintenance manual. This work will go through an approval process in order to fully implement the Provincial Auditor's recommendations effectively in the near future. And so our team is working on these quite actively.

And instead of going through more of the information, I think I'll just leave my comments at that.

**The Chair:** — Thank you, Deputy Minister Toffan. Thanks to all those that have been involved in this important work. Thanks for laying out as well the commitments to have this operational and to have compliance on these fronts by the upcoming winter season.

I'll open it up to committee members for questions. Ms. Sarauer.

**Ms. Sarauer:** — Thank you, and I appreciate your opening comments. A few questions. My first relates to the data shown in figure 1 of this chapter which provides the budget, and actual winter maintenance cost analysis which shows that there has been, you know, for the past several years a budget shortfall percentage which ranges from 36 per cent to 98 per cent. Could you explain to the committee why the ministry sets their budget so much lower than what would be considered a five-year average of the actual costs?

**Mr. Toffan:** — Thanks for that question. Of course our . . . you know, on the chapter 4 table . . . I think I'm on the right one. Figure 1 you're alluding to? Yeah. So the reality is, going into winter maintenance budget estimates is a very difficult thing.

[09:30]

You look at this year for instance where we haven't had a lot of snowfall. We haven't had a lot of need to be on the highways every single day. Of course there's still sanding and salting and everything else, but it's a very difficult thing to really pin down. So every year we go in with our estimate at treasury board and, you know, we get a budget according to the estimate that we provide knowing that, you know, if there's more funding required throughout the year that we'll ask for it during supplementary estimates or special warrant.

And so I don't really have a crystal-clear answer as to the budget shortfall but, you know, I would say that it's quite difficult to pin down exactly what the winter maintenance activities will cost throughout a year.

**Ms. Sarauer:** — Can you provide some further detail as to how you get to the number that you make your request in estimates?

**Mr. Toffan:** — Our estimate is based on, you know, all the costs of doing business including salaries, operating, you know, buying different materials through contracts that we have. We do look at previous years and we do put estimates forward based on those previous years. The treasury board makes decisions on what's appropriate for that fiscal year and knowing full well that there's a lot of fluctuation that happens in this space.

**Ms. Sarauer:** — As I had already indicated, the five-year average of the actuals would indicate a number that should be budgeted as much higher than what has been allocated over the past several years. Can you provide some information as to perhaps why that number is the number that's allocated?

**Mr. Toffan:** — I'll provide some commentary on the question. Thanks for that question, by the way.

So one of the things that is also noticeable on the table is that we're getting increases in that budget. So if you look at '22-23, it increased by a substantial amount. And actually '23-24 is not on here, but we do get another substantial increase in that year. And we're just trying to get that number on what that was. And so the trend is in the right direction on getting, you know, the budget more aligned to the actuals in previous years. We're maybe not quite there yet, but we do the best we can on trying to estimate for our decision makers on what those costs are going to be, again recognizing that it's very difficult to know.

**Ms. Sarauer:** — Absolutely. Just to commit, you are going to provide the actual number for '23-24?

**Mr. Toffan:** — Absolutely. We'll provide that to the committee, yes.

**Ms. Sarauer:** — Thank you. As you've mentioned and as is indicated in the chapter, it says here above the table that I'm looking at that in each of the last five years the ministry has also required a reallocation or a special warrant in excess of \$10 million to meet its budget shortfall. In 2022-23 there was a reallocation of \$30 million for winter maintenance costs. Can you provide . . . can you tell the committee which subvote that money typically gets reallocated from?

**Mr. Toffan:** — Yes, absolutely. And my team is just sharing some information with me here, but it's typically from the capital subvote. And that's in recognition, too, that that's also complicated to forecast any given year on how much work our third-party partners are going to do in any year for repaving works, bridge works on the construction side. And so when we do have underexpenditures on that side, we can wire money from capital to operating to shore up this budget.

**Ms. Sarauer:** — Have there been instances where capital projects have had to be delayed, pushed back a different year because the money needed to be reallocated to deal with winter maintenance?

**Mr. Toffan:** — No, we're not aware of anything that has been purposefully stopped or slowed down to ensure that we have money for winter maintenance. It's more of a natural progression

where sometimes construction season doesn't go as long as other years and therefore we have savings. But we've never slowed down a project, and through contract with third parties they're just not structured that way for us to allow . . . like to tell them to slow down.

**Ms. Sarauer:** — So it's always worked out so that if there was excess in the capital subvote, you could move it into winter maintenance without there being any hindrances to the work that was being done under the capital subvote?

**Mr. Toffan:** — Yeah, that's right. That's correct. Yeah.

**Ms. Sarauer:** — And then just so that I understand, any more money that's needed, that then comes through as a special warrant request?

**Mr. Toffan:** — Absolutely yes.

**Ms. Sarauer:** — Are . . . [inaudible interjection] . . . Oh. I can wait.

**Mr. Toffan:** — I just want to clarify the number for winter maintenance, just so that I don't have to get back in written form, for 2023-24 is 42.237 million. So it did increase again substantially.

**Ms. Sarauer:** — Thank you for that number. I appreciate it. Is all winter maintenance done by Ministry of Highways employees, or is some of that work contracted out through third parties?

**Mr. Lees:** — So the answer to your question is yes, the majority is delivered in-house through maintenance staff across the province. We've got 74 sections across the province that deliver that winter maintenance. We do supplement that with third-party contractors though. The majority of that is in the northern part of the province.

And then we also, as part of our emergency response plan for winter, we do have contracts that are ready to go. So we do get third-party contractors to support us, especially in those adverse weather conditions.

**Ms. Sarauer:** — You mentioned specifically that a lot of the third-party contracts are to provide winter maintenance on the northern highways. Could you explain a little bit how those contracts work with respect to the northern highways in particular?

**Mr. Lees:** — Sure. Just to clarify when you say, in terms of how they work, are you looking in terms of how we procure them?

**Ms. Sarauer:** — How they're awarded. Yes.

**Mr. Lees:** — Or in terms of how they're . . .

**Ms. Sarauer:** — Apologies. Yeah, how they're procured. Yeah.

**Mr. Lees:** — Okay. So lots of the contracts in the northern part of the province, they go through a sole-source process and engagement with First Nation communities across the northern part of the province. So a lot of the work is delivered through the

Athabasca Basin Development Corporation, which is a conglomerate of First Nation communities in the North. And they deliver both winter and summer maintenance. They also deliver the construction and maintenance of the ice roads in the North that connect some of those communities that don't have a connection outside of airports.

**Ms. Sarauer:** — Thank you. I'm not sure if you'll have this ready, but if you do not have it here I would ask if you could table it. But could you provide to the committee a list of the contractors that are presently employed to handle road maintenance in northern Saskatchewan?

**Mr. Lees:** — Yes. We don't have that information on hand today, but certainly we can table that.

**Ms. Sarauer:** — Thank you. The Regina bypass, is that maintained by Highways employees or is that also contracted out?

**Mr. Lees:** — That's contracted out.

**Ms. Sarauer:** — And how is that work paid?

**Mr. Lees:** — Yes, so in terms of the Regina bypass, how that is paid, so it's through a set price in the contract. A portion of that is for capital work in the future as well as the operating piece of that. So the monthly payment is already set in the contract.

**Ms. Sarauer:** — Right. Does that come out of a particular subvote?

**Mr. Toffan:** — We're going to get that information. We just want to make sure we give the committee the right information. And I don't have the exact number yet, but we're getting it.

**Ms. Sarauer:** — Thank you. I appreciate that. Are the same service-level expectations expected of third-party contractors as it is for Highways employees when maintaining roads?

**Mr. Lees:** — Yes, so any contract we take out with a third party for winter maintenance, they're required to meet our minimum level of service.

**Ms. Sarauer:** — So just for further clarification, that includes both northern Saskatchewan highways and the Regina bypass?

**Mr. Lees:** — Yes.

**Ms. Sarauer:** — Does the ministry also track safety requirements for both Highways staff and for the staff of third-party contractors?

**Mr. Lees:** — Sorry, can you repeat that?

**Ms. Sarauer:** — Safety requirements. For example, the requirement around the 10 hours and the break that is needed as . . . [inaudible] . . . talked about in the chapter. Is that also tracked for third-party staff by the ministry?

**Mr. Lees:** — So not that I'm aware of. But each contractor is responsible for the management of their own staff. We are required to provide our staff with a 10-hour rest period through

an agreement with Government of Saskatchewan and our union.

**Ms. Sarauer:** — And that's not a requirement for third parties as a part of the contract?

**Mr. Lees:** — Not that I'm aware of.

**Mr. Toffan:** — I do have that subvote. So it's HI10, operation of transportation system, and it's under operational services line.

**The Chair:** — Thanks for identifying that. Just on that, what's the value of the maintenance within that subvote then?

**Mr. Toffan:** — The actuals for '22-23 are 13.8 million.

**The Chair:** — Thanks. And just to be clear, that's the maintenance on the bypass itself? That doesn't include the capital component?

**Mr. Toffan:** — That's right. It's the operations and maintenance component of that.

**The Chair:** — Thank you.

**Mr. Toffan:** — Yeah.

**Ms. Sarauer:** — Just moving back to third-party safety, is there anything that the ministry is doing to enhance supervision of that third-party safety? Is there any conversations around building that into the contract in a deeper way than already exists?

[09:45]

**Mr. Lees:** — Yeah, so in terms of safety, so any third-party contractor would be required to meet our minimum safety requirements. In terms of the oversight, that would be done through their supervisor or the managers of the third parties. We don't have oversight specifically to the winter maintenance component. We do when it comes to our summer maintenance. We have people that go out and do audits to ensure that they're meeting that minimum safety requirement.

**Ms. Sarauer:** — Is there a reason why it's not done for winter maintenance?

**Mr. Lees:** — So in terms of winter maintenance, I mean, winter maintenance is quite ad hoc as you can appreciate with the weather that's coming in. We've got staff that are out doing actual road work and so we've put that requirement onto the contractor.

**Ms. Sarauer:** — Do you have the number of instances for winter '22-23 where service-level expectations were not met?

**Mr. Lees:** — So in terms of the number I don't have that but I'll see if I can get it here quickly for you.

**Ms. Sarauer:** — Just so I fully understand what is and isn't being tracked by the ministry, would that just include roads maintained by Ministry of Highways employees or would they also include third-party contract highways.

**Mr. Lees:** — So back to your first question first. For the '22-23

— I think that's what you were asking for — there was 85 times that were noted that the level of service weren't met. And in terms of that requirement, so any third-party contractor that doesn't meet the level of service is required to inform the ministry on that.

**Ms. Sarauer:** — Could you provide a breakdown then on that 85, how much of that is Ministry of Highways and how much of that is third party?

**Mr. Lees:** — Okay, we can for sure, yeah.

**Ms. Sarauer:** — Would you be able to provide the ministry a copy of all of the reports prepared by the ministry for those 85 instances?

**Mr. Lees:** — Yes.

**The Chair:** — Thank you. Just one quick question here, and then I'll see if there's anyone else before we vote on these items. Thanks again for all the answers.

One number that isn't in the auditor's report just due to the timing of the report would be the actual for the 2022-23 budget from that first graph that was being referenced by Ms. Sarauer, the actual on winter maintenance. Do you have that number handy by chance?

**Mr. Toffan:** — The actual for the '22-23 fiscal year for winter maintenance was 66.273 million.

**The Chair:** — Thanks so much. So that would be up in that upper-end range as far as budget shortfall percentages that are identified there.

One final question from me, and that's just with respect to this tracking of the waiving of the 10-hour rest period for maintenance operators. I appreciate very much that there's going to be better tracking and monitoring on this front and compliance with the recommendation going into next year's season.

Based on the records you have, are you aware of an incident or a safety situation or incident or accident where a proper process wasn't followed with respect to that waiver of the rest period?

**Mr. Toffan:** — No, we're not aware of anything of that nature. What I will say is that our team is extremely diligent on making sure that they are fit for work and ensuring that their safety is paramount. And they're quite committed. I haven't met all of our 1,300 employees, but what I would say is that these are long-term veteran people in many cases, and kind of do take consideration of fatigue and whatnot. But we're not aware of anything that would have been caused by that issue.

**The Chair:** — Okay. Any further questions? Ms. Lambert.

**Ms. Lambert:** — Thank you. I just wanted to talk a little bit about the Highway Hotline. I appreciate that there is now an app that people can refer to and check on their travels, safely check on their travels. Driving the Highway 11 very regularly back and forth to Saskatoon and Regina, I regularly check the Highway Hotline. So I'm just wondering if you could go over briefly how that's updated?

**Mr. Lees:** — Yes. So to clarify, you're looking in terms of how do we update the road condition data that's provided to the public?

**Ms. Lambert:** — Yes.

**Mr. Lees:** — So I'd said earlier we've got 74 sections across the province that have trained operators that are out on the road. So when they're doing their road checks, they're responsible to be assessing the road conditions, making a decision based on what they're seeing on what needs to be up there on the Highway Hotline. And then they're phoning in to our Highway Hotline office, which is staffed with operators 24-7 through the winter period, who are then going into the system and providing those updates.

In terms of minimum updating, so at a minimum they're required to update conditions four times a day. Depending on whether it's a commuter or non-commuter road, their first report on the day can change, but they are updating those conditions as the weather is changing, so as a minimum four times a day. But they could be updating a specific road segment many, many more times than that in a day to make sure that the public has the most information up to date.

The other thing that we do have with the Highway Hotline is — I think hopefully everybody's seen by now — we've got cameras that you can click on to actually see what the road condition looks like. So that's being used both by the public, but as well by our staff who are making sure that they are trying to route those trucks as efficiently as they can across the network. So they're looking at the cameras to see what the road conditions look like so that they can make good, efficient decisions on the road.

**Ms. Lambert:** — Thank you. You mentioned a number. Is there a number that perhaps the public could call if they believe that the Highway Hotline status is not accurate at any point in time?

**Mr. Lees:** — So we've got a customer service centre where anybody that's got an issue, whether it's winter maintenance or something else related to the highways, they can call that number.

**Ms. Lambert:** — Is that 24-7?

**Mr. Lees:** — So they can call 24-7. There's only people that are actually manning those 9 to 5, Monday to Friday, but there is a recording that people can leave messages on that will be picked up.

**Ms. Lambert:** — All right. Thank you.

**The Chair:** — Thanks. It's a good question. And so just to be clear, your question was sort of of the nature, you know, do citizens or volunteers, do they have the ability to provide an update that might be incorporated into the Highway Hotline status that's provided. Right now that's not really the case. Is that right? It would help provide information around response to maybe unsafe roads or something? But would it be incorporated or is there a way for that to be incorporated into updates to the Highway Hotline?

**Mr. Lees:** — So there is a way for that to be incorporated in. It is the individual equipment operator on the road that is

responsible to make that formal decision. But any time that there is a concern that's raised through the customer service centre and then through our Highway Hotline, that gets routed to the supervisor and the equipment operator on duty so they'll be able to make a decision on whether they want to open or change the condition.

We also work really closely with the RCMP [Royal Canadian Mounted Police] when storms are pushing through the province, and we make sure that we're trying to balance those road conditions as required.

**The Chair:** — Thanks for that. And you're saying that . . . So you can call in there 24-7 and it's staffed? Or there's the ability, if you're calling in at 11 o'clock and you're coming down Highway 11 and the situations aren't congruent with what's displayed on the Highway Hotline, is there the ability for that to be incorporated in real time in that process with the operator as you described?

**Mr. Lees:** — So I just want to provide a little bit of context in terms of road conditions and the public's input into that. So in your example, if a citizen is on Highway 11 at 11 o'clock at night and they're seeing conditions that they don't believe match the conditions that should be reported on the Highway Hotline, right now outside of our core hours they don't have the ability to reach the Highway Hotline.

Like I said earlier, the RCMP does. They have a direct line into the Highway Hotline and they're working with our operators as required. But it is important to note that, you know, every motorist has a different tolerance in terms of road conditions, and it needs to be validated by the equipment operators on the road that are trained to be able to make those decisions.

**The Chair:** — Well thanks for that. I think it's, you know, good questions and maybe gets into a matter of, like, policy moving forward that could be discussed. I appreciate the responses. The reality is that, you know, 30 years ago we never had (a) the Highway Hotline, right? The ability to look at it. It's a big improvement. It's wonderful, and we have our mobile devices to access it.

And then the other asset that maybe we have here is all those folks and citizens that are out there, not unlike crop reporters in agriculture, who could play a role with some verification and stuff. So good discussion.

[10:00]

What I would want to say to just all those that are in the service on this front and keeping those roads safe and often putting themselves at risk in the process as well, just thank you so much to all those that keep our highways and roads safe and clean throughout these winter months. It's life and death in many situations, and they're saving lives every day with their preventative work and their response to the challenges. So thanks to all those that are involved in this work across Saskatchewan.

With respect to chapter . . . the recommendations 1, 2, 3, and 4, I would welcome a motion to note that we concur and note progress. Moved by Ms. Lambert. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. Okay. We'll turn our attention to chapter 18, and I'll kick it over to the Provincial Auditor.

**Mr. Shaw:** — Thank you. Restricting vehicle weight and dimensions is one way the Ministry of Highways promotes public safety on provincial highways and protects the condition quality of highways. Chapter 18 in our 2021 report, volume 1, starting on page 219, reports the results of the progress made on the recommendations initially made in our 2017 audit of the Ministry of Highways' processes to enforce vehicle weight and dimension requirements on provincial highways.

We made five recommendations in our 2017 audit. At December 2018 the ministry had implemented three of those five. By December 2020 the Ministry of Highways implemented the two outstanding recommendations. The ministry followed its established policy requiring highway officers to report the completed results of vehicle weight and dimension joint enforcement activities. The implementation of a new records management IT system enabled the ministry to sufficiently analyze commercial vehicle inspections and portable weigh scale activities.

We found management actively monitored the completion of enforcement activities against planned by review of weekly reports. Such comparisons assist the ministry in determining whether the ministry's weight and dimensions enforcement activities are sufficient and appropriate. For example, Highway Patrol officers were on the roads completing enforcement activities as planned, such as achieving its weekly targets for number of vehicles weighed.

In addition, the ministry consistently documented its response to inquiries received through its inquiry line related to vehicle weights and dimensions. Consistently documenting responses to inquiries helped show it handles inquiries sufficiently and appropriately and considers whether adjustments to its activities are warranted. For example, Highways may be able to provide additional information about the value of overweight fines if there are lots of inquiries about fines. Also, numerous complaints about potentially overweight vehicles in a specific region may suggest Highway Patrol officers could focus activities in that region.

This concludes my presentation on this chapter, and I'll pause for the committee's consideration. Thank you.

**The Chair:** — Well thank you very much for the follow-up on this front, the initial report being 2019. Thanks to the ministry for all the work and actions taken on these fronts as well and detailed in the status update. I'd see if there's a quick remark from the DM, and otherwise we'll open it up for questions.

**Mr. Toffan:** — Thank you, Mr. Chair. Regarding chapter 18 of the 2021 report volume 1, the ministry took the recommendations of the Provincial Auditor very seriously. The ministry continued its oversight and improvement efforts until the transfer of Saskatchewan Highway Patrol to the newly established provincial protective services. That was done in April 2022.

Prior to the transfer, Highways implemented both

recommendations as was alluded to in 3.1 and 3.2, resulting in improved documentation and reporting of enforced activities. And I'll just leave my comments at that.

**The Chair:** — Thank you very much. Thanks again for the work on these fronts. I'll open it up to committee members for questions. Ms. Sarauer.

**Ms. Sarauer:** — Thank you for this, and thank you for your opening remarks. I have had the opportunity to talk to PPS [provincial protective services] in my critic role about the work that they do of which, as you have mentioned, highway traffic officers have now come under their purview. I don't have the opportunity usually to ask questions about it from the Ministry of Highways side of things, so I'm curious now taking that opportunity to see if you can provide some information as to now, today, what your role is in the work that highway traffic officers do.

**Mr. Cossitt:** — Good morning. Thank you for the question. Ryan Cossitt, assistant deputy minister of policy, planning, and corporate services with the ministry. So as you pointed out, since 2022 the responsibilities have transferred. So we have a memorandum of understanding in place with that ministry. And so obviously a lot of the legislative and regulatory authority still is held by the Ministry of Highways. And so that's under our highways and transportation Act.

And so we work with them in many respects, quite similar to how we did when they were with the ministry. They are our enforcement arm of the ministry, and so we meet with them at least quarterly. And we have service targets that we negotiate with that ministry which mimic the same service targets that we had previously with our ministry. And they provide us reports on the number of commercial vehicle safety assessments and inspections that they do, the number of tickets that they issue, portable weight scale use, and the number of joint enforcement blitzes or operations that they conduct with other law enforcement.

**Ms. Sarauer:** — Thank you. Could you provide to the committee what the service targets are?

**Mr. Cossitt:** — Yes, we have aims in terms of, depending on what the type of initiative is. So for our CVSA [Commercial Vehicle Safety Alliance] inspections for instance, that we target around 7,000 a year, is what we're looking for. And we don't have discrete numbers for all activities. So for joint enforcement for instance, we just can report on . . . I just had it here. I can get those numbers.

Oh, here we go. For joint enforcement, like I said, we don't have specific targets for that. I think it's understood that that's best effort, but it's coordinated with the law enforcement agencies. And then for portable weigh scale use, we had been targeting around 1,000 per year.

**Ms. Sarauer:** — Do you have any reported incidents where you have not been able to meet those targets?

**Mr. Cossitt:** — It varies from year to year, and so we don't always hit that. Of course we have a target and a threshold so that we can aim for best efforts. But of course, particularly with the

expanded mandate of what is now Highway Patrol, it will depend obviously in terms of where they need to divert time and attention. So we make every effort and we, as I said, meet quarterly to make sure that we're, sort of, still aiming toward those targets. But it depends very much in terms of where those services are required from year to year. So it does fluctuate, but we've been very close in most years.

**Ms. Sarauer:** — Thank you for that. Are you able to provide the committee the actuals in terms of targets and actual numbers hit?

**Mr. Cossitt:** — I can certainly provide the targets that the Ministry of Highways establishes in our business plan. I think Corrections, Policing and Public Safety would have to provide the actual statistics in terms of what it is that they're actually able to achieve.

**Ms. Sarauer:** — Are you able to provide to the committee whether or not you've met those targets in those particular times?

**Mr. Cossitt:** — Yes. We'll work with Corrections, Policing and Public Safety and get a report for those.

**Ms. Sarauer:** — Thank you for that. Do you have a ballpark estimate of how much time highway traffic officers are spending fulfilling the requirements of the MOU [memorandum of understanding] versus broader enforcement issues that they now have the ability to pursue?

**Mr. Cossitt:** — So I don't have those specifics. Again, this is part of the quarterly reporting that we do in terms of they, sort of, present to us what they've been able to do. Obviously that would be a question much better put to the provincial protective services group in terms of how they're maintaining their time.

I will say that in the course of their expanded duties when they're still on the highway, they're doing both the commercial vehicle enforcement side as they were intended to originally as well as their additional duties. So it's really a matter of them just being able to intervene on a broader suite of different potential issues.

**Ms. Sarauer:** — Right. It would be of interest to know how much of that time is spent doing the other enforcement, and how much of it is doing the typical highways work that you would expect traditionally a highway traffic officer do.

Do you have any inclination of what that percentage would be? Like is 70 per cent of their time used doing that sort of thing and the other 30 per cent doing the broader . . . I know you've mentioned CPPS [Corrections, Policing and Public Safety]. I have a struggle getting a clear picture from both ministries, to be frank with you, so I'm trying to get as much of that information out from you as possible in terms of the work that the highway traffic officers are doing from the Ministry of Highways perspective. Thank you.

**Mr. Cossitt:** — Yes, thanks for the question. So we don't have exact percentages, and I would hesitate to hazard to guess at what that percentage is, but I appreciate your question.

What I can say is that we have had many occasions where we have contacted the former Highway Patrol where we've been aware of potential issues, and we've never had any service issues.

So they've always been very attentive and very responsive in terms of us contacting them to ensure that they're still doing those commercial vehicle enforcement inspections. So we have every reason to believe, and every confidence in their ability to still continue to do what we've asked them to do and to meet those service-level targets.

**Ms. Sarauer:** — Thank you. I'll ask one more way. Do you have trend data over the past couple of years now? This moved over since 2022, so are you monitoring trends? Is that moving in a particular direction that you can share with us?

**Mr. Cossitt:** — So yes, I think we can manage that. Similar to your previous question where we talked a little bit about service targets and how those are coming along, we can work with CPPS and establish a bit of a trend in terms of how things have gone since 2022.

**Ms. Sarauer:** — Could you table the MOU with the committee?

**Mr. Cossitt:** — Yes. Thanks for the question. I don't think, from the Ministry of Highways perspective, we have any concerns or issues. I think we would just like to check with Corrections, Policing and Public Safety just to double-check to make sure that there's nothing sensitive in there in terms of a law enforcement nature, but I think we should be able to provide a copy of the MOU that specifies how we work together.

**Ms. Sarauer:** — Does the Ministry of Highways deal with the hiring, the employment of the highway traffic officers? Or is that now through PPS?

**Mr. Cossitt:** — Yes, the Ministry of Highways has no longer any control or influence over hiring of officers.

**Ms. Sarauer:** — Okay. What about the equipment purchasing for highway traffic officers? That's all through PPS now, correct?

[10:15]

**Mr. Cossitt:** — Correct. That is all CPPS as of now.

Yeah, as Deputy Minister Toffan pointed out, that still goes through SaskBuilds and Procurement, of course, through government procurement process officially. But it's within CPPS.

**Ms. Sarauer:** — Thank you. Would you have the number of charges that highway traffic officers have laid in '22-23 and the breakdown of the charges by type?

**Mr. Cossitt:** — So no, I don't have that data with me. It would be with CPPS. But it's perhaps something we can discuss with them.

**Ms. Sarauer:** — Thank you. Do you have information on . . . Now does the budget for Highway Patrol still come under your ministry, or is that all PPS as well?

**Mr. Cossitt:** — So that's all under Corrections, Policing and Public Safety. FTEs [full-time equivalent] and budget was all transferred in April '22.

**Ms. Sarauer:** — Okay. Could you provide the budget, both operating and capital, for the two years prior to it moving? So '22-23 and the two years prior to it moving over to CPPS.

**Mr. Toffan:** — Yes. So the budget actual for 2020-21 would be 6.215 million for operating, and then '21-22 is 6.299 million when it was still with the Ministry of Highways, prior to it transferring in April 2022.

**Ms. Sarauer:** — Does that include capital as well?

**Mr. Toffan:** — I think that was just operating.

**Ms. Sarauer:** — Could you provide capital as well?

**Mr. Toffan:** — Yes, so the team is informing me that it's approximately \$1 million, or it has been in the past. Up to \$1 million, I should say. That's mostly for upgrades to weigh scales and that type of thing where they would reside. So everything else would be considered expense as per accounting rules.

**Ms. Sarauer:** — Thank you. I appreciate you answering my questions.

**The Chair:** — Any further questions on chapter 18? Just maybe to summarize or to make sure we're on the same page with the undertakings to provide information back to the committee, because there was a few different undertakings there, if we can plan towards making sure that's provided within a one-month period, again through the committee Chair.

And I think some of those pieces that I heard there was very specific commitments to provide data trends back to the committee, as well as the answers to whether or not they're meeting targets or you're meeting targets. And if those targets aren't being met, I'd ask that you break out which targets aren't being met and what the situation is there.

You had committed to review the MOU and to, on your end, had a comfort to share that. That should be pretty straightforward around responsibilities and reporting, so that would be appreciated if you're able to share that. If there's an issue with the other ministry, just make sure the other ministry is being very clear about what the issue is if that's not able to be provided.

And I think the other thing was there was a request around breaking down the charges, and that was something that I believe there was a commitment to work with the other ministry on.

So are we on the same page on all of that?

**Mr. Toffan:** — Yeah, absolutely. I had those same ones written down, yeah.

**The Chair:** — Okay. Perfect. Listen, thanks to everyone involved as well on the work on this front. There's implementation on all the recommendations of the auditor. I would welcome a motion at this point to conclude consideration of chapter 18. Moved by Mr. Lemaigre. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. I'll turn it back over to the Provincial Auditor, who is going to focus on chapters 8 and 5 together, and we have one new recommendation there.

**Mr. Shaw:** — Thank you. This presentation includes one new recommendation for the committee's consideration.

So chapter 8 of our 2021 report volume 2, starting on page 45, reports the Ministry of Highways for the year ended March 31st, 2021 complied with the authorities governing its activities and had effective rules and procedures to safeguard public resources other than the matters reflected in our three recommendations.

On page 48 we recommended the Ministry of Highways accurately record its contractual obligations. The ministry did not accurately calculate its contractual obligations, which are amounts the ministry expects to pay in the future based on signed contracts in 2021. The ministry's lack of accuracy and completeness of data for contractual obligations resulted in it understating its contractual obligation by \$61.3 million for its March 31st, 2021 financial information. The ministry adjusted this error.

Having inaccurate records of contractual obligations can result in the ministry's financial information, and consequently the provincial government's summary financial statements, containing errors. Incomplete and inaccurate information on future obligations also increases the risk of not estimating future funding needs accurately.

In our 2022 report volume 2, chapter 7 we assessed the ministry implemented this recommendation, as we found that at March 31st, 2022 the ministry accurately recorded \$990 million in contractual obligations in its financial records.

On page 48 of our 2021 report volume 2 we reported at March 31st, 2021 the ministry still needed to increase its monitoring of compliance with established transaction limits for purchases made using purchase cards. We found the ministry insufficiently monitored compliance with established transactions limits for purchases made using purchase cards.

During 2020-2021 we identified numerous instances in our analysis where an individual made multiple payments on the same day to the same vendor on one purchase card. In each instance the total amount paid to a vendor exceeded the \$10,000 purchase card transaction limit. Not having appropriate review and approval of purchase card payments increases the risk of the ministry making inappropriate purchases.

In our 2022 report volume 2, chapter 7 we report that at March 31st, 2022 the ministry implemented this recommendation. We found for the 12 instances tested where the ministry had multiple payments on the same day to the same vendor on one purchase card, each payment was appropriate and for a unique invoice.

On page 49 of our 2021 report volume 2 we reported at March 31st, 2021 the ministry continued to need to implement policies to better oversee purchases of regulated firearms and ammunition. By March 31st, 2021 the ministry implemented the policy to better oversee purchases of regulated firearms and ammunition. During that fiscal year it had not purchased these types of items. Therefore we were unable to assess whether the

ministry followed its policy.

In May 2021 regulations changed, which require the ministry to obtain approval from the Ministry of Corrections, Policing and Public Safety prior to purchasing any regulated firearms or ammunition. In our 2022 report volume 2, chapter 7 we found that at March 31st, 2022 the ministry followed the police regulations and obtained the required approvals before purchasing regulated ammunition. Therefore we found this recommendation implemented in 2022.

Page 49 of our 2021 report volume 2 reports the ministry implemented better processes to track regulated Highway Patrol equipment. The ministry implemented an IT system to track regulated Highway Patrol equipment and conducted regular inventory counts to confirm it properly accounted for equipment.

On page 50 we note the ministry implemented our recommendation to follow its established procedures for removing user access to its computer systems and data. We found that the ministry removed unneeded user access more timely.

Lastly, in our most recent 2023 report volume 2, chapter 5, starting on page 35, we report that the ministry complied with the authorities governing its activities and had effective rules and procedures to safeguard public resources for the year ended March 31st, 2023.

However the Ministry of Highways incurred a loss relating to inappropriate supplier payments. In March 2023 the ministry incorrectly paid more than \$500,000 to an individual impersonating one of the ministry's suppliers. It later recovered about \$400,000.

In August 2023 the ministry strengthened its processes to verify and authorize changes to supplier banking information. Requiring a second individual review requested changes to supplier banking information provides additional scrutiny to the information provided and lowers the risk of inappropriate changes occurring.

We suggested having other ministries follow a similar process requiring a second independent person verify and authorize changes to supplier banking information would further reduce the risk of other ministries making inappropriate payments to illegitimate suppliers.

This concludes my presentation. Thank you.

**The Chair:** — Thanks for the presentation, the follow-up on these presentations, and recommendations that you've made in the past as well. I'll turn it over briefly to Deputy Minister Toffan for a remark and then we'll open it up for questions.

**Mr. Toffan:** — Thank you, Mr. Chair. Regarding chapter 8 of the 2021 report volume 2, the ministry is committed to safeguarding public resources. The auditor made recommendation 4.1 for accurate recording of contractual obligations. In response to this recommendation the ministry has done a few things. We've assigned the financial services unit, or as we call it the FSU, a more active role in ensuring the completeness and accuracy of contractual obligation disclosures.

We've also dedicated a role in the project support office which has been established to strengthen efforts to ensure the completeness and accuracy of year-end contractual obligation data.

And also thirdly, based on these changes, future audits have been validated and the ministry has overall improved performance on these key issues.

In response to recommendation 4.2 for consistent monitoring of purchase cards, the ministry has implemented a few things as well. We've created two new mandatory training programs for cardholders and approvers to reinforce purchase card policies and procedures. And this has been actually really important as part of our orientation for new staff as well, so it seems to be a good process to undertake. We've increased monitoring to ensure proper use of these cards as well. And this prevents transaction splitting and it also ensures cardholders were not exceeding transaction limits. The ministry also has a more consistent and systematic approach to guide managers if they suspect an issue is occurring with one of their staff members or just generally speaking.

[10:30]

Recommendation 4.3 is related to oversight of purchases of regulated firearms and ammunition and is our understanding that the Provincial Auditor considers this recommendation only partially implemented in 2021. And it was alluded to as to why and it's really, just to reiterate, it's because although the ministry had implemented the recommended policies, the auditor wasn't able to test the implemented policies' effectiveness as there were no regulated firearms and ammunition purchases by the ministry. And this is because we don't have that program anymore.

The other thing on recommendation 4.4 related to Highway Patrol equipment tracking and recommendation 4.5 related to removing IT users' access, these have been fully implemented.

And then in regards to 2023 report volume 2, chapter 5, the ministry continued its commitment to safeguarding public resources through effective rules and procedures. And although there were no specific Provincial Auditor recommendations in chapter 5 from the 2023 report volume 2, the auditor identified a key finding arising from an incident in March 2023 when the ministry paid 500,000 to an individual that was impersonating one of the ministry's employees.

And I will say that this was quite troubling, frankly, to have to deal with something that serious. And these criminals are getting quite sophisticated on how they do this. I know in my previous role with IT and cybersecurity it is becoming quite a challenge. But what I will say is we have recovered over \$400,000 of this amount through some hard work by us and some quick action.

And since then our ministry's taken some steps to strengthen our processes for maintaining and ensuring accurate supplier information. And it's also going to require multiple individuals to verify and authorize any future changes to supplier banking information, because that's ultimately what led to this issue.

So I think I'll leave my remarks at that. Obviously that was a very serious incident and something that, you know, we wish didn't



happen. But we have put in measures to prevent such things in the future. And I'm happy, with my team, to answer any questions you may have on these recommendations.

**The Chair:** — Thanks so much for the presentation. I'll open it up to committee members for questions. Ms. Sarauer.

**Ms. Sarauer:** — Thank you. Thank you for your opening remarks. I just have a few questions around cybersecurity. You've indicated that you've implemented stronger measures than existed before. Do you feel, understanding that you could never feel fully confident that any sort of cybersecurity incident would not be able to happen again, but could you just speak a bit about your confidence levels in the protection of the ministry now with the new implementations?

**Mr. Toffan:** — Yeah, I think we're much more confident now that we have the right measures, but not only that we have the right measures, that we're actually communicating them to new staff and existing staff that they exist and ensuring that we have proper training in place to do that.

In addition to all of this, there are also government-wide phishing training courses too, because this could be considered almost like a phishing campaign. And those have been working quite well too. Our numbers have shown that. I don't have them exactly here because I'm not really doing that anymore, but on this particular issue with the Ministry of Highways I feel much more confident that we have the right safeguards in place to prevent something like this from happening again.

**Ms. Sarauer:** — Through implementing the new measures, has the organization caught any other attempts at fraudulent transactions in the ministry?

**Mr. Toffan:** — We're not aware of any. But I guess what I would say is that might be validation enough that it's working. You know, we do have, you know, full intention on making sure that this doesn't happen again. And by verifying banking information and going back to the supplier, in fact if we have any doubt, you know, it should be the right process to make sure we don't do this again.

**Ms. Sarauer:** — Just a quick question going back a chapter on purchase cards. What are the current transaction limits for those purchase cards at this time?

**Mr. Toffan:** — Thank you for that question. So just a bit of a breakdown here that might help kind of put some context to it: 65 per cent of PCard [purchasing card] monthly charge limits are \$10,000 or lower; there's 30 per cent that are between 15,000 and 75,000; and 5,000 are 100,000 or more. Really the one exception for 100,000 or greater is for fleet services, and my team kind of informs me that it's mostly the parts required for operations. And monthly limits that exceed 100,000 must be approved by the Provincial Comptroller's office, so it's this guy.

**Ms. Sarauer:** — This guy has the control. Thank you so much.

**The Chair:** — Thank you. Any further questions on chapters 8 or 5, folks?

Just a question maybe on chapter 5, if you're able to share. The

fraudulent act originally cost taxpayers about 500,000. You've received 400,000 back now. Are there still efforts to pursue the outstanding \$100,000?

**Mr. Cossitt:** — Yes, thank you. So there is still an active investigation in place by law enforcement, but we are not pursuing any further action within government based on advice from legal. It just simply would not . . . It's not likely to be successful and the cost would outweigh the potential gain to sort of get back the remaining \$106,000.

**The Chair:** — And is it fair for me to assume that this was committed by someone outside of Saskatchewan?

**Mr. Cossitt:** — We believe so, but the investigation, of course, is still under way, and so it's not clear. We do know that there was some out-of-province involvement in terms of where the bank account was located.

**The Chair:** — Thank you for identifying, I mean, very importantly closing those gaps to ensure that you're not exposed or that we're not exposed moving forward on these fronts. And yeah, thanks for being forthright at this committee.

Any further questions from committee members at this point? Not seeing any, there's one new recommendation in chapter 8. I would welcome a motion to concur and note compliance with recommendation no. 1. Moved by Mr. Goudy. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. And with respect to chapter 5, I would welcome a motion that we conclude consideration. Moved by Mr. Harrison. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. Okay. Well listen, to Deputy Minister Toffan and the officials that have joined us and all the other officials that are connected to this work and all those that are involved in highways across Saskatchewan in keeping us safe as we get from point A to point B and as goods move across this province, I just want to say thank you. Thank you for your time today and thank you for all those that are involved in this work. Any final word, Deputy Minister Toffan, before we kick you out of here?

**Mr. Toffan:** — I hope you don't kick me out of here, but yeah. I just appreciate the opportunity to answer your questions today. And thanks to the auditor and your team too. It's been always a good working relationship. And thanks for your comments.

**The Chair:** — Thank you very much. As a committee, we'll take a brief recess, and up next is Labour Relations and Workplace Safety.

[The committee recessed for a period of time.]

### Labour Relations and Workplace Safety

**The Chair:** — Okay, folks. We'll get rolling here and reconvene the Standing Committee on Public Accounts. I want to thank the officials here with Labour Relations and Workplace Safety for

adjusting and moving forward and joining us a little earlier than was on the agenda here today. I'd ask Deputy Minister Wilby to just introduce briefly the two officials that are with him here today. Then I'll turn it over to the auditor for presentation; back to DM Wilby for subsequent response.

**Mr. Wilby:** — Fantastic. Thank you, Mr. Chair. I appreciate that. So today I have with me Assistant Deputy Minister Elissa Aitken, and I have our director of safety operations, Ila Klassen.

**The Chair:** — Thank you to all of you for your presence here today and for your work. I'll turn it over to the Provincial Auditor to focus on chapter 19 here today to provide her presentation and then we'll bring it your way.

**Ms. Clemett:** — Well thank you, Mr. Chair, Deputy Chair, committee members and officials. With me today is Mr. Victor Schwab, and he's the deputy provincial auditor that is responsible for the portfolio of work that does include Labour Relations and Workplace Safety. Also just behind us is also Ms. Kim Lowe from our office. She's a senior principal who is our liaison, or acting as the liaison today, between our office and this committee.

So Victor's going to be presenting the follow-up chapter related to the ministry's strategies for reducing injury rates. I do want to thank the deputy minister and his staff for the co-operation that was extended to us during the course of our work. With that, I'll turn it over to Victor.

**Mr. Schwab:** — Thank you. Chapter 19 of our 2020 report volume 1, on pages 223 to 225, reports the results of our first follow-up audit we did on the Ministry of Labour Relations and Workplace Safety's strategy for reducing injury rates. We made one recommendation in the 2018 performance audit. The recommendation related to issuing summary offence tickets under the occupational health and safety legislation consistent with its policy.

Summary offence tickets are tickets issued by designated occupational health officers. These tickets can go up to \$1,000 and may be issued in relation to a violation like failing to ensure workers wear protective equipment.

By February 2020 we found the Ministry of Labour Relations and Workplace Safety was issuing its summary offence tickets under occupational health and safety legislation consistent with the 60-day time frame set out in its policy. Our analysis of summary offence tickets issued by the ministry between February 1st, 2019 and February 6th, 2020 found the ministry issued 23 tickets during this time frame, taking 13 business days on average. The longest period from offence to ticket issuance was 25 business days.

Prompt issuance of summary offence tickets reinforces the importance to employees of addressing identified violations to help reduce workplace injuries. We concluded that the ministry had implemented the audit recommendation.

I will pause now for the committee's consideration.

**The Chair:** — Thanks once again to the auditor for the presentation and for the follow-up on this front. Just for those that

are watching at home or following along here, this committee has already considered this presentation and these chapters, and so we're here with a follow-up and update.

I would also table PAC 128-29, Ministry of Labour Relations and Workplace Safety: Status update, dated February 5th, 2024. I'd like to thank DM Wilby and his team for providing that update and detailing the actions taken to ensure implementation on this front. I'll kick it over to Deputy Minister Wilby for a brief remark, and then we'll open it up for questions.

**Mr. Wilby:** — Thanks again, Mr. Chair. Appreciate it. And thank you to the committee for having us here today. Obviously thank you to the auditor and the work that you do. We're happy to oblige with that work and make sure that we're bettering things together.

So as highlighted in the 2018 report, it was recommended that the ministry issue our summary offence tickets under occupational health and safety provisions in legislation consistent with our policy. We've implemented the recommendation using the following steps.

In 2018 the ministry provided additional training to peace officers, which are our occupational health and safety officers that can issue tickets, to ensure they understood the requirement of the policy for issuing those summary offence tickets.

In February of 2019 the ministry updated the summary offence ticket policy to require peace officers to issue those tickets within 60 business days of the date of the offence. And I'm pleased to share with you that in February 2020 a review found that on average tickets were issued within 13 days and the longest was 25 days as the auditor had highlighted.

[11:00]

Our ministry will continue to assess summary offence ticket policy and process as part of our regular business to ensure Saskatchewan workplaces are healthy, safe, and productive. Since 2014 we've used summary offence tickets as one tool to help ensure that workers come home safely at the end of the day. A notice of contravention always accompanies a summary offence ticket as well, so we find this dual enforcement strategy provides the immediacy of a ticket while encouraging ongoing compliance through identification of corrective actions that would result in compliance. And of course at the heart of that is providing that education.

The ministry tries to take a multi-level approach by using education, targeted intervention, stop work orders, and when necessary, prosecution to see that workplaces are in compliance with occupational health and safety provisions in legislation and regulation. Since 2014, 235 summary offence tickets have been issued.

We know the impact that serious injuries and fatalities can have on families, communities, employers, and workers, and we continue to look at ways we can continue to reduce injury rates in our province. As Saskatchewan continues to grow, fostering a culture of workplace health and safety is essential to ensuring we're building a strong economy where all citizens can benefit.

So with that I'd be happy to address any questions members might have on the fully implemented recommendation or generally how we're working together with stakeholders to reduce injuries in the province.

**The Chair:** — Thank you for that. I'll open it up to members now for questions. Ms. Sarauer.

**Ms. Sarauer:** — Thank you, and I appreciate your opening remarks. I have a few questions about the peace officer program. You mentioned that OH & S [occupational health and safety] officers are peace officers. For my clarification, can you explain whether or not there are any other similarities to other types of what would be considered peace officers?

**Mr. Wilby:** — I appreciate the question. We have 10 occupational health and safety officers that are designated peace officers under the legislation, which of course gives them the ability to go and issue those summary offence tickets, you know, with that additional ability.

We haven't extended it to everyone. We find at this point in time, you know, 10 is a good number. We'll continue to look at that as we go forward of course. But those powers are really limited within their legislative authorities to issuing those summary offence tickets as opposed to, say, stopping moving vehicles or something along those lines.

**Ms. Sarauer:** — So their powers are limited to OH & S and that's it?

**Mr. Wilby:** — That would be correct.

**Ms. Sarauer:** — And you said there are currently 10. How many have there been over the last five years? Could you provide me a number?

**Mr. Wilby:** — So when we started the program initially, we started with two as a pilot, and then from there we've grown to 10. We've been at 10 for the foreseeable past from what we can remember. If you want an accounting and a breakdown of that and what it's done year over year, we'd be happy to provide that to the committee.

**Ms. Sarauer:** — That would be great. Thank you. Do you have the total number of summary offence tickets issued as well, each year for the past three years?

**Mr. Wilby:** — We do. We can go back a few more if you want, or do you just want the three?

**Ms. Sarauer:** — Let's go back a few more.

**Mr. Wilby:** — Let's go back a few more. All right. So in '19-20, we issued 23; in '20-21, we issued 16; in '21-22, we issued 25; '22-23, we issued 42; and year to date so far we've issued 30.

**Ms. Sarauer:** — How many of those were paid upfront, versus how many went through another process, whether or not they were fought? Or could you provide some information as to that, how they worked their way through the system?

**Mr. Wilby:** — For sure. That's a great question. I can give you

a little bit in terms of guilty, how many are still in progress, and how many were stayed or withdrawn, if that works?

**Ms. Sarauer:** — Yes.

**Mr. Wilby:** — You betcha. So going back to '19-20. Okay, in '19-20 we had 12 that pled guilty; we had nine that paid in advance; we had two stay of proceedings. In '20-21 we had six that were found guilty, nine that were paid, one stay of proceedings; '20-21 we had 13 that were found guilty, nine that were paid, two stay of proceedings, and one withdrawn; '22-23 we had 16 that pled guilty, 21 that were paid, one in progress still, and four that were withdrawn; and '23-24, 14 guilty, 7 that were paid, six in progress, and three withdrawn.

**Ms. Sarauer:** — Do you have any further information you can provide us on the tickets that were stayed or withdrawn?

**Mr. Wilby:** — I don't have individual specifics to each ticket, you know, and obviously the circumstances, as you're aware, are different pertaining to each one. Sometimes what we will see is that two may be issued by an officer, and of course if that's case, we may have the prosecutor or within the court system that may get moved down to one, and so they're brought down as one. So that would be a case or a specific case where that might occur. But in terms of the specifics of each ticket, I don't have that information available.

**Ms. Sarauer:** — No, that's fair. I wouldn't want to ask for the specifics of each individual ticket. I'm just more curious as to whether or not any of those were stayed due to delay in prosecution or lack of sufficient evidence.

**Mr. Wilby:** — Yeah, none that we're aware of at this point in time.

**Ms. Sarauer:** — Sure. What about repeat offenders? Are many of those tickets provided to similar . . . I keep calling them "offenders." I'm not sure if that's appropriate in this context, but you know what I'm talking about. Can you just speak a little bit about that?

**Mr. Wilby:** — Sure I can. There very well may be some repeat, some repeat . . . and we'll use the language "offenders" for the time being. Reminds us of our time in Justice Committee.

But obviously if we do see, you know, repetition there, we really want to go and we want to do some targeted intervention with those employers to make sure that we're looking after some of the issues that might be there, providing that education and other support that's in place.

An area we do tend to see some reoffence tickets used more is in the roofing area, especially if you'll have an area of the province maybe that gets hit by hail and some roofing companies will come into the province and maybe are not wearing the fall-safe appropriate equipment that needs to be there. So that's one area that we may tend to see some repeat offenders as well.

Just specific to the prosecution piece, we do have dedicated prosecutors that work with OH & S which makes it quite useful for us of course and allows things like those delays not to occur in the court system because their care and attention is there on

our files.

**Ms. Sarauer:** — Do you have any statistics as to how many tickets are issued to similar offenders, the same offender?

**Mr. Wilby:** — We don't have that prepared today. Part of that obviously is maybe the — although when the ticket's issued it tends to become public — but part of that's the privacy of some of those details. What we will do is take a look back and see if there's something maybe we could provide to the committee that shows a bit of that in at least as much detail as we can provide.

**Ms. Sarauer:** — Thank you. I appreciate that.

**The Chair:** — Any further questions from committee members with respect to the chapter before us? Not seeing any, so thank you for the time here today. I'd welcome a motion to conclude consideration with respect to chapter 19 of the 2020 report volume 1, *Report of the Provincial Auditor*. Moved by Mr. Goudy. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. DM Wilby and your officials here today, thanks for being here today and for your work on these fronts and so many others. Thank you as well to all those that are connected to this important work here today right across Saskatchewan. Any final words before we give you the boot?

**Mr. Wilby:** — The boot's probably a good place for me. No, I appreciate the time that the committee's taken today. I appreciate the questions from the member. And thanks again for the work on these files.

**The Chair:** — Okay. We will take a recess for lunch and see the committee members at 1 o'clock here today.

[The committee recessed from 11:09 until 13:00.]

### Prairie Agricultural Machinery Institute

**The Chair:** — Okay folks, good afternoon. We'll reconvene the Standing Committee on Public Accounts. And we'll turn our attention to Agriculture and specifically the Prairie Agricultural Machinery Institute, PAMI, in Humboldt. And yeah, looking forward to the time this afternoon.

I'd like to welcome Deputy Minister Rick Burton to the committee here this afternoon. I'd ask him to briefly introduce the officials that are with him, refrain from getting into the chapters at this point. I'll turn it over to the auditor and then come back to you.

**Mr. Burton:** — Thank you, Mr. Chair. With me from the Ministry of Agriculture is Rob Pentland. He's the acting executive director of corporate services with the ministry. And from PAMI we have Paul Buczkowski, president and CEO [chief executive officer] of PAMI.

**The Chair:** — Great. Well thank you for joining us here this afternoon. I'll turn it over to the Provincial Auditor to make a presentation and we'll go from there.

**Ms. Clemett:** — So good afternoon. Thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today is Mr. Jason Shaw. He's the deputy provincial auditor that is responsible for the audit of PAMI. Also with him, just behind, is Nicole Dressler. She's the engagement lead that is responsible for the integrated audit. And beside her is Ms. Kim Lowe; she's acting as our liaison with this committee today.

So Jason's going to present the three chapters noted on the agenda all in one presentation. And so these chapters do include a total of three new recommendations for the committee's consideration. One of those recommendations has since been considered implemented through our office's next year's audit work. So I do want to thank the CEO and his staff for the co-operation that was extended to us during the course of our work.

With that I'll turn it over to Jason.

**Mr. Shaw:** — Thank you. This presentation provides our audit results of the annual integrated audits of the Prairie Agricultural Machinery Institute for the years ended March 31st, 2021, 2022, and 2023. For each of those years, we report that Prairie Agricultural Machinery Institute had reliable financial statements and complied with its legislative authorities. It had effective rules and procedures to safeguard public resources other than the matters reflected in our recommendations.

Chapter 9 of our 2021 report volume 2, starting on page 51, contained two new recommendations for PAMI for the year ended March 31st, 2021. On page 53 we recommended the Prairie Agricultural Machinery Institute require management to conduct a detailed review of financial information — for example, financial reports, journal entries, reconciliations, and payroll registers — prepared by staff responsible for carrying out these duties. We found PAMI management did not adequately review and approve financial information once prepared.

Adequate segregation of duties includes timely and independent review and approval of key financial transactions and entries. We found that management neither consistently reviewed or approved financial reporting information in a timely manner, nor formally documented approvals, in 2021.

In chapter 3 of our 2022 report volume 2, starting on page 23, and chapter 7 of our 2023 report volume 2, starting on page 43, we continued to report PAMI did not adequately review and approve financial information once prepared for the years ended March 31st, 2022 and 2023. For example, in 2022-23 we found only one out of the 12 bank reconciliations were reviewed and approved timely. Also, for all 10 journal entries we tested we were unable to see evidence of a review and approval of the entries. Not completing an independent review of financial information increases the risk of inaccuracies not being detected. This increases the risk of errors occurring in financial information.

On page 54 of our 2021 report volume 2 we recommended the Prairie Agricultural Machinery Institute require a full review of the year-end financial statements by management. In chapter 3 of our 2022 report volume 2 and chapter 7 of our 2023 report volume 2 we continued to report PAMI did not prepare adequate financial statements for audit for the years ended March 31st, 2022 and 2023.

Our annual audit continued to identify significant errors in the draft financial statements presented for audit. For example, we found errors in revenues recorded and in financial information such as contractual rights disclosed in the financial statement notes. Management corrected all significant errors identified for all three years, and therefore PAMI's issued financial statements are reliable. Because of the numerous changes required to the financial statements during the audits, PAMI did not table its March 31st, 2021 or March 31st, 2022 financial statements on time and in accordance with its legislative requirements.

On page 25 of our 2022 report volume 2 we recommended the Prairie Agricultural Machinery Institute accurately track its fee-for-service projects to enable it to properly record related revenues in its financial statements. PAMI earns fee-for-service revenue for its projects conducted for farmers and agricultural machinery manufacturers and for the mining and transportation industries. In 2021-22 it earned about \$3.7 million in fee-for-service revenue.

For the year ended March 31st, 2022, PAMI had an incomplete project listing spreadsheet that management did not update after August 2021. Management had to correct fee-for-service revenue recorded in its accounting records by over \$300,000 for errors found during the audit. Not having an effective process to track fee-for-service projects increases the risk PAMI inappropriately bills customers for work completed and incorrectly records fee-for-service revenue.

On page 45 of our 2023 report volume 2 we reported that the Prairie Agricultural Machinery Institute implemented this recommendation by March 31st, 2023. It began accurately tracking the status of its fee-for-service projects and properly recorded the amounts invoiced to customers for work completed in 2022-23.

This concludes my presentation. Thank you.

**The Chair:** — Thank you for the presentation and focus of the work. I'll turn it over to Deputy Minister Burton and officials for a brief remark. Thanks as well to them for the status update that they've provided. And I'll just table that as this point: PAC 129-29, Prairie Agricultural Machinery Institute: Status update, dated February 5th, 2024.

Thanks again for detailing the actions that have been taken with respect to these recommendations. I'll turn it over for brief remarks before we open it up for questions.

**Mr. Burton:** — Sure. Thank you, Mr. Chair, and I just want to thank the Provincial Auditor for their work around PAMI. We really appreciate the recommendations that have been made, and I think we're in a good spot moving forward in responding to the recommendations.

With regard to the first recommendation where the Provincial Auditor recommended that PAMI require management to conduct a detailed review of financial information prepared by staff responsible for carrying out these duties, I just want to report that PAMI has now created a detailed action plan to implement specific procedures to ensure financial information is reviewed to fulfill the recommendation.

The detailed action plan includes ensuring journal entries, payroll registers, and reconciliation are reviewed independently and saved with accompanied support. Balance sheet accounts are reconciled monthly. Contracts are signed and dated by senior management. A record of signed documents is retained based on corporate retention policy. The timely reviews and sign-off of monthly financial statements and ensuring segregation of duty controls is being met. With the implementation of this action plan, PAMI believes that the recommendation has now been fully implemented and look forward to the Provincial Auditor following up on the action plan.

The second recommendation where the Provincial Auditor noted that PAMI required the full review of year-end financial statements by management. In response to this, PAMI management does review financial information presented for audit. However, they have again created an action plan to address the recommendation. The action plan around this recommendation includes management will outline all unusual items to the auditor prior to commencement of the audit. Increased analysis will be completed in areas of accrued liabilities, accrued revenues, and prepaids impacting cut-off periods.

Management reporting packages will be delivered to management monthly for review, and review will be formally documented. A complete review of the full year financial statements will be undertaken with management prior to commencement of the audit, and version control procedures have been implemented on our year-end financial statements. With the implementation of this action plan, again PAMI believes this recommendation will be fully implemented.

And with regard to the third recommendation which the Provincial Auditor had identified, PAMI agrees with the assessment that it has now been fully implemented and responded to. So with that I'll close my opening remarks.

**The Chair:** — Great. Thank you very much. I'll open it up now to committee members for questions. Ms. Sarauer.

**Ms. Sarauer:** — Thank you, and appreciate your opening comments and your reporting, in that you now feel that all of them except for the last recommendation have now been fully implemented. Happy to hear that that work has been done.

Could you provide some information as to why there had been so many challenges with financial reporting over the last few years?

**Mr. Burton:** — So I'll start, and then maybe I'll get Paul to respond or complete. But I think COVID has provided some challenges for a number of organizations and PAMI was no different.

During COVID there was, I would say, some financial shortfalls in the organization that required some adjustments. And as well, the organization, it kind of went through a transition to a new CEO at the time. And during that period I think it was having some challenges in obtaining and retaining financial support for the organization. By financial support I mean financial accounting support for the organization.

So with that and since Paul has come on board to the

organization, we've been able to resolve some of those challenges. So maybe I could let Paul talk a little bit more about some of the things that he's seen.

**Mr. Buczkowski:** — Sure. Thank you, Rick. I think, well I started in May of 2022, and I believe there were some significant challenges that needed to be cleaned up before that. Rick had indicated, you know, COVID was one of the biggest challenges that PAMI had to offer and come up against.

But I think, you know, right before COVID happened, we eliminated some positions to try to become more financially responsible. COVID occurred, and then unfortunately as soon as we decided to come back on track, the whole accounting team had left the company. And those two people were staff for almost 20 years.

And in addition to that, we also had some outdated software that we were trying to put our financial statements in that was no longer supported by the company that provided it. And since May of 2022, I was able to bring in one of the big four accounting firms to help us get back on track, and we moved into short-term software. And now we fully have implemented a brand new software as of June of 2023, and we believe our financial statements are 100 per cent in that software now. And at the click of a button, we should be able to get all of our financial analysis and reports. So that's one of the biggest changes that we've made.

**Ms. Sarauer:** — Thank you. Reading between the lines . . . I don't want to go into too much detail over some of the challenges that you've experienced, but I'm wondering if there have been . . . Obviously there were some challenges that are coming up from this audit regarding financial accountability, but I'm wondering around the human resources side and HR [human resources] accountability as well. Have there been any challenges getting yourself back on track? Did you have to do anything from a human resources standpoint in terms of getting your organization fully functional?

**Mr. Buczkowski:** — We did. We brought on a permanent, full-time HR representative, a manager, who has done an exceptional job not only recruiting but also retaining our current staff. In I guess it would be the summer of 2022, we had only about 10 or 12 staff members, and currently we are at 29 full-time staff with 13 contractors on board. So that, along with our capacity line . . . Our projects is nearing the capacity line and we're booking three to four months out instead of the usual three to four weeks. So we've had some significant improvements from the human resources side as well.

**Ms. Sarauer:** — I'm glad to hear it. Just to fully circle that topic, are you feeling comfortable and confident about where the organization is headed now?

**Mr. Buczkowski:** — I am very happy. From when I started, I believe there was five people that left the company in the first week that I'd started and, you know, things weren't looking great because we didn't have a whole lot of projects booked in our portfolio.

[13:15]

We are predominant reliant on our agriculture customers, which makes up approximately 70 per cent of our business, and we really were pushing to try to increase that number a little bit to make sure that we provide a great service moving forward. And we've hired a full-time sales staff. We're up to now five people instead of one, and that has also enabled us to get our projects and our portfolio, our sales portfolio, up to capacity.

**Ms. Sarauer:** — Are you at what you would consider a full complement of staff now?

**Mr. Buczkowski:** — I am still looking at probably another handful of staff in different areas just so we can alleviate some of the pressures that we're feeling for being at our capacity line. We are looking at a number of different . . . increase in shop support, which I call it the hands that are doing the work. But we're also looking for potentially another accounting person and then some engineering staff as well.

**Ms. Sarauer:** — Could you explain the process or disposition of your annual surpluses or deficits each year?

**Mr. Buczkowski:** — Yeah. From my understanding — and again, I don't have all the information in front of me — we've been running a deficit in operations for a number of years, and I would say that would be in probably 10 years plus. When I take over the business . . . or when I became in this role in March of 2023 and as the director of finance in May of 2022, I was starting to really look at it from a business perspective. So you know, looking at profit margins, looking at cost overruns, looking at how our projects have been performing for a different number of customers.

So that being said, you know, a full analysis and review has been done right from our sales team all the way through our completion of our projects. And as of, it would be, October of this year, we just kind of went through all of our financial statements. And with the support of obviously the ministry, we were actually showing numbers in the black for the first time in a number of years.

So I am showing a potential forecast of still an operating deficit by March 31st, but I am very confident in the years to come that we're going to be able to slowly alleviate that pressure on the team and get back to where we should be.

**Ms. Sarauer:** — Thank you for that. Glad to hear that you're moving in a positive direction into the black. Could you provide the exact dollars over the last five years in terms of your operational deficit?

**Mr. Buczkowski:** — I can get that to you. I don't have that 100 per cent in front of me, but I can provide that to you after the meeting.

**Ms. Sarauer:** — Thank you. I appreciate that.

**The Chair:** — Any further questions for the officials here today with respect to the chapter? Not seeing any others. I've had the opportunity to tour PAMI and to learn about some of the different research projects and some of the commercial projects that are being launched. It's a wonderful institute, so I'm glad to hear that you're working to have it on good ground and providing, you

know, value of course to this province and the Prairie provinces. So thanks for the work on that front.

So what I'm hearing, we have the two recommendations in the first chapter, chapter 9, that I would welcome a motion that we concur and note compliance. Moved by Mr. Lemaigre. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried.

With respect to chapter 3, we have one new recommendation. I would welcome a motion that we concur and note compliance there as well. Moved by Ms. Lambert. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — All right. That's carried as well. Those are the three new recommendations, right?

**A Member:** — Yes.

**The Chair:** — We had one other chapter, chapter 7, and I would welcome a motion to conclude consideration of chapter 7. Moved by Deputy Chair Nerlien. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — All right. That's carried as well. Not seeing any further questions or comments, I want to thank the officials that have joined us here today. I'd invite them to offer any final remarks they may want to before we shift the attention of the committee.

**Mr. Burton:** — Just a final remark. Thank you to Paul for joining us today. He's been doing an excellent job at PAMI and helping, putting the organization on good footing going forward. So really appreciate the work he's done. And thanks to Rob for being here. Thank the committee for the questions today and for their consideration.

**The Chair:** — Thanks so much. We wish you all the best. Safe travels and all the best to all those on your team back in Humboldt there as well. Thank you.

We'll take a brief recess until we've lined up officials for our final consideration of the day.

[The committee recessed for a period of time.]

### Public Accounts 2022-23 Volume 1

**The Chair:** — Okay. Good afternoon, folks. We'll reconvene the Standing Committee on Public Accounts. We'll turn our attention to the Public Accounts 2022-23 volume 1.

Just a couple of opening remarks. You know, our committee's mandate is to review and report on observations, opinions, and recommendations on both the Provincial Auditor's reports and on the province's public accounts. The review of the public accounts completes the accountability cycle of parliamentary control over the raising and spending of public dollars. While the

province's public accounts have been considered by PAC [Public Accounts Committee] in the past, this will be the first time the Public Accounts will be reviewed by this committee as it exists in its current form. So a little bit of new history or evolution or a new process of accountability here today.

PAC's procedure manual provides a general outline for how the committee should structure its reviews. I'll just highlight a few of those.

They're to be focused on past expenses related to the year under review or to the matters that impact those expenses. So it's after the fact: how revenues are collected and accounted for; the integrity, appropriateness, and value for money of taxes; the safeguards in place to protect assets from loss, waste, and misappropriation; whether appropriate financial management controls exist; the value for money the government receives when a Crown corporation or agency is divested; the systems and practices used to determine whether transfer payments are used for their intended purposes; how efficiently, effectively, and economically government programs are implemented, and whether they've achieved their stated goals; whether expenditures are within the limits and purposes authorized by the Assembly; any financial management reforms in government, ensuring legislative accountability.

So with that being said, I want to welcome all the officials that have joined us here today. I would open it up and turn it over to the deputy minister of Finance, Max Hendricks, to introduce himself, our Provincial Comptroller, the officials that are in attendance with him here today, and to make opening remarks or statements regarding volume 1 of the Public Accounts 2022-23.

**Mr. Hendricks:** — Good afternoon. On behalf of the Ministry of Finance, thank you for the opportunity to discuss the '22-23 Public Accounts volume 1, which includes the government summary financial statements and related financial statements discussion and analysis.

Several ministry officials are here with me today to answer questions. They are Chris Bayda, the Provincial Comptroller. Behind me is Brent Hebert, assistant deputy minister, treasury board branch. Directly behind me is Cullen Stewart, assistant deputy minister of the economic and fiscal policy branch. And right to my left is Rod Balkwill, assistant deputy minister, treasury management branch.

Our ministry is committed to preparing timely, high-quality financial statements on behalf of the government. Timely, high-quality financial statements are a cornerstone of good accountability and transparency. I'm pleased to report that this '22-23 fiscal year Saskatchewan was the first in Canada to release its summary financial statements on June 29th, 2023, and that summary financial statements received a clean audit opinion from the Provincial Auditor.

Now I'm going to turn it over to Chris Bayda, Provincial Comptroller, to provide you with an overview of the contents of volume 1 and the results of the '22-23 fiscal year.

**Mr. Bayda:** — Okay, thank you, Max, and good afternoon, Chair and members. So my plan is to provide you with a brief overview of the contents of volume 1 of the '22-23 Public Accounts and

then give you a short review of the financial results for the '22-23 fiscal year.

And for the benefit of members and, I'll say, your active viewing audience, I'll let you know that the Public Accounts are available online through the publications centre. So if you were to type "publications.saskatchewan.ca" into your browser and then search on "public accounts," this year's volume would pop up for you.

Okay, volume 1 is divided into two main sections. There is a financial statement discussion and analysis piece, and a summary financial statement piece. And the statements start about halfway through the book at page 39. And you know, they really start with an acknowledgement that the government is responsible for preparing the statements and that they are prepared in accordance with generally accepted accounting principles for the private sector. They're approved by treasury board. They're tabled in the Legislative Assembly. And then, of course, they are referred to your committee for review.

Next is the auditor's opinion. It's on page 43. And I'll leave that for the auditor to explain, except to say that the audit opinion, it is, as Max said, a clean audit opinion, and the summary financial statements have always had a clean audit opinion.

Financial statements come next. In there you'll find a traditional statement of financial position — sometimes folks still call that a balance sheet — it's about page 47. A statement of operations, or an income statement, on page 48. Then there are some other statements, then detailed notes to the statements, and that's followed by detailed schedules to the statements. To me it's all good stuff.

Schedule 18 is an interesting one, and it's back on page 89. And it's the one that describes the government's reporting entity. So it lists out all of the organizations whose financial results are consolidated into the summary financial statements, and I think there are about 200 organizations on that list. And then it associates each of those entities with a theme that's used for preparing the income statements. So agriculture, education, health, general government, protection of persons and property — those are all themes that are used for the income statement.

And it also splits those entities into two main categories. There are those, I guess I'd say their principal purpose is for delivering government services, so those are government service organizations. We often abbreviate and say GSOs [government service organization]. And then there are those that are more profit or business oriented. So government business enterprises — or we often say GBEs [government business enterprise] — like Power, Tel, and Energy.

So the financial statement discussion and analysis piece at the front of the book, I'll talk about that next. And those words are really just akin to the words "management discussion and analysis," or MD & A, that get used in the private sector.

And that piece of the book is intended to be easier to read than the statements. Lots of charts and graphs in there. Those are, I think, helpful for folks to understand and interpret the financial results. And it leads off with a highlights section in there that summarizes results and reviews some of the key indicators of

financial performance. I think that starts around page 7 or 8.

Then there's a section that deals with the assessment of the fiscal health of the government. And it assesses fiscal health by considering the sustainability of the government's spending and borrowing decisions, its flexibility to respond to challenges and opportunities, and its vulnerability to financial risks.

And following that section there's a piece that's got some details about revenue and expenses and financial assets and liabilities. And the revenues and expenses pieces offer some really good explanations for variances from the prior year and variances from budget, so really an explanation for the ups and downs. And lastly, there's a page in there about risks and uncertainties that the government might be exposed to that are beyond their control.

So now I'm just going to talk a little bit about financial results working from, I think, about page 8 there. There's a highlights page there. And yeah, there's a page there called "At a glance." So at a glance, this is how things went for '22-23.

Revenue was \$20.595 billion, and compared to budget that was an increase of \$3.4 billion and compared to last year, an increase of \$2.4 billion. Expenses were \$19 billion. So compared to budget, you know, better by \$1.393 billion, like more expense. And then compared to actuals they were \$591 million less.

That left us with an operating surplus last year of almost \$1.6 billion — \$1.581 billion. And compared to budget that was an improvement of just over \$2 billion, and compared to the prior year an improvement of about \$3 billion.

So now I want to talk a little bit about accumulated deficit, and really just a reminder for folks about what the accumulated deficit is. And really it's the number that if you were to just take the annual results every year — so maybe a surplus one year, a deficit, a surplus, whatever they were — starting in 1905 and add those all up, it would give you our accumulated position. And our accumulated position at the end of the year was a deficit of \$1.6 billion. So compared to budget, that was an improvement of \$1.8 billion and an improvement from the prior year of \$1.2 billion. So yeah, some good numbers there.

Lastly, I wanted to talk a little bit about net debt. And as a reminder there, net debt is really the difference between a government's financial assets — so their cash and receivables and things like that — less all of their liabilities, and that gives a government's net debt position. And you know, I like the net debt indicator. It's the number that really tells you how much money you need in the future to pay for past transactions and events. And I know from reviewing the statements in detail that for the most part the government's net debt is represented by an investment in infrastructure like schools, roads, and hospitals. It's just a small piece of it that's related to sort of an operating deficit.

Now I wanted to just sort of end with a little bit of a comment, and Max had mentioned it earlier. It has to do with the timeliness of the government's financial statements. And it really is a, I think, a hallmark of the government that the statements are prepared and tabled so early, typically in June of each fiscal year. And in that regard I just want to acknowledge the staff in the



Provincial Comptroller's office who put a lot of time and effort into this, the staff in ministries and Crown corporations and each one of those 200 organizations. It's a real enterprise to pull all this together.

And of course I have to acknowledge the collaboration and the relationship that we have with the Provincial Auditor's office. There's absolutely no question that without us getting early agreement on a plan, and their co-operation and collaboration, that we just wouldn't be able to do this without them as well.

That's all I had to say, and I'll just turn things back to Max or over to you, Chair.

**The Chair:** — Okay. Well listen, thank you very much for the presentation, both our deputy minister and the Provincial Comptroller and the officials that have joined us here today.

I'm going to turn it over to the Provincial Auditor to introduce her officials and make an opening statement on the independent auditor's report on the summary financial statements and to comment on the Public Accounts volume 1 as she so chooses.

[14:00]

**Ms. Clemett:** — Okay. Thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today to my left is Mr. Trevor St. John. And he is the engagement lead on the government's summary financial statements, was last year and is again this year. To the left is Carolyn O'Quinn, and she's the assistant provincial auditor. And then just behind me is also Ms. Kim Lowe who's been with us all day as she's the liaison with this committee.

So I am going to just make a few opening remarks and give you a better context around really our overall audit opinion on the government's summary financial statements for 2022-23.

So our office is required to audit the Government of Saskatchewan and its use of public funds, which gets reflected in the government's summary financial statements. Through our audit opinions, the Office of the Provincial Auditor provides independent assurance to the members of the Legislative Assembly and the public the money is spent as presented and sufficient information and disclosures are provided to inform users and readers of the provincial government's actual financial results.

Our office follows generally accepted auditing standards when forming our audit opinion on the government's summary financial statements. The audit process involves collecting and evaluating audit evidence. Auditors gain an understanding in the key financial controls supporting the preparation of the financial statements and then test those controls to make sure they are operating as intended. So for example, we would look at bank reconciliations and want them to make sure that they are reviewed and approved each month and that the cash is being properly safeguarded and properly recorded.

Auditors also test a sample of transactions. So through this process the Provincial Auditor can provide a high-level assurance to the users whether the financial statements are fairly presented and free of material misstatements. The provincial

government follows Canadian public sector accounting standards when they prepare the government's financial statements. Our audit assesses whether the financial statements are prepared in accordance with those standards. It is important that the government follows the standards to support credibility, quality, and comparability of the government's financial information.

For the year ended March 31st, 2023 we issued an unmodified or also known as a clean audit opinion. This means the financial statements comply with the standards and there are no material misstatements in the numbers and notes presented in the financial statements, which means any significant errors found were corrected or there were none. The audit opinion was issued on June 15th, 2023, which was ahead of all provinces in Canada and thanks to a lot of hard work by a great team of people at the Provincial Comptroller's office and our office as well.

Our audit opinion is also a place where we report the more significant key risk areas in the audit. The more risky areas are where we focus our audit effort, so we include them — and they're referred to as key audit matters — in our audit opinion.

For the year ended March 31st, 2023, the following were key audit matters: asset retirement obligations, also known as AROs. Recognizing and measuring this new liability was a result of a new accounting standard. AROs include costs related to removing asbestos in buildings, removing radiological medical equipment, closing landfills, or returning leased buildings to their original condition.

We did work to make sure the future remediation costs associated with the various capital assets that were owned by the government were properly identified, and the assumptions and the estimated costs were reasonable. This often involved using experts to make sure the costing models and the assumptions were appropriate. Overall we did find one significant error in a government agency's ARO estimate, but this error was corrected.

Other key risk areas in the audit are other significant estimates which include pension liabilities, income tax revenue, and non-renewable resource revenue. Pension liabilities amount to \$6.1 billion. Income tax was \$5.1 billion in 2022-23. And non-renewable resource revenue amounted to \$4.6 billion. These accounting estimates are subject to measurement uncertainty, and they are subject to management's judgment and information available at the time that the estimate is made. And actual results might vary from the estimate.

We do work to make sure we assess management's process to make reliable estimates, like we test the accuracy of the underlying data that goes into formulating those estimates, and we confirm the accuracy of the estimate calculations and the reasonableness of the assumptions. So we may use work of experts to help assess the reasonability of the estimates, so for example, actuary reports for pension liabilities.

Overall, we found these key accounting estimates were reasonable. Governments may base decisions on reported assets and liabilities and how much money will be spent or generated in the future. It is vital to report all transactions and the estimates correctly. The government's financial statements alone are not sufficient to communicate the complete picture of the province's financial health and annual results.

The government's annual report, also referred to as Public Accounts volume 1, provides additional explanations for significant variances between the budget and the actual results, and prior-year results compared to the current year. It also provides data on key financial indicators that focus on the province's fiscal health. This information is in the financial discussion and analysis section, which does precede basically the summary financial statements.

I do encourage the listening public to take a look at this report. This annual report includes the audited financial statements, allows the public and this committee to ensure the public money was spent as the legislature intended.

Demonstrating public accountability is a key responsibility of public sector entities. Reporting accurate financial results is what Public Accounts and our associated audit opinions show and plays a major role in fulfilling a government's duty to be publicly accountable and transparent. It is a key part of the government's accountability cycle, reporting the government's plan or budget and then closing the loop by accurately reporting what actually happened. So that concludes my presentation.

**The Chair:** — Thank you. Thank you, Auditor. Thanks again to our Finance leadership for their presentation and their context on the reports. Thanks as well to our comptroller for identifying for all the viewers that are tuning in at home — and I suspect there's many here this afternoon — as to where they can find that document, and thank you for that. What I would do now is I'd open up to questions from committee members with respect to volume 1 of the Public Accounts.

Not seeing any right now, I'll just maybe lead off just with a few here. Maybe a fairly broad one here right now, but you can drill down into some of the specifics. And I know your report contains some of the information that I'll be asking about. But if you can speak maybe to the public about what items significantly affected the summary financial statements for the current-year results compared to your prior-year results.

**Mr. Hendricks:** — So in '22-23 the key issue was we had a significant growth in revenue through the fiscal year. Non-renewable resources, particularly potash, increased in both price and to a smaller extent quantity during that year. That was most likely . . . well it was a direct result of the war between Russia and Ukraine. What we saw happening later in the year was a de-escalation of price as certain countries continued to buy Belarusian potash.

So it was a significant and, I guess, unforecasted growth in the revenue during the year. At the same time, during that fiscal year we also provided an affordability tax credit. And that was the primary growth and expense during that fiscal year.

**The Chair:** — Thanks so much. And maybe within one of those components, can you speak a little bit to the resource surcharge itself? Speak to, you know, how it turned out, reflecting on the year prior, but then also how it compared to the budgeted amount and what factors were at play, what components drove its increase.

**Mr. Hendricks:** — Yeah. I'm going to ask Cullen Stewart, assistant deputy minister, to provide a response.

**Mr. Stewart:** — Thank you. So with respect to the resource surcharge, it applies to coal, uranium, potash, and oil. It applies differently to wells drilled after 2002 as compared to previous royalty tier regimes prior to 2002. It's based on a value of sales.

So with respect to the increase, as Deputy Minister Hendricks had mentioned, both in the lead-up to the Russian invasion of Ukraine as well as in the aftermath, there was a couple of unique factors. Potash and oil was already starting to increase early in 2022. With the full-scale invasion of the Ukraine, which wasn't anticipated I don't think initially, as well as the length of how long the war had gone and the degree to which the United States, Canada, the European Union, and some countries in Asia like Japan, South Korea, Australia applied sanctions on Russian and by associate, their client state Belarus's economy, it really drove prices high — potash in particular but also oil. There was also some limited market access for Belarusian potash for a period of time in terms of utilizing ports in the European Union. So those factors really pushed up pricing quite a bit, as Deputy Minister Hendricks had mentioned, throughout most of 2022.

And so really with respect to the value of the resource surcharge, it's a direct reflection of the price increases. There were modest production increases in oil and potash, but it's almost exclusively related to the price that producers were receiving at the wellhead or at the mine gate, if you will. With respect to the numbers, we had actuals of 540 million on resource surcharge. The previous year the forecast was for 493 million, and the end-of-year results was 902 million.

**The Chair:** — Thanks for that information. Certainly potash and oil, you know, were pushed to quite high pricing levels and demand was there. Could you speak a little bit more specifically about uranium? Obviously this is a very important industry to this province and, you know, to our country, but to this province. Important from the employment perspective. But can you speak specifically to the fiscal impact in the year? Of course this was a year as well where certainly markets around the world were looking to Saskatchewan uranium as a preferred fuel source, which is a wonderful thing.

**Mr. Stewart:** — Certainly I can try to grab some numbers for you here. But there is a bit of a sensitivity with uranium, respecting the fact that there's a single producer and so the province is limited in the financial data it's able to share with respect to uranium as it reflects a single company. So I can look into pulling some information, but generally that's why we include uranium in the other category. That would also include things like sodium sulphate and gold and helium.

So I can pull that for you here, but I'll have to just double-check on what we're actually able to report on with respect to that.

**The Chair:** — Sure, yeah, you bet. Maybe could you speak a little bit just on the agriculture costs and speak to why they fluctuate so much. For anyone that's watching, you know, agriculture and, you know, looking at that interplay with crop insurance and weather and crop condition situations. And speak to the public as to what the factors are that contribute to such volatility in agricultural estimates.

**Mr. Hendricks:** — Yeah, sure. So in 2023 we saw a decline in our expenses for agriculture. This was coming off a drought year

in '21-22 where there was pretty widespread drought. So government — the provincial government and the federal government — as well as producers all contribute to provide for crop insurance.

[14:15]

And so during, for example, that fiscal year, we saw the total claims against crop insurance went down from the previous year. So obviously that's a good thing, but based on where our forecast was at, it was actually a little bit higher than we had anticipated. And so our agriculture budget is largely contingent upon fluctuations in AgriStability and crop insurance.

**The Chair:** — Thanks for that. Could you provide an update at the time of the volume 1 Public Accounts when it was published? The account surplus or the surplus dollars with respect to crop insurance at that point?

**Mr. Hendricks:** — We'll probably have to bring that back. We don't have those with us. My memory's not that good.

**The Chair:** — No problem. And totally respect that we'll ask a few details here today that may not be readily available at the committee, and so thanks for undertaking to provide that back.

For items that you're undertaking to provide back to the committee, is it reasonable to have that committed to the committee within a month's time? Thanks so much. We'll send that through the committee Clerk. I see Ms. Sarauer has a question here.

**Ms. Sarauer:** — Thank you. I was wondering if you could provide some information as to what the government's current net debt per person is.

**Mr. Hendricks:** — Yeah. So as of '22-23, Saskatchewan's per capita net debt was \$12,218, which put us third in the country.

**Ms. Sarauer:** — Third highest or lowest?

**Mr. Hendricks:** — Third lowest.

**Ms. Sarauer:** — Thank you. Could you speak a little bit about . . . I see the trend line here, but I'm wondering if you could supply some more detail on the trend of that number over the last five years.

**Mr. Hendricks:** — So it's been reasonably stable over the last five years. It increased slightly in '21-22 and '22-23 obviously because there was some additional expense involved in those years that required financing. What we're seeing though is in '22-23 it actually declined to its lowest level since '19-20. And so there are a couple of factors there. It's the net debt, and then there's the population which obviously is a factor too.

**Ms. Sarauer:** — With the population increasing, obviously the number is spread out and then that overall net debt number will decline as a result. Thank you.

Could you provide any information about the government's overall strategy to manage its overall debt?

**Mr. Hendricks:** — Yeah. So last year we, in the '22-23 fiscal year, one of the things the minister has said is that, you know, to live within our means, we can't become overly reliant on non-renewable resource revenue. And so if we look historically at Saskatchewan, kind of an ideal target is to keep total government spending at or below 15 per cent of non-renewable resource revenue.

At the same time, you know, we do have a growing population and we're seeing a need to add additional schools, to expand capacity, health care facilities, and that sort of thing. So government has a fairly aggressive capital plan to spend 30 billion by 2030. So that's obviously going to push our debt number.

So it's basically an investment in the near term that we will pay off over the longer term. And because we're . . . as a percentage of GDP [gross domestic product] we're actually the second-lowest in the country as a percentage of GDP, 13.8 per cent, we feel that we have the fiscal capacity to make some of those investments now.

**Ms. Sarauer:** — Thank you for that. Looking at the credit ratings now . . .

**The Chair:** — [Inaudible] . . . what we have here in front.

**Ms. Sarauer:** — Oh, sure. Go ahead, yeah.

**The Chair:** — You have your different measurements of measuring the debt there. You've got the per capita, per GDP, and then by way of revenue, and they're all important tools. As you assess the province's fiscal health, do you prioritize one of those as more important than another? Or what do you feel . . . Can you speak to the difference in each measure and which one you may place more weight in as importance?

**Mr. Hendricks:** — My own perspective, I put more weight in as a percentage of GDP because it measures the output of the economy relative to our debt, which I think is probably the most important way to measure.

**The Chair:** — And with respect to each of those, do you have any targets that you have for debt on this front, any goals that you have as a government?

**Mr. Hendricks:** — Well I work for the . . . I don't set the goals, and so obviously . . .

**The Chair:** — Does government have targets and goals right now for you?

**Mr. Hendricks:** — Yeah. So part of the growth plan says that we'll remain within the lowest three in the country in terms of our debt-to-GDP ratio. So you know, we do have goals in terms of financial management, trying to keep that number as low as possible.

**Ms. Sarauer:** — Thank you. I just had a few questions about the credit rating. I see the chart here on page 11. You spoke a little bit about it already, but could you provide some information for the committee as to how that rating has trended or changed over the last several years and what the reasons for those changes may

be?

**Mr. Hendricks:** — Yeah. I'll start, then Rod Balkwill, our assistant deputy minister of treasury debt management, can I guess add.

So over the last few years we've seen kind of either a hold or a slight improvement in our credit rating. You know, in the '23-24 budget, which I was part of, they held our credit rating with a positive view. And so, you know, I think my comments from them and from our discussions with a credit rating agency is they feel that Saskatchewan is on solid fiscal ground. We're keeping our debt in check and, you know, watching our expenses, recognizing that we do have population growth.

And so overall I think from my last experience with them they've been very positive. But Rod has a longer-standing relationship with them.

**Mr. Balkwill:** — Thank you. So just as background, the province has direct relationships with three major credit rating agencies, global credit rating agencies, and is also reviewed by another rating agency on a non-commercial relationship basis. These are ratings that are undertaken and done for organizations around the world, whether they be government or business organizations. And of course they're very public numbers and all of the provinces are rated essentially on the same scale and the same metrics.

They're a mixture of quantitative metrics, perhaps like debt to revenue, interest costs to revenue, and so forth, but also qualitative measures such as Max mentioned about population growth or discipline in spending or history in balancing budgets and so forth.

So as Max mentioned, we do have ongoing relationships. We meet officially once a year after budget to review the fiscal situation and the debt situation of the provinces. The rating agencies are most interested in, are you going to repay your debt?

So as you would expect, the province — like all provinces — has a very high credit rating. And even a credit rating of equivalence in a corporate business, you know, there's no comparison because governments have significant taxation powers.

So generally it's a relative measure on the fiscal capacity to balance budgets. And so the ratings are high, even by government standards. Second-highest in the country next to British Columbia. And that relationship has held solid in the last six years or so. At one point we were tied potentially with Alberta — they've moved somewhat lower — and now are tied and are somewhat better than British Columbia. So depending on the measurement, we are in first or second place in terms of those ratings.

And as Max mentioned at the end of that fiscal year and currently, they would say we're well placed in that rating category of essentially AA. There's a AA high, a AA, and a AA low rating, averaging to AA. And the highest is AAA. So that's where we sit at this point on the rating agencies.

**The Chair:** — Maybe just, I guess in tying into some of this, but could we illuminate a little bit more on the borrowing side, on

the debt side? Are you able to provide a bit of our debt profile and what rates have been secured I guess, looking to the time of this document for, you know, for example, 5- and 10- and 20-year money? And then speak a bit to the amount of debt that's placed in each of those sort of respective amortizations or those respective tranches.

**Mr. Balkwill:** — Okay. So the province borrows in the public capital markets anywhere from \$2 billion a year to \$4 billion a year. And that's to finance operations of government if there happens to be an operating deficit, capital expenditures of government, and also we borrow on behalf of the Crown corporations as they have borrowing requirements to meet their business needs.

And generally the province endeavours to borrow in longer term markets, meaning locking in financing and interest costs, anywhere from 5 to 30 years with a bias towards the 10-year and 30-year term. And generally while that's a higher rate of interest typically, it does provide the province with solid and predictable interest costs and does lock in interest-carried commitments over the term of the assets which we're investing in, whether they're schools or roads or hospitals or power plants.

So in the 2022-23 fiscal year, as I mentioned, we're 2 to \$4 billion a year. We expected to borrow three and a half billion, but as a result of excess revenues that came in over expenses, there was significant surplus of revenues or funds, so borrowing was reduced significantly — about 1.25 billion for the government itself.

And so that was a very unique year in which we were pleasantly surprised by revenues that came in, so borrowing was reduced. And in that particular year, so when you look at the Public Accounts you see growth in debt as being very low.

Interest costs at that time, as probably all of you know or watch, did get very low. During the pandemic we were borrowing at 2 per cent for long-term debt. Looking at that '22-23 fiscal year it was probably closer . . . That 1.25 billion that we borrowed was about three and a half per cent. So we had started to see interest rates rise during that period, and that was a result of the war, inflation, economy recovering, and so forth.

So at that point we had already moved into a rising interest rate environment, and that's where we sat at the end of '22-23.

[14:30]

**The Chair:** — Thanks. So the interest rate changed then from that 2 per cent to about 3.2 or 3.5 per cent on the dollars that you were securing, the debt you were securing last year. Can you speak to how much debt was refinanced last year and maybe just lay out . . . You've said that it's preferred to go about with the 10- or 20-year term, but maybe just lay out specifically, you know, how much debt was refinanced and which terms were secured.

**Mr. Balkwill:** — I'll have to check my notes on that one, Mr. Chair, if we could. But I think I can do it right now.

**The Chair:** — Okay.

**Mr. Balkwill:** — Unless you want to go to another question.

**The Chair:** — I just would point to anyone at home as well, I find the level of information on this actually to be quite good that you're providing through the Public Accounts. And I'm looking, there's a few different graphs but schedule 9 is a good schedule, page no. 79 within the Public Accounts.

**Mr. Balkwill:** — I could give you numbers in terms of dollar values. I don't have the . . . Well because of the influx of cash, we didn't refinance that year. But had things rolled out, we would have refinanced 219 million. But instead we did not need to refinance it so we didn't have an interest rate charge for that or an interest rate to reflect that.

**The Chair:** — Right, right. No, that makes sense. With respect to debt servicing costs, can you speak to the change, year over year, on debt servicing costs?

**Mr. Balkwill:** — Just to clarify, you're referring to debt servicing, not the financing charges, as reflected as a theme?

**The Chair:** — Well maybe speak to the difference between the two, but generally trying to assess, budget over budget, the changes to borrowing costs, so the changes to our financing year to year.

**Mr. Balkwill:** — Okay, yes. So financing charges theme itself is a number of components. So the biggest component is interest on public debt, which is the debt I've mentioned that we borrow in the public market. It's also composed of pension liability adjustments, which are considered an interest cost, and some other long-term financing arrangements like P3s [public-private partnership].

Within the debt interest costs, we did see an increase of \$83 million from prior '21-22 compared to '22-23. And the reason for that was higher debt levels, partly as a result of '22-23, that 1.25 billion increase, but also due to debt that had accumulated in the year prior. So we had a full year of interest for the debt that was added in '21-22 plus a half year of the new debt that was added in '22-23 and a small amount of higher interest costs as well, interest rates.

**The Chair:** — Right. Thank you for that. Are you able to provide us an understanding — I mean it's fairly straightforward I guess — but what a 1 per cent increase on debt financing costs are on, I guess looking to this Public Accounts, this volume, the debt that we currently hold?

**Mr. Balkwill:** — At the end of '22-23?

**The Chair:** — Right.

**Mr. Balkwill:** — My deputy minister found it for me so he's quite proud of that. So a one percentage point change increase in interest rates would increase interest costs by twenty-three and a half million dollars at '22-23. Yeah, a one percentage point change.

**The Chair:** — Right. Thank you for that. Mr. Nerlien.

**Mr. Nerlien:** — Thank you. One quick question. Could you just

briefly touch on sinking funds and how they're used in debt management?

**Mr. Balkwill:** — So thanks for the question. Sinking funds are monies that are set aside to assist in repayment of debt in the future when it comes due. So the province has significant debt outstanding that does come due, and we need to refinance it. So sinking funds are a risk management practice to reduce the refinancing risk and interest rate risk that happens on maturity of a debt obligation.

So you know, again provinces are very highly rated and so refinancing risk is somewhat low but not zero. So it allows us to reduce the amount we have to borrow in a given year as we've set money aside to repay it. It can also give some flexibility in terms of whether interest . . . if interest rates happen to be high for a short period of time or the province is going through some periods of stress of its own, that those funds are available to lower the amount of borrowing that has to happen in a particular year.

At 2022-23 the value of those sinking funds was just over \$2 billion. All entities that we borrow for, most of them do set aside money in sinking funds, so the GRF [General Revenue Fund] for operating and capital and also the government business enterprises that borrow also have sinking funds. And the GRF component of that was about two-thirds of the sinking fund, and three-quarters of the sinking fund relate to debt, is spent to back debt of the GRF.

Now the investments' quality in there, as you can imagine, is very high. The province is not trying to make more money by borrowing and investing in something. It's there to be available. And so the securities that are allowed are generally government securities, government debt, and a small amount of corporate which are allowed within the policy but are not invested in at this point.

**The Chair:** — If you could speak to . . . We know that a big portion of our budget comes from the resource sector, oil and potash, and you mentioned uranium. We respect that you can't be too specific around uranium. The Canadian dollar plays a big role. The differential on WCS [Western Canadian Select] to WTI [West Texas Intermediate] makes a difference.

Can you speak about the impacts on those fronts from what was budgeted to actual last year? I know each year the ministry's able to provide sort of an operating estimate at budget time as to what, if oil price is up and above their estimated price, how much per cent that will impact the budget. Could you speak to what the reality was last year from budget to actual?

**Mr. Hendricks:** — If I can start and maybe Cullen can add if I miss anything. So on potash our actual to prior is from the previous year. We were up \$1.14 billion or 89 per cent. From a budget perspective we were up 952 million or 65.6 per cent. And so what we saw the biggest impact there was the average mine netback price increasing from \$683 per K<sub>2</sub>O [potassium oxide] tonne in '22 to \$833 per K<sub>2</sub>O tonne at budget to \$1,205 per K<sub>2</sub>O tonne in 2023.

For oil, actual to prior years — oil and natural gas, I should say — it was up 120 million or 11.9 per cent, and from budget it was up 262 million or 30.2 per cent.

Other non-renewable resources were up 64 million from actual and up 70 million from budget.

**The Chair:** — Can you speak to the Canadian dollar, where it was budgeted, and where, you know, what the impacts were throughout the year?

**Mr. Hendricks:** — So in '22-23 at budget time, our Canada dollar in US [United States] cents was at 79.98 cents. A US \$1 barrel per change in the fiscal year average of the WTI oil results in \$14 million change in oil royalties.

Roughly a \$10 a tonne, per KCl [potassium chloride] tonne for potash change in the fiscal year will result in a \$50 million change in potash royalties, and a 1 US cent change in the fiscal year average exchange rate will result in a \$39 million negative change to our revenues because we trade mostly abroad in US dollars.

**The Chair:** — Thanks for that. I always find that a helpful piece for anybody who's, you know, sort of assessing the state of revenues for the provincial budget. They can track what it's been budgeted at and those measures that you apply on each of the fronts there.

Maybe just looking for a little bit of a breakdown on some of the revenue that's collected, if you're able to provide it. Looking specifically at the fuel tax, could you break down the components of the fuel tax and the amount of revenues collected in the fiscal '22-23 on those fronts?

**Mr. Hendricks:** — So for '21-22, our actual on fuel was 494.657 million, and for '22-23 it declined to 473.594 million. It's about half from diesel and half from gasoline, that revenue.

**The Chair:** — Any other components there? It's that straightforward, half from diesel, half from gas?

[14:45]

**Mr. Stewart:** — Yeah, so it's almost an even split. It's a little bit higher than 50/50 for gas. So there's diesel and then rail diesel, and together that makes up basically the other half. There's a very nominal amount of liquid propane, but it is virtually insignificant compared to the overall number.

**The Chair:** — Right. No, thank you for that. Could you just break down the specific numbers for '22-23?

**Mr. Stewart:** — I don't have the exact split between diesel and gasoline right now with me, but it is almost exactly 50/50. It might be 52/48 or something.

**The Chair:** — Thanks for that. Just looking at, seeing if you can break down just a little bit of the PST [provincial sales tax] revenue as well. I'm not sure entirely what's published on this front already. But with respect, I'd be interested in how much was collected on insurance — I'll give you just the different groups here right now — recreation, restaurants, children's clothes, used cars, and construction labour.

**Mr. Hendricks:** — Yes, so on PST it would be very difficult for us to actually tell which sector that generated the PST. We make

estimates of what that might be to try and figure out what our revenue will be, but nothing certainly that would be included in the Public Accounts. We just don't have that level of detail.

**The Chair:** — Well thanks for that. I know I've asked in the past. And can you just speak to the challenge again as to why it's hard to track where those PST revenues are coming in from and why it's difficult to track those various components?

**Mr. Hendricks:** — Well you know, because businesses will obviously . . . A certain type of store might sell different things — right — some of which would be PST eligible and some would be PST exempt. They have their total revenues and that sort of thing from sales. A gas station, you would have their fuel taxes and then their PST. So it varies. They sell different things and such. We generally, I guess we have estimates, but like I said we don't have any exact numbers.

**The Chair:** — Thank you for that. Could you provide just a bit more information for the public around the current state of affairs for pension liabilities, I guess speaking specifically to the older DB [defined benefit] plans, and speak to the trend that you're experiencing there and updates on the various plans.

**Mr. Bayda:** — Sure, I can speak a little bit about that. So really pension liabilities, if I just think of them from '21-22 and comparing the '22-23, they are dropping by, you know, in the neighbourhood of \$300 million. So teachers' superannuation plan currently at \$4.4 billion, public service superannuation plan at \$1.4 billion, and the other plans \$262 million. So that would be things like judges and MLAs [Member of the Legislative Assembly] and whatnot. And just generally speaking, I mean there is for sure a degree of volatility in the pension liability, particularly caused by fluctuations in interest rates.

But generally I would say, looking out, that liability is reasonably stable, kind of, and that hopefully it won't fluctuate too much. And the liability is dropping by a couple hundred million dollars a year, and that's because, you know, our cash payments are exceeding our accrual expense by about that amount.

**The Chair:** — Thanks for the update. And for anyone following at home, like, page 77 has the schedule on that front, right. So thank you for that.

Could you describe the impact of inflation? I know it's a broad question, but if you can drill down with any specifics. It would be different in different entities and different ministries, but can you speak to the impact of inflation on expenditures for government this year — the year that we're looking at, '22-23 — break down the components of that?

**Mr. Hendricks:** — You know, when we see inflation there are several impacts obviously. It impacts government expenditures. And so while we're GST [goods and services tax]-exempt as a government, we still pay the base amount. So we see it in things like construction, where government is heavily involved.

But at the same time, we also see it on the revenue side. As there is inflation you usually have a growth in wages at the same time, which would affect your personal income tax, also your PST.

But there is a corresponding, I would say, increase in our

expenses. Like just from my previous life in the health sector, they're buying medical supplies, that sort of thing, drugs, and those tend to have a higher than average inflation. And so many of the goods and services that governments procure are also very sensitive to interest rates and inflation.

At the same time, we index income tax brackets so that we soften the impact of inflation on people and move more people into a non-paying tax status every year. And so government takes steps to mitigate that as well, or we do it in Finance.

**The Chair:** — Thanks so much. I mean inflation obviously has been a challenge, you know, across the country, around the world. This last fiscal year were there any specific ministries or organizations or Crowns or projects that had a more substantial impact? And if so, could you speak and kind of quantify that or break that down a little bit?

**Mr. Hendricks:** — Some of the biggest changes would be in Education where they have significant diesel costs for transportation. As we saw prices increase on fuel, additional funding was provided in-year to school divisions for the procurement of diesel.

Another area where we saw increased expenses that are quite significant, I think, is in the construction sector. We've started seeing a bit of a levelling out as it relates to civil construction, highways, that sort of thing. But you know, certainly SaskBuilds watches that closely, and they balance their available revenue with the projects and how they phase those projects. But it's no secret across Canada that because of labour challenges, that sort of thing, prices are pretty significant on a construction.

**The Chair:** — Thank you. Thank you for that. I know we've got a couple questions for the auditor, but maybe just a couple more for Finance here. Can you speak to any accounting standard changes that required the government to change practice last year, and speak to, I guess, what those impacts looked like?

**Mr. Bayda:** — Sure. I can speak a little bit to that. I mean, the two key changes last year were the adoption of the accounting standard for asset retirement obligations. And I think the auditor had mentioned that, and that did have a significant impact, but for the most part that impact was handled from an accounting perspective as an adjustment to the accumulated deficit of the province. And I should just mention that really the asset retirement obligation for the most part it's a legal obligation, and for the most part it's tied to the remediation of asbestos in buildings and whatnot.

And the other one was the financial instrument standard that was adopted. And I would say the most significant impact of that was that in prior years the government had been able to take its investment in sinking funds and net that against its public debt. And I think the most significant impact of that standard was the government now accounts for its sinking funds as an asset, and they are assets, and then its debt is debt. So those are the two most significant ones.

**The Chair:** — I'll maybe follow back up with the auditor. Thanks for that information. And the value of the asset retirement obligation, asbestos was the big one, right?

**Mr. Bayda:** — Yeah, so the asset retirement obligation was in the neighbourhood of \$300 million.

**The Chair:** — I wonder if you can comment on this question, but based on last year and these Public Accounts, are you seeing an increasing trend or challenge with respect to, you know, IT security or fraudulent activities on these fronts, these different phishing schemes? And to what extent? Yeah, so maybe comment on what you're seeing by way of a trend or reality on that front, and then how you might be involved as the Ministry of Finance to protect and safeguard public monies.

**Mr. Bayda:** — Sure, I can offer a few comments there. So you know, I would think that of late I don't know if I'd call it a trend. I think there's been a little bit of an increase in the kinds of losses that are reported to us by ministries tied to, you know, phishing schemes.

And I guess somewhere folks have found, you know, the email address of an organization has been compromised, and then a perpetrator has, after compromising an email address, has arranged to change the banking information of a supplier so that in the end we're paying the wrong group.

But there hasn't been very much of that. And I think that, you know, one of the ministries impacted has certainly addressed their situation very well in terms of putting in some strength in internal controls. And centrally within my office, we have also changed, sort of, our procedures a little bit, you know, in terms of what we expect ministries and other agencies to do when there are changes to things like banking information. And so we've changed our procedures there as well, and I think the auditor is taking a look at those, you know, just right now.

**The Chair:** — Just a couple questions for the auditor. What areas do you identify as posing the highest risks of material misstatement in these financial statements? And then I guess subsequent to that, how did you satisfy yourself that there were no material misstatements in these areas?

**Ms. Clemett:** — Yeah, so I think as I highlighted in my opening comments, one of the significant audit areas for us are outlined in sort of those key audit matters in our auditor's opinion, so obviously something that's very material. So you know, hundreds of millions of dollars, obviously, and billions kind of thing. So as I articulated, like non-renewable resource revenue being billions of dollars. And when you've got estimates involved we definitely have to do a fair amount of work to look at what's the underlying data. Is it accurate and complete? What are the assumptions that management has used when they're formulating these estimates?

We do some sort of backtracking where we look, okay, what was your estimate last year? What was the actual that comes through? So a fair amount of due diligence always around those.

Any time there's new accounting standards, as the Provincial Comptroller highlighted, the AROs was a lot of work this year. We obviously then utilize experts, so we would have brought in engineering experts because the management of the various agencies . . . So obviously the Saskatchewan Health Authority and SaskBuilds, with a number of these significant buildings in all our schools have asbestos and they're putting some

assumptions and some estimates to this, so we bring in our own experts as well to have a look at those associated costing and different models that were used to make sure that they're appropriate overall.

Pension liabilities as well.

Revenue recognition is always one, so whereby we're always making sure that the controls each year are in place to properly safeguard, that money isn't being obviously taken and not safeguarded properly. And then just how everything's being recorded each year, is properly recorded are definitely key areas that I would say that we look at.

**The Chair:** — Thank you very much. Did you identify errors in the audit?

**Ms. Clemett:** — So ultimately there are some errors that were identified. Some would have been corrected and some would not, but ultimately we end up determining a materiality threshold each year for the audit of the summary financial statements. And ultimately the errors that were not corrected are well below that threshold, that ultimately they would not impact . . . When you read as a user of these financial statements you would not be impacted by the corrections that have not been made.

[15:00]

**The Chair:** — What was the nature of the material errors that you found that were adjusted by management?

**Ms. Clemett:** — Yeah, in terms of I think some of our significant errors that weren't necessarily corrected and impacted, what I would call sort of the bottom line or that overall surplus for the year, there's sort of four larger errors that went forward to, I guess, government and treasury board that we highlighted. And they are, one being around more the revenue recognition and just a difference of interpretation when it comes to government transfer. So money is flowing from the federal government and it's a matter of when should you be recording that revenue. And so there is some differences there.

There is some estimates as well. So contaminated sites whereby the number that has been recorded as a liability is understated based on some of the audit evidence that we saw, so as a result expenses should be higher.

Also each year what it is is part of this consolidation, 200 entities, there's a number of agencies we consider really small and, ultimately provincial comptrollers as well, we go through figuring out who is not quite as significant. And we utilize prior-year numbers when we're adding all sort of them together and pulling together the financial statements. What we always do as an office is go, okay well how significantly were the current-year numbers that changed from the prior-year numbers, and that one resulted in an error. Again not significant overall, and this is a very practical, I think, approach that allows us to be done first before Alberta.

And ultimately then there is PST error is another one just whereby there is some on the capital assets that there would be overstating basically the revenues because they haven't been eliminated from that inter-entity perspective. When we've got

obviously the Ministry of Finance sometimes collecting the PST, the agency is also then paying them, and it should be reduced, so ultimately though well below the materiality threshold that we set.

**The Chair:** — Can you speak just a little bit to how you go about retaining the expertise that you need to do your work? You talked specifically about the asset retirement obligations and work around asbestos. And then you're going in and doing actuarial assessments of other things like pensions. Can you speak to how you go about retaining the expertise you need, and speak to the fiscal year 2022-23 as to the type of expertise you had to bring on board to conduct your work?

**Ms. Clemett:** — So most of our team obviously would be . . . they're all professional accountants that work on the government summary financial statements. We try to keep a fair amount of continuity. And we've been fortunate I think both from the management and auditor side where we've had some of the individuals involved in the audit each year.

What we always do is we look at what are those key audit risk areas that are going to be coming up this year and do we have the expertise to be able to be, I guess, reviewing those estimates, figuring out if the costing is appropriate.

And so in the example of AROs, we are not engineers. And I don't have a good sense of like how many, you know, dollars it's going to cost to pull asbestos out of the walls in these buildings in the future. So it definitely made sense to have . . . And we utilize contracts and we bring them in for the purposes of doing the specific work, finding out what are those key agencies that have those various liabilities. Utilizing our contracts, overseeing them, they become basically part of the team. We have discussions and then obviously it's back and forth with management if there's any disagreement. So if, you know, my expert thinks it's \$10 and somebody else thinks it's 20, let's just figure it out.

We also as a result though of being able to audit like obviously the 14 ministries that there is, we have the ability to see whether there's consistency, right. It would be the same with pension liabilities whereby there's various assumptions in all these pension plans that have sort of been highlighted. So we do have that ability to just do sort of that cross-comparison and see if there's anybody that looks a little bit like you're not like the others, and why would that be?

But definitely what we do is we usually just try to insert and utilize those experts. We do have some staff within our office, though. So I do have somebody who's gone through, and they have pension expertise as well. So we do have various people that train, but for certain things like engineering I don't think it's worth the cost for me to have an engineer on staff the whole time.

**The Chair:** — No. Thanks for that. We know your work and being able to publish the volume I in such a timely way requires a high level of work and coordination with government and all of those entities that are consolidated into the summary statements. So just a, I guess a shout-out to all of you that are involved in that.

But then just a question to you as well is whether there was any



significant challenges that you encountered in your work, carrying out your work last year.

**Ms. Clemett:** — So I would definitely echo the Provincial Comptroller's comments where I believe we have a very collaborative approach between my team and his team as we work through the annual audit of the government's summary financial statements. Definitely as the, I guess, time to finalize that audit, there's frequent meetings held between both of our sides whereby I think they're meeting at least weekly. So we definitely try to stay on top of making each other aware of any issues that we are encountering.

I would say the only challenge for '22-23, new accounting, I guess, standards are not a simple feat. AROs was a lot of work. I mean only I guess \$300 million, which in the scheme of billions it's not, but that would have been material. So a lot of work had to go into that. The first time is always a little bit of work. But now we've got that liability and we just have to keep updating. It'll be much less work going forward.

There's new accounting standards coming up soon in terms of a new financial reporting model and as Chris almost was articulating around some of this net debt changing stuff. So there's a new statement for that, so we'll see what that looks like. But that'll take effort and time as well.

But otherwise, no. We have great co-operation. And we're both very fortunate, I think, to have a great team of people, and with some of them with a fair amount of experience that they work really hard to get these done so that ultimately the public and the MLAs do have that financial information by the end of June, and we can all go celebrate the July long weekend.

**The Chair:** — Just on the AROs themselves, was that part of the plan of government last year to comply with that accounting change in that fiscal year? Or was that an in-year decision to make that shift and comply with that accounting standard?

**Mr. Bayda:** — It was part of the plan to comply with the standard in-year, like during the year, in advance. We knew we were doing it.

**The Chair:** — I don't have any further questions for either end of the table here. Looking to my committee members here, I don't see any as well.

I just want to say that in this province we're really well served by exceptional public servants, and thanks for the time that you've offered us here today and the work that goes into these Public Accounts, and public servants like the Provincial Auditor, the independent Provincial Auditor and her office within the province. So thank you for your work together on these fronts. Thanks for your time here today.

Without seeing any further questions, I guess I would welcome a motion to conclude consideration of the Public Accounts 2022-23 volume 1. Moved by Deputy Chair Nerlien. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. So we don't have . . . Thank you again to all the Finance officials that are here. Deputy Minister

Hendricks, do you want any final words here?

**Mr. Hendricks:** — I'd just like to thank the Provincial Auditor's office. As we've expressed several times during this meeting, you know, Tara and I meet and their office meets with my staff regularly. There's a strong relationship there.

And then I just think a shout-out to our team and the Provincial Comptroller's office who puts a ton of work into preparing the financial statements of the province and does a fantastic job. So thank you to them and to this committee.

**The Chair:** — Thank you very much. And we know Comptroller Bayda loves wearing a tie. We have him here on video today wearing that tie. It looks wonderful. Thanks to your team and to you and to your team for all your service as well.

Not seeing any other items on our agenda, I would welcome a motion of adjournment. Moved by Mr. Harrison. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's always a popular one. So this committee stands adjourned until February 7th, 2024 at 9:30 a.m.

[The Committee adjourned at 15:09.]