

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**May 22, 1985**

**Public Hearing: Revenue and Financial Services**

**MR. CHAIRMAN:** — Mr. Laxdal, would you like to introduce your support staff.

**MR. LAXDAL:** — Certainly, Mr. Chairman. To my left is Barry Halbwachs, who is the assistant deputy minister in the department responsible for the revenue division. On my extreme right is Allan Palmer, who is our executive director of the Public Employees Benefits Agency. To my immediate right is Bill Van Sickle, who is our executive director of administration. And tucked over in the corner is Colleen Laing, who is our manager of financial services in the Public Employees Benefits Agency.

**MR. CHAIRMAN:** — I'll start with the first question and ask Mr. Palmer if he's to . . . You might as well start with Mercer's documents. Where are we?

**MR. PALMER:** — The big liability is on the public service superannuation plan. And it's, as of March 31st, 1983, sitting at \$1.6 billion for both past and future service under the plan.

**MR. CHAIRMAN:** — Slowly, one more time.

**MR. PALMER:** — There's actually not a very large change from the last time four years ago, so . . .

**MR. CHAIRMAN:** — One billion . . .

**MR. PALMER:** — . . . I didn't think that would scare you. \$1.6 billion.

**MR. CHAIRMAN:** — And that's past . . .

**MR. PALMER:** — Past and future service liability as of March 31st, 1983.

**MR. MEAGHER:** — That's for the public service?

**MR. PALMER:** — The old public service formula plan.

**MR. CHAIRMAN:** — And you have included in this what you assume will be the problems with the old plan till everybody that's in it is out of it?

**MR. PALMER:** — Yes.

**MR. CHAIRMAN:** — That's unfunded liability?

**MR. PALMER:** — Yes.

**MR. CHAIRMAN:** — We're going to hit that \$10 billion at the rate all these plans are coming in, giving us their nice little reports. Yowee. Cal, are you ready?

**MR. GLAUSER:** — Yes. I think the issue goes back to 1980. And as the Provincial Auditor has noted . . . (inaudible interjection) . . . Well yes, let me carry on, eh? Is your mike on? That trying to strike a balance between the number of field audits being done and costs involved . . . And I suppose we'll be looking at that note in perpetuity almost, because there seems to be some disagreement as to the cost benefit aspect of that, eh?

**MR. LAXDAL:** — Perhaps I could state that in general terms, Mr. Glauser, and attempt to outline our views on this particular matter. As you've suggested, this is certainly a long-standing issue and one that has been before the public accounts committee many times in the past. Perhaps I should just add a note here that we thought that after last year, given that the committee did not

address the issue, we thought that we were off the hook, and it wasn't until the auditor's report was issued in September that we realized that this certainly wasn't the case.

Perhaps rather than going back through the arguments, as it were, as most of the members of the committee will be familiar with these, what I'd like to do is perhaps endeavour to put this issue in context as we see it.

**MR. CHAIRMAN:** — Keith, if I could interrupt for just a second. I think the Provincial Auditor refers to a study that was promised in 1980 that has never been produced to this committee.

**MR. LAXDAL:** — Okay. A study was conducted. A study was provided to the representatives of the Provincial Auditor's office. However, the study did not satisfy the expectations or the needs of the Provincial Auditor's office. It did not go so far as demonstrating how many dollars are, in fact, out there or estimating how many dollars are out there as a result of our failure, or as a result of not doing more audits. It did not demonstrate that we were at a point of marginal cost equals marginal revenue.

**MR. GLAUSER:** — I suppose it would be fair to ask, then: what is your evaluation of present circumstances then? Maybe you can elaborate on that.

**MR. LAXDAL:** — Certainly. As I was saying before — and let me try and put this in context, using some numbers — in '83-84, we collected in the order of \$301 million in E&H tax, and in terms of the bench-marks that we attempt to use, we have come across some research by a noted sales tax expert that says that in the order of 95 per cent of sales tax revenues is remitted voluntarily. So in our terms this would be \$285 million is remitted voluntarily by the vendors.

An additional 3 to 4 per cent is generated through audit assessments. Again, putting that in our terms, that would be something in the order of 9 to \$12 million. And the same expert says that 1 to \$2 million — 1 to 2 per cent, pardon me — is non-collectable. So in our terms again, this would be something in the order of 3 to \$6 million.

Now, in the same year, 1983-84, when E&H revenues were \$300 million, our level of audit assessments amounted to \$8.9 million, nearly \$9 million. So we're more or less on that 3 per cent bench-mark that this authority suggests is proper to use. So using that sort of logic, on a theoretical basis at least, what we may be talking about is 1 per cent or thereabouts, say \$3 million theoretically, that is not being collected through assessments or the audit program.

Now I guess the point that I'd like to make, though, is that this is a theoretical approach. I would like to stress that. And we've taken a more practical look at our particular situation and looked at our own experience with the tax and asked ourselves the question: how much additional revenue would one auditor generate? And it's our best estimate that given the averages, given the work-load and our average E&H revenue per audit, that this individual or an additional auditor would collect in the order of \$100,000. We would generate an additional \$100,000 revenue through the addition of one more audit resource.

And it's because we recognize that and feel that that we've always agreed with the Provincial Auditor's contention that we have not demonstrated that we're at the point where marginal cost equals marginal revenue. We do acknowledge and we do feel that there is some money out there to be derived.

The difficulty that we have is that we're unable really to give the committee an estimate of the amount that is out there, and we feel that we're unable to do so because our estimate is based on the existing mix of audits, the existing average revenue per audit, and so forth. In reality, we would suggest to the committee that there is diminishing returns associated with this process. And as we do more audits we'll be generating less and less tax revenue, or fewer and fewer assessments.

So while we would say that, you know, one auditor may yield an additional \$100,000, I'm not sure that we would go so far as saying an additional 10 auditors would yield an additional million dollars — diminishing returns.

I think that, you know, over the years, as has been noted in previous appearances before this committee, there have been changes to the audit program; the assessments have increased from in the 3, 4, \$5 million range to the 8, \$9 million range. We think that we've made improvements to it. While we think that there are additional revenues, we do note though that there are diminishing returns associated with this process, and I guess would even cite the experience of the '60s or whatever, when the department undertook 100 per cent coverage and at that time I believe it was in the order of two-thirds of the audits did not result in any assessment.

**MR. GLAUSER:** — Who is your reference on these hypothetical numbers?

**MR. LAXDAL:** — An individual by the name of Professor Dub: D-u-b.

**A MEMBER:** — John?

**MR. LAXDAL:** — John Dub. He's an American reference, Mr. Glauser.

**MR. GLAUSER:** — Then he would have done this from historical data as opposed to doing anything in depth in your department?

**MR. LAXDAL:** — That's correct, yes. Certainly his research is not applicable to our department. I should add one other point if I may, Mr. Glauser, and this is that knowing full well that this issue had surfaced once again, we have made some efforts to contact our counterparts in other provincial jurisdictions and see if, in fact, they can shed some light on how to go about answering this question or what their particular experience is with it.

Now these have been telephone contacts and exchanges of letters and what have you, and I think at this point really all I can suggest is that it's our opinion that their approach to ensuring the effective check and assessment on the collection of revenue is really no different than ours, and it's also our impression that they have not developed a sophisticated model, as it were, of determining how or when marginal cost equals marginal revenue.

It is something that we're going to be pursuing with them in more detail on a face to face basis, but given the preliminary reports that we've received from them, there is no particular reason to be optimistic that we'll come up with a good answer.

**A MEMBER:** — Definitive.

**MR. LAXDAL:** — A definitive answer, correct.

**MR. GLAUSER:** — I have no more questions on that.

**MR. KATZMAN:** — Yes. I'll finish what I started earlier then. You've got the public service superannuation, the public employees superannuation, provincial judges, the Assembly, Sask Transportation, and the tuberculosis league — all of them are under your jurisdiction. And what is the financial position of all those pensions?

**MR. PALMER:** — The unfunded liabilities, all the other ones are significantly smaller. Do you want the exact amounts?

**MR. KATZMAN:** — Yes. Public employees superannuation?

**MR. PALMER:** — That's fully funded.

**MR. KATZMAN:** — That's fully funded?

**MR. PALMER:** — Yes. That's the money purchase plan and it's fully funded.

**MR. KATZMAN:** — Money purchase . . . (inaudible) . . . the one with the 1.6 billion?

**MR. PALMER:** — Right

**MR. CHAIRMAN:** — An unfunded liability of 1.6 billion?

**MR. KATZMAN:** — Yes.

**MR. CHAIRMAN:** — Okay.

**MR. PALMER:** — The MLAs' formula plan as at March 31, '83 is \$15 million unfunded liability.

**MR. KATZMAN:** — Without being facetious . . . Maybe I shouldn't ask that question. Oh, well, what the hell. Are you picking me up?

**A MEMBER:** — Yes.

**MR. KATZMAN:** — Let's use Davey Steuart for an example . . . (inaudible) . . . Do we have to pay his pension or do the feds end up picking him up because they put him in the Senate?

**MR. PALMER:** — If he's a member of this plan and still has not transferred out of it, and I'm not familiar with his individual case, then we would continue to pay his pension.

**MR. KATZMAN:** — Because it's an interesting question. If a person is a member of this plan, he can get pension at 50 years old. Then if he moves to the Senate, his seniority and everything that comes from here goes with him. Do they then pick him up and he only picks up the senators' pension rather than both pensions, or does he tap in both ways?

**MR. PALMER:** — I'm not familiar with the details of the senators' pension plan sufficiently to know if they would count the service.

**MR. KATZMAN:** — What about the members — a member from here to a member there? Do they not pick up that one, and therefore we lose that responsibility totally?

**MR. PALMER:** — If they transfer to the federal plan, yes.

**MR. KATZMAN:** — What I'm trying to figure out . . .

**MR. CHAIRMAN:** — I'm sorry, I'm not sure I heard that. I wonder if I could . . . I don't mean to interrupt the member from Rosthern, but are you saying that if a member of the provincial legislature later became a member of the federal pension plan, and became eligible for a pension under that federal plan, he would no longer be eligible for a pension under our system?

**MR. PALMER:** — No. It would depend upon whether or not he transferred the credits. The case you were talking about is somebody who would be drawing a pension from our fund, if they're drawing a pension from our plan . . .

**MR. KATZMAN:** — Eligible to draw a pension.

**MR. PALMER:** — Eligible to draw a pension.

**MR. KATZMAN:** — Let's assume, for example, Cliff McIsaac is an example.

**MR. CHAIRMAN:** — Cliff McIsaac. I was trying to think of someone who has sat both federally and provincially. Okay. Cliff McIsaac. Good job.

**MR. KATZMAN:** — My understanding is that service from here qualifies them there for almost everything, which I mean maybe we don't have an unfunded liability from that person. That's what I'm really asking. Maybe we've got some . . . (inaudible) . . .

**MR. PALMER:** — I'd have to check the details of the transfer arrangements between the plans. I could provide that information back to the committee.

**MR. CHAIRMAN:** — Provide 20 copies, and the Clerk will distribute to members of the committee.

**MR. KATZMAN:** — I think you'll find that you'll also have some change between members of the Assembly and judges . . . No, that's the federal courts where the two went to.

**MR. CHAIRMAN:** — This is a subject of academic interest to me . . . (inaudible interjection) . . . Yes. There haven't been a lot of prominent New Democrats appointed to the bench recently.

**MR. KATZMAN:** — . . . (inaudible) . . . We do have the provincial court plan here.

**MR. MORIN:** — Have you figured out if Ralph wants to go to the Senate or become a judge?

**MR. CHAIRMAN:** — A judge, I think. He's angling for the Queen's Bench.

**MR. KATZMAN:** — Yes, I guess there's an opening July 1.

**MR. PALMER:** — Mr. Katzman, did you want the rest of the liabilities? Anti-TB League is \$6 million.

**MR. KATZMAN:** — What about the transportation?

**MR. PALMER:** — STC, \$2.5 million.

**MR. KATZMAN:** — So what you're telling me is I have four liabilities, four unfunded liabilities of 1.6, 15 million, 2.5, and 6.

**MR. CHAIRMAN:** — WCB and liquor board.

**MR. PALMER:** — WCB, we look after the administration, but we're not . . . I'm not chairman of their board; I'm not familiar with it.

The provincial court judges . . .

**MR. KATZMAN:** — I thought you gave me that — 15 million.

**MR. PALMER:** — No, that was the MLAs . . . 5.7 million, and the other one that I chair the board of is the liquor board, 31 million. Oh, wait a minute. Yes.

**MR. KATZMAN:** — 31 million?

**MR. PALMER:** — Yes.

**MR. KATZMAN:** — Okay. If I'm correct . . . Let's make sure I got them right: 1.6 is the public superannuation; judges is 1.6 — sorry, 5.7 million; members of the Legislative Assembly is 16 million; Sask Transportation is . . . Is that 6 or 2.5?

**MR. CHAIRMAN:** — Two and a half.

**MR. KATZMAN:** — Two and a half, sorry. Tuberculosis is 6 million; and liquor is 31 million. Have I got it right?

**MR. PALMER:** — You have what I told you, but I've found what I was looking for. The liquor board is . . . That's less the value of the fund. It's 15 million. Sorry. That sounds more like what I thought it was.

**MR. KATZMAN:** — So 1.6 billion, 5 million, 15 million, two and a half million, and 15 million are the unfunded liabilities in six of your seven plans?

**MR. PALMER:** — Yes.

**MR. KATZMAN:** — And that's all you have?

**MR. PALMER:** — Yes.

**MR. KATZMAN:** — Mr. Chairman, this may be a wrong place to ask a question, but I'm starting to get confused. Mr. Provincial Auditor, who else handles pension plans? We have had Financial Services in here; we have had Revenue Supply and Services — Revenue and Financial Services, I guess; and we've had the teachers. Is there any more that somebody else handles that we haven't spoke of here?

**MR. WENDEL:** — Mr. Katzman, there are the annual reports of the Crown corporations, have pension funds. The workers' compensation board has a pension fund.

**MR. KATZMAN:** — How do you find out the workers' compensation because . . .

**MR. WENDEL:** — I believe that report would be tabled, too, would it not?

**MR. KATZMAN:** — But they don't table in their reports unfunded liabilities.

**MR. WENDEL:** — They should be in the notes to the financial statements.

**MR. KATZMAN:** — Should they?

**MR. KRAUS:** — Yes, they should be. Yes, if they have done an actuarial study they should be if there's an unfunded liability.

**MR. CHAIRMAN:** — Let's see if we can get a copy of the annual report brought down. Following that question then, which of the Crown corporations have their own pension plans?

**MR. WENDEL:** — Well, the Saskatchewan Power Corporation, Saskatchewan Telecommunications, SGI . . .

**MR. KATZMAN:** — Whoa, whoa, whoa, whoa, slower, slower.

**MR. WENDEL:** — Saskatchewan Power Corporation, Saskatchewan Telecommunications, SGI.

**MR. KATZMAN:** — SGI?

**MR. WENDEL:** — Yes. And then there's what they call a 39562 pension fund, which is a pension fund administered by CIC for a number of the other corporations. I believe that's a money purchase plan, though.

**MR. CHAIRMAN:** — That's a . . . (inaudible) . . . How did it come by that name?

**MR. WENDEL:** — A federal registration number, I'm told.

**MR. CHAIRMAN:** — And then that's it, as far as you know?

**MR. WENDEL:** — Those are the ones that come to mind. Could get a list of them.

**MR. KRAUS:** — The other pension plan I'm aware of is the municipal employees' superannuation plan that the province may be responsible for if it ever ran out of money, but I believe it is funded.

**MR. KATZMAN:** — Yes. I know it's got some funds . . . (inaudible) . . .

**MR. PALMER:** — I don't think it is . . . It has a surplus right now according to their last valuation.

**A MEMBER:** — Didn't they have to do an actuary and put one . . .

**MR. PALMER:** — I know the last valuation showed a surplus.

**MR. KATZMAN:** — Well maybe to shorten this down . . .

**MR. ATKINSON:** — The workers' compensation board superannuation fund appears in volume 1 of *Public Accounts*, and the notes on page H135 indicate that at December 31, 1982 they had an unfunded liability of \$1.7 million.

**MR. KATZMAN:** — Well hang on there. Let me just ask a second . . . Would somebody mind putting a list together? I don't know if the auditor does it or Gerry Kraus.

**MR. KRAUS:** — We could undertake to put a list together, if you like, of the pension plans, and provide it to the committee.

**MR. CHAIRMAN:** — I would like three things on that list if I could. I'd like to see the names of the pension plans. In the next column I'd like to see the unfunded liability.

**A MEMBER:** — The actuary date.

**MR. CHAIRMAN:** — All right, the actuary date. Okay. Then the unfunded liability. The next thing I'd like to know is the number of actual and potential recipients of the pension, at least the number of actual . . . I'd like to know the number of people that this represents. How many people are going to be drawing from it? How many pensioners are enjoying this? Like, one point — if I can just rattle on for a minute. I'm sorry to interrupt, Ralph, but 1.6 billion is an awful pile of hay compared with 1.7 billion for the workers' compensation board — 1.7 million, rather. But who knows, there may be 1,000 times as many people drawing from the public service superannuation as there is from the WCB and therefore the figures are roughly comparable.

What I'd like to know is the size of the unfunded liability per recipient or drawee or whatever you call those — pensioner, I guess is what you call them; superannuate, I guess is the word — per superannuate. I suspect, for instance, we'll find that figure, whatever it might be . . . Do you know what I want? The unfunded liability divided by the number of superannuates.

**MR. KRAUS:** — Okay. And what about the number of employees that there are, the number of employees?

**MR. CHAIRMAN:** — The number of potential employees as well.

**MR. KRAUS:** — Employees plus superannuates?

**MR. CHAIRMAN:** — Yes. I suspect, for instance, you'll find the MLAs and the judges, that figure will be very high. And some of them, the public service superannuation will probably be lower because the average wage will be lower.

**MR. KATZMAN:** — . . . (inaudible) . . . you'll find that . . .

**MR. CHAIRMAN:** — The teachers will be enormous, but then we know that anyway.

**MR. KATZMAN:** — Yes, but you'll find the difference will become, up until 1980 or something, or whatever year it was, you were able to withdraw your pension money out and leave a plan, where in the MLA pension you couldn't, even if you only served one term. So the lock-in will affect the MLAs where the employees right now, who have less than three years service, can pull their money out and all their benefits. An MLA, elected only one time, will be listed there forever.

**MR. CHAIRMAN:** — You may be right. I would like the same information from you gentlemen. I guess it's Mr. Palmer I'm looking at. I'd like the same information from you gentlemen. I'd like to get an idea of . . .

**MR. KATZMAN:** — Well, I thought Gerry was going to put it together for everybody.

**MR. CHAIRMAN:** — You're undertaking . . . (inaudible interjection) . . . for the whole list.

**MR. KATZMAN:** — For everybody.

**MR. KRAUS:** — I'll get a master list for you, yes.

**MR. CHAIRMAN:** — All right . . . (inaudible) . . .

**MR. KATZMAN:** — Well, that's the same department, but I think Gerry sat through it all here, and maybe can put that whole massive list together, because I think there's — what? — about 30 plans in total by the time you get done?

**MR. KRAUS:** — Well, there'll certainly be 15 to 20, I suppose.

**MR. CHAIRMAN:** — Go ahead, Ralph. I don't mean to . . . (inaudible) . . .

**MR. KATZMAN:** — I think that the major item is that you do all the pension plans, and I guess the next issue that shows up on the list here is the dental plan that the Provincial Auditor indicates he has some concern about. He refers to page 19, and he has quite a few comments he makes about that issue.

**MR. LAXDAL:** — If you wish, Mr. Katzman, I can address those issues just on a general basis, and then if you so desire, we can pursue individual points that the auditor has reported on.

The auditor's report deals with three benefit plans — the dental plan, the disability income plan, and the group life plan. It identifies a number of concerns respecting those three plans. Before I, perhaps, get into some of the specifics, I'd like to just ensure that the committee understands that these plans are administered on our behalf by reputable insurance carriers. Canada Life is responsible for the dental plan and Mutual Life is responsible for the other two, disability and group life. These are the external plan administrators that are referred to in the auditor's report, and we use them because basically they are the most economical way of delivering these



particular services.

Now we certainly recognize that using external plan administrators does not absolve the department of the responsibility for maintaining the integrity of the financial records and what have you. So we have done a number of things over the past several months to address, generally, the concerns — or we feel address the concerns that have been raised by the Provincial Auditor.

We did these basically by putting together a team of resources from the department and setting them to work on some of these benefit plans issues. The primary thing that the team had to address, I guess, was the backlog of work that had built up over the years, and so it was necessary in the first instance for the team to update accounting records, to reconcile administrators' reports, complete financial statements, and what have you. I guess that at this stage we're pleased to report, if you will, that this has by and large been achieved through the end of the 1984 fiscal year.

The second area that the team spent some time on is with respect to auditing payments for claims that were made under the three plans. The purpose of this was to determine whether or not unauthorized payments were in fact made. Unfortunately, our audit isn't complete; our internal audit of these plans is not complete, and I can't fully report on it. But I am in a position to say that at this point we have not identified any unauthorized payments.

So those were the short-term, I suppose, shorter-term tasks of the team. In the longer term, we were looking at implementing and better documenting procedures which would strengthen our internal controls over the plans.

The fourth area was that we were looking at the resource implications, because certainly one of the contributing factors to this particular situation was the lack of resources in this area. We're examining resource implications and believe that we will be, in fact, adding internal resources to that particular area of the organization.

**MR. GLAUSER:** — You will have received the management letter?

**MR. LAXDAL:** — That's correct.

**MR. GLAUSER:** — And I'm wondering, have you answered that yet?

**MR. LAXDAL:** — I believe we have not answered it at this point in time. No, we haven't, Mr. Glauser. We will be answering it though. Actually, this task force, the team of resources that we put into PEBA (Public Employees Benefit Agency), has just recently completed their assignment, and now that that's available, we will be responding to the auditor's management letter.

**MR. WEIMAN:** — You'd indicated at the very beginning that the unfunded liability of the plans is 1.6 billion, and I believe it was Mr. Palmer had said, the old plan.

**MR. PALMER:** — The old formula.

**MR. WEIMAN:** — The old formula. When did the new formula come into place?

**MR. PALMER:** — October 1, 1977.

**MR. WEIMAN:** — 1977. So that's roughly the same time that that new formula, or the new plan, came in for teachers' superannuation, too.

**MR. PALMER:** — The teachers' was a couple of years later.

**MR. WEIMAN:** — Yes. Okay. The auditor makes — well, he repeats himself three times with his concern, and of course the three times are because of the different plans, regarding the possibility of unauthorized payments. And I would like some examples of, particularly the dental plan — where or how an unauthorized payment could be made? That's just for my own information. How could this come about, just as an example?

**MR. CHAIRMAN:** — It might be more appropriately addressed perhaps to the Provincial Auditor or staff.

**MR. LUTZ:** — Mr. Chairman, I think perhaps Mr. Hunt, who did this work, will respond.

**MR. HUNT:** — With respect to the dental plan?

**MR. CHAIRMAN:** — Yes.

**MR. HUNT:** — I believe the first paragraph identifies the circumstances in which the weakness condition existed.

**MR. WEIMAN:** — You obviously identified unauthorized payments. Or are you suggesting it's a possibility for unauthorized payments?

**MR. HUNT:** — That's right. We're identifying the exposure.

**MR. WEIMAN:** — The exposure. Did you specifically identify or come across any unauthorized payments? That's the point I . . .

**MR. HUNT:** — We were not able to examine dental claim forms to determine the accuracy of payments, as the claim forms had been destroyed. So we had a scope limitation.

**MR. WEIMAN:** — Because my next question was going to be regarding the dental plan, the disability income plan, and the group life insurance plan, the question next that was going to follow was: how many inappropriate payments were made, if they are identifiable at all? This is a supposition, I take it — supposing that because of their controls and procedures that it's a possibility that payments could be made that are inappropriate?

**MR. KATZMAN:** — It's the same thing, you know, if you get out of bed in the morning you've got a chance to be hit by a car if you walk across the street. Same problem.

**MR. WENDEL:** — Mr. Weiman, in one case, on the dental plan, it's not possible to determine because the forms have been destroyed. So we can't do anything with that one. We can't determine whether there were any unauthorized payments or not.

**MR. WEIMAN:** — It's just a worry that it could happen?

**MR. WENDEL:** — There was a possibility it could happen. We were not able to determine if it did happen, because the records had been destroyed.

**MR. WEIMAN:** — Well, I will direct my question then to the officials. Are they aware of any overpayments or inappropriate payments being made, or unauthorized payments being made, either in the dental plan, disability plan, or the group life insurance plan?

**MR. LAXDAL:** — No, we're not aware of any unauthorized payments at this point in time, though if I can just pick up on the comments of Mr. Hunt, we did recognize as well the exposure to this possibility, and that was the reason that we put together an audit, an internal audit group, to do a random sample of claims, and check, as it were — the claims backwards and forwards through the system to ensure that payments were properly authorized, that revenues were

properly received, and what have you.

**MR. WEIMAN:** — So if I took a hypothetical example and just went, say, to the disability income plan, you do have an audit, a random audit that goes on, that prevents a person from being on a disability plan and then going to Social Services saying they're out of work, etc., etc. and collecting from Social Services, or going to workmen's compensation and putting in a claim there for disability.

**MR. LAXDAL:** — Yes.

**MR. WEIMAN:** — There are checks and balances . . .

**MR. LAXDAL:** — There are checks and balances to ensure that recipients would not double up on benefits from, say, Canada Pension Plan and workers' compensation board payments and what have you.

And these, I might add, are, I believe, 100 per cent controls on that. We check each and every claim.

**MR. WEIMAN:** — One other question that I do have, and that is regarding the dental plan and the concerns of the auditor. The dental plan, page 14, subsection (4), and that has to do with the destruction of certain records.

Now who is in charge of maintaining and safeguarding these records? Is it the department or is it the . . . you have a fancy term for it, the external plan administrator, whether that be one of the life insurance companies or one of the other companies that you'd indicated? Who is in charge of maintaining and securing these records?

**MR. LAXDAL:** — Okay. The records are . . . or the claims are forwarded from the Public Employees Benefits Agency to the carrier, Canada Life in this particular case. So the responsibility is really a joint responsibility. We in the final analysis are responsible for those records. They are returned to the Public Employees Benefits Agency upon Canada Life having completed the claim.

**MR. WEIMAN:** — Could you identify a little bit more closely where these records were misplaced or destroyed or, you know, where did it happen — Canada Life, or did it happen at the department?

**MR. LAXDAL:** — It happened at Canada Life. Right. It happened at Canada Life, but it happened with our knowledge.

**MR. WEIMAN:** — That's my next question, Mr. Chairman. I'm not finished yet.

**A MEMBER:** — Sorry.

**MR. WEIMAN:** — Because we've had groups here where we talked about security of records, which seems to be very important; and we had SaskCOMP in here, who told us of the measures that they go through to secure information that they have. And I'm wondering whether we have that same type of security basis, you know, duplication of records, safe house, whatever?

**MR. LAXDAL:** — I think that we can assure you, or members of the committee, that at this point in time we have improved the quality of security over these records, and in fact this would not happen again. Unfortunately, it did happen in this particular instance. It was a mistake and . . .

**MR. WEIMAN:** — Are we talking about an accidental erasure of a computer spool or . . .

**MR. LAXDAL:** — No, no. We're talking about the actual destruction of claim forms. These were

destroyed by Canada Life, but as I say, it was a mistake on our part and . . .

**MR. WEIMAN:** — Well maybe my mind only works in black and whites. You know, you say, we're aware of this destruction, and I can only think of two types of destruction — accidental or premeditated. And you say the forms were destroyed by Canada Life. I mean, accidentally fall in the wastepaper basket, or were they ripped up, thrown away, or intentionally hidden, or . . .

**MR. LAXDAL:** — Ripped up and thrown away.

**MR. WEIMAN:** — And we're still dealing with those people?

**MR. LAXDAL:** — Yes, yes. Really, Mr. Weiman, I guess the thing that I'm saying is that we are responsible for it. Canada Life contacted us; we didn't appreciate the implications of destroying these records; we authorized the destruction of the records. It was done by Canada Life, but it was done on our authority, and that, as I say, was a mistake.

**MR. WEIMAN:** — I guess it begs the question. I can understand the auditor's position on this then, is how could an audit, how could an audit be done on records that aren't there?

**MR. LAXDAL:** — This was in '83, Mr. Weiman, and clearly he's making a valid point. In '84 we do have those records, and they will be able to examine them.

**MR. WEIMAN:** — One question that we sort of glossed over, about the safeguarding of future records, the safeguarding of future records, do we keep duplications of information now? What is the security of these records?

**MR. PALMER:** — We have close to 2,000 dental claims coming through a month, and because of the volume of them, we don't keep duplicate copies. They're sent to Canada Life, they are input into their computer system, and processed from their computer system. Once they have processed the claim and waited some short period of time and not had any response from the claimant on it or any concerns on it, then they return the hard-copy forms to us through a batch system, and we're now maintaining those in storage on site.

**MR. WEIMAN:** — Well, I'm not getting this straight. Okay, you pass on the information to Canada Life; they put it on their computers; they process it all, and then send you back what you call the hard . . .

**MR. PALMER:** — They send back the actual claim form.

**MR. WEIMAN:** — They send that back to you.

**MR. PALMER:** — And we store those now.

**MR. WEIMAN:** — And you store those.

**MR. PALMER:** — Yes.

**MR. WEIMAN:** — I don't want to suggest the operation, but it seems to me that if it's 2,000 claims as a minimum, that I personally . . . You know, my own personal presumption would be to at least make a xerox of the one that I'm sending off to Canada Life, and when that other one comes back, there's a check and balance to see that, you know — to check off it was done, because unless I'm hearing wrong, what you're suggesting is, after it leaves you, you have no record of it anymore because it's in Canada Life's hands.

**MR. PALMER:** — We have an on-line computer terminal, so once it goes into Canada Life's system, we are tied into their system. We can access the claim in our department, and answer inquiries.

**MR. WEIMAN:** — So in a sense, information is readily available.

**MR. PALMER:** — So the information is readily available. There is still the danger of a lost claim form, but with a volume of close to 2,000 claim forms a month, we've made the determination that if a claim form is lost it's not as significant as a group life insurance claim form, for example, where there are death certificates and documents that are hard to realize. But on a dental claim it's fairly simple to go back to the dentist and get another copy completed for submission, should it be lost.

**MR. WEIMAN:** — All right. Just one other question, and I will take you back to page 18, 2.10(2). What have you done to clarify the concerns, to clear away the concerns regarding minutes that are unsigned?

**MR. LAXDAL:** — They are now being signed.

**MR. WEIMAN:** — They are now being signed. And subsection (3), what steps have you taken to ensure that there will be prior approval for certain types of investment transactions?

**MR. LAXDAL:** — Let's see, on that one, I believe that the supervisory board of the public employees' superannuation plan has now passed a minute which provides for the necessary authority to investment and financial services to undertake these investments on our behalf.

**MR. WEIMAN:** — Well thank you, gentlemen. I will defer to my colleague from Saskatoon Mayfair. He has a follow-up question regarding this train of thought.

**MR. GLAUSER:** — Thank you. Just one question. You say you're doing an audit. Is it possible for you to reconstruct from the computer information for 1983 to do that, or how are you accomplishing it?

**MR. VAN SICKLE:** — We're not able to audit in the same manner as the Provincial Auditor is not able to audit 1983. In fact, when Mr. Laxdal was referring to the audit that we undertook, it was of the 1984 year.

**MR. GLAUSER:** — So the '83-84, this is what we're talking about here. Your year end is March . . .

**MR. PALMER:** — Our year end on these plans is December.

**MR. GLAUSER:** — Oh, December. So that means that up to that time, that's just gone?

**MR. LAXDAL:** — Yes.

**MR. GLAUSER:** — Thank you.

**MR. CHAIRMAN:** — I have just one question. You may have commented on this, Mr. Laxdal, or one of your officials might have and I might have missed it. One of the comments that was made was the rules and the procedures allowed for the possibility that investment income may be earned and not received. Now that comment was made with effect to both the disability income pension plan and the group life insurance plan. I didn't see a comment with respect to the dental plan. As I say, I may have missed it, but I didn't hear your comment on that.

**MR. LAXDAL:** — Okay. Respecting the investment income, Mr. Chairman, this is one of the areas that the team looked at very closely, and we're able to report that in fact there is no investment income that was not properly recorded and received by these plans. I should add that we've also put procedures in place to ensure that this is a routine check that will be performed hencewith in PEBA.

**MR. CHAIRMAN:** — It's very simple to do. Okay. Any other questions then, on . . . Canada Life has always done it since time immemorial, has always administered these things?

**MR. PALMER:** — This plan has only been in effect since February of '82, and they've been the original plan administrator for us.

**MR. CHAIRMAN:** — Oh, I see. The disability income plan has been in existence for a long time?

**MR. PALMER:** — It's been in effect since '78.

**MR. CHAIRMAN:** — I see. Who administers that?

**MR. PALMER:** — Presently, Mutual Life.

**MR. CHAIRMAN:** — Okay. What about the group life?

**MR. PALMER:** — It's been in effect since time began, and that's presently Mutual Life as well.

**MR. CHAIRMAN:** — I'm not sure I know exactly where you are with respect to the complete resolution of the problem. Are you there? Do you hope to be there by a certain period in time? I'm not quite sure I know quite whether or not you think you've resolved all of these individual problems.

**MR. LAXDAL:** — Well we think that we have resolved a goodly number of them, Mr. Chairman. Whether we're all the way there at this point in time, I'm not sure either.

We have resolved the problem respecting the backlog of records. We have resolved the problem respecting at least the preparation of financial statements, the reconciliations and whatever, that underlie that. We have resolved many of the problems respecting the internal controls, an enhancement of the internal controls.

We have not at this point in time added additional resources to the unit, which we believe is necessary, and hope to do so prior to the end of . . . well this month, I would hope. We are very close on that.

Whether or not we will, as it were, get a clean bill of health the next time through, I don't know. I think we'll be a heck of a lot closer than we are right now.

**MR. CHAIRMAN:** — To what extent were these problems the responsibility . . . I'm not after anyone's hide here so I'll ask both questions at once. To what extent were they problems of our making and to what extent were the outside administrators responsible? And if the outside administrators were in any way responsible, has some compensation been sought from them, or some reduction in the amount of fees they charge us?

**MR. LAXDAL:** — No. As I indicated earlier, Mr. Chairman, we recognize that the existence of outside administrators does not absolve us from the responsibility for maintaining accurate records and current records and what have you. So I would suggest that it's really our problem and not the outside administrator's problem, and therefore we have not sought compensation, as it were, from them.

**MR. CHAIRMAN:** — The mistakes were ours, not theirs. Is that what you're saying?

**MR. LAXDAL:** — By and large, yes.

**MR. CHAIRMAN:** — So there's no tea in China. Any further questions on this particular area?

I had some questions with respect to the 1983-84, what is euphemistically labelled under your annual report on page 13, '83-84 activities. What that refers to is an early retirement program, in part. I guess that is really sort of a miscellaneous column.

With respect to the early retirement program, to what extent, if any, did that provide an additional drain on pension funds which would not have happened had there been no early retirements? In other words, to what extent did the early retirement in and by itself cause an additional drain on pension funds? I'll ask that first.

**MR. LAXDAL:** — Let's see. I believe that there were in the order of 580 individuals that took advantage of the early retirement program, Mr. Chairman. And as a result of that I believe that our increased expenditures were in the order of 5.5, \$6 million as a result of that program.

**MR. CHAIRMAN:** — Who paid that? The government?

**A MEMBER:** — The government. Yes.

**MR. CHAIRMAN:** — Was there any additional cost to the pension plans because of the retirements, the early retirements? Or do you know the answer to that? You may not.

**MR. PALMER:** — The number that Keith has given you is the total cost for the year in which the program happened. That'll be an ongoing cost. These pensions, most of them, unless the superannuates were deceased and had no beneficiaries, those pensions will continue to be paid, maybe with indexing or without. But they'll continue to be paid for some period of time. So that's an annual cost that will change, but go on.

**MR. CHAIRMAN:** — Okay. I want to get back to that figure — \$9,655.17 apiece. But that's not my question. Is there any additional cost to the pension plan? Okay? The entire cost, in the view of the department, is being borne by the consolidated revenue.

**MR. PALMER:** — Yes.

**MR. CHAIRMAN:** — Okay. So it's costing us \$9,655 per year until the person dies? I want to get an idea of the total cost of the thing. I'm not in any sense against it, but I just want to know what it's costing us.

**MR. PALMER:** — The pension is a fixed amount. Of course the pension will increase if there's indexing; it will decrease if the superannuate dies and leaves it in some lesser form — a 60 per cent or 85 per cent or whatever option is selected — to a spouse. It will disappear totally if the pensioner dies and there's no spouse, or if the pensioner dies and the spouse dies. So eventually the cost disappears. But it will trail out over a number of years.

**MR. CHAIRMAN:** — Okay. What's going to be the total cost then? Have you asked for an actuarial study of that?

**MR. PALMER:** — No. The actuarial valuation number that I gave you was pre this program. And the next report will show a new unfunded liability on the basis of this program.

**MR. CHAIRMAN:** — But at the moment, for this year it cost us 5.6 million?

**MR. PALMER:** — Yes.

**MR. CHAIRMAN:** — Was there a once-only cost up front, a severance cost, or is it likely to cost us about an additional 10,000 per person per year till the person drops off the end of the road?

**MR. PALMER:** — The severance payments, they were something the employer paid. They were not a part of the pension program. The pension program just budgeted the costs and pays the cost of the pensions themselves.

**MR. CHAIRMAN:** — Assuming . . . this is an ongoing program . . .

**MR. PALMER:** — No, well . . .

**MR. CHAIRMAN:** — Is it available?

**MR. PALMER:** — It's not available now for employees to take advantage of.

**MR. CHAIRMAN:** — All right. In your view, what's it likely to cost for the '85-86 year? How much has your department budgeted for it?

**MR. LAXDAL:** — An additional \$5.8 million.

**MR. CHAIRMAN:** — So it's actually going up next year. How's that?

**MR. PALMER:** — We've assumed some indexing of pensions.

**MR. CHAIRMAN:** — Oh, I see. Okay, fair enough. That's a fair cost per person. That's \$10,000 per person.

Was this decision a policy decision, in which case I will go no further with the discussion ? Or was it something you had done to . . . did you have any study which determined that these people were not quite as productive as they once might have been, and thus the \$10,000 was in fact money well spent because they're costing you 15 per person to sit there and keep the chair rolling around the room?

**MR. LAXDAL:** — Strictly policy, from our point of view. It came to us as administrators.

**MR. CHAIRMAN:** — All right. Good. Are you planning to do anything in the nature of an actuarial study?

**MR. PALMER:** — We have budgeted funds for actuarial reviews this year, and we'll likely do one because of the size of the public service plan and because of the early retirement program that just came in. We'll likely do one on the old public service plan again, although in the private sector they're traditionally done about every three years. They have to be done at least every three years, and when we did this last one I think we were planning on waiting three years to do the next. But because of the voluntary retirement program it's likely we'll do one again this year.

**MR. CHAIRMAN:** — Do you expect to be doing an actuarial study of the cost of the voluntary retirement program?

**MR. PALMER:** — No, an actuarial study of the total liability situation of the plan, which will include . . .

**MR. CHAIRMAN:** — But this is something that's coming out of the consolidated revenue. Are you going to do an actuarial study of the cost of the consolidated revenue of the voluntary retirement plan?

**MR. PALMER:** — When they do the actuarial evaluation, they will do a reconciliation of whatever number they come up with back to the previous number, the number that I gave you, the 1.6 billion, and they'll break down all the pluses and minuses, the reasons that number's changed. And in that reconciliation will be a cost, an unfunded liability cost statement directly



attributable to the voluntary early retirement program.

**MR. CHAIRMAN:** — I'm not in any sense opposed to the program, the voluntary retirement program. When I was in government I often said about certain people who weren't performing and who it wasn't possible to get rid of, the government . . . taxpayer would be far further ahead to give them their salary and take their key. As Howard Hughes used to do: pay them; keep them on staff, but keep them out of the office. I often said that of people. I'm not opposed to the program, but I'm curious about the cost of it.

Now you say it's 10,000 per person this year — 5.6 million — what's it likely to cost us until the last voluntary retiree drops off the end of the road? An actuary could give you an estimate.

**MR. PALMER:** — That's an actuarial valuation. What you're asking is an actuarial valuation, and we'll know that. If we have the study done in time, we'll know that by this time next year.

**MR. CHAIRMAN:** — I see. Okay. So you are going to do an actuarial study of the cost to the consolidated revenue of the voluntary retirement program.

**MR. PALMER:** — Our actuarial study will be done on the whole program, but it will show that in part, yes.

**MR. CHAIRMAN:** — How do you mean, it will show it in part?

**MR. PALMER:** — Well the reconciliation back to the previous valuation will show why the numbers have changed, and one of the numbers in that reconciliation will be the cost of the voluntary retirement program. We will do a full-blown valuation, but one of the numbers that will come from that will be the cost of the voluntary program.

**MR. CHAIRMAN:** — All right. There was no such review done in advance of the program being announced, I gather. I don't want to get you out of the area of administration here.

**MR. PALMER:** — Not by ourselves. It was not our policy decision, or not our decision to implement the program, and the review wasn't done by us. If a review took place, it was done . . .

**MR. CHAIRMAN:** — By Finance, or do you know?

**MR. PALMER:** — Possibly by Finance or possibly by the Public Service Commission, who in this case were the employer.

**MR. CHAIRMAN:** — I see. Okay. It strikes me as something that might have been done in advance. As I say, I'm not opposed to the principle of the program, but it might have been wise to ask the cost of this before it was done. It's considerably stiffer than I thought it was. I had no idea it was going to cost \$10,000 per person for these retirees.

**MR. KATZMAN:** — That's cheap.

**MR. CHAIRMAN:** — Well I'm not sure of that. What was the average age of the person who retired, who took advantage of it?

**MR. PALMER:** — We don't know.

**MR. CHAIRMAN:** — How many took advantage?

**MR. PALMER:** — 583.

**MR. CHAIRMAN:** — 583. That would jiggle my figures a bit — I had 580 — not significantly.

**MR. KATZMAN:** — Mr. Chairman, remember the other side of the coin is, with 583 leaving, how many replaced them, and how many in the total service did we drop? That's the key number. You got to look at the whole picture, not just one edge.

**MR. CHAIRMAN:** — Well I don't think these gentlemen can answer that. I was going to ask that, then I came to the conclusion you wouldn't know whether or not these positions were filled or new positions were created. You wouldn't know that, would you?

**MR. LAXDAL:** — We can only speak to our own experience as a Department of Revenue and Financial Services in that picture.

**MR. CHAIRMAN:** — How many of these . . . Okay, that's a fair question. How many came from the Department of Revenue and Financial Services?

**MR. LAXDAL:** — Let's see. I'm sorry, what was the question?

**MR. CHAIRMAN:** — How many of the 583 were . . .

**MR. HALBWACHS:** — We had 13, and nine of them were kept vacant and deleted.

**MR. CHAIRMAN:** — The positions are considered redundant?

**MR. HALBWACHS:** — They're done; they're gone.

**MR. KATZMAN:** — . . . (inaudible) . . . Mr. Chairman. The long-haul cost is cheaper to do that now than to go the other way. Even though you may say it cost \$10,000, you don't have nine permanent positions — and I assume the nine will be all over the 30 or 40, probably between the 40 and \$60,000 range.

**MR. LAXDAL:** — Some of them certainly were.

**MR. KATZMAN:** — So the saving in total, over longevity, will obviously better for the government than the other way, and that's sometimes what you have to look at, Mr. Chairman. It's like going for your needles for smallpox. You know, the needle hurts, but it's sure better than getting smallpox. So, short-term pain for long-term gain.

**MR. CHAIRMAN:** — I suppose it would be difficult to — okay. Assuming that the positions are completely redundant, I noted in your estimates you have, in fact, dropped from 327 — let me find the figure again — from 313 permanent to . . .

**MR. LAXDAL:** — To 305.

**MR. CHAIRMAN:** — To 305 permanent, which is a reduction of eight.

**MR. LAXDAL:** — Yes. On that, Mr. Chairman, we did add some resources as a result of transfers into the department. So what you're looking at is a net number.

**MR. CHAIRMAN:** — Right. I guess the question is whether or not any of the nine who were left might have been able to fill the one new position that was created. Perhaps they could, or perhaps they couldn't.

The member from Rosthern — the assumption he's operating on is that the nine positions were all redundant, and, in fact, the option was to either keep them there doing a redundant job or institute the voluntary early retirement. There is, of course, another option; that is, transferring these people to one of the new positions. There's just one new one been created, I gather.

Do you anticipate any increase in the number of — I gather you don't anticipate anything beyond the 305 permanent positions for the oncoming year?

**MR. HALBWACHS:** — No, no, we don't.

**MR. CHAIRMAN:** — Okay. I guess there is nothing that — I guess we'll get the information as to how much it's going to cost us another year. As I say, I'm not opposed to the program. It's one humane way of increasing productivity, letting people go who would rather be golfing than working in public administration. It's not inherently a bad idea. Inherently, it may be a good idea.

I'm not sure I'm impressed with a system which flattens out to what the cost is after you've done it. I'm not sure that's quite how I'd gone about it, but that's not a question I expect you to answer because it wasn't your policy decision.

Okay. The figures on the last page, on page 15, superannuation allowances under public service superannuation plan. That is not out of the consolidated revenue, is it? Or is that what was paid from the consolidated revenue?

**MR. LAXDAL:** — That was paid from the Consolidated Fund.

**MR. CHAIRMAN:** — All right. So that is true of the next figure, as well, the cost-of-living bonuses?

**MR. LAXDAL:** — Yes. It's true of all of these.

**MR. CHAIRMAN:** — Okay. It's true of all of these.

Refunds of contributions and interest under public service superannuation plan — I'm not sure I understand that figure. In fact, I'm not sure I understand the next three figures.

**MR. PALMER:** — The refunds — someone who terminates as an employee under the public service superannuation plan may, if not locked in, be entitled to a refund. All right. If they chose to take that refund, there is no fund. It has to be paid from the Consolidated Fund, so we have to budget for it as an expenditure of the Consolidated Fund.

**MR. CHAIRMAN:** — I'm obviously missing a step here. Why wouldn't it come out of the pension fund itself rather than out of the . . .

**MR. PALMER:** — There is no fund for this plan. This is the old formula plan. No fund. It's the new money purchase plan that has the \$200 million fund.

**MR. CHAIRMAN:** — Yes, how so. And the same comment, then, applies to the retirement allowance and interest employee savings accounts?

**MR. PALMER:** — Yes.

**MR. CHAIRMAN:** — Which pension plan was that?

**MR. PALMER:** — That was sort of a pension plan. It's not really a pension plan. That's why they call it an ESA, employee savings account. It was set up to accommodate people who came in over a certain age. There was a time when there was an age restriction of entry to the plan. If you came in over the age, you couldn't join the plan. So they said, what we would have put aside as contributions to the plan for you, we'll give you in a lump sum, in some ways almost like a money purchase system. There are very few people still covered by this plan, and over the next few years there'll be none.

**MR. CHAIRMAN:** — It's a fair cost, though. It was \$111,000. How many people are?

**MR. PALMER:** — I don't know offhand. Very few.

**MR. CHAIRMAN:** — . . . (inaudible interjection) . . . No. I guess, indeed, it doesn't. What happened, then, with these savings accounts? They weren't put in a separate account, in fact. The money was popped into the consolidated revenue and at some point . . . So this is, in fact, a gross cost of the revenue, not a net cost, because they would have contributed something.

**MR. PALMER:** — Yes.

**MR. KATZMAN:** — It's also an uncommon liability that we'll see next year and the year after.

**MR. CHAIRMAN:** — Yes. I don't know whether you had that one in mind, Mr. Kraus, when you were . . .

**MR. KRAUS:** — No, I never thought of that one.

**MR. LAXDAL:** — Mr. Chairman, I generalized too much in my quick answer before, respecting all of these being from the Consolidated Fund. The employees' matching contribution to PESP is obviously . . .

**MR. PALMER:** — That's the government's matching portion.

**MR. LAXDAL:** — Oh, that's the government's. I'm sorry. That's the government's matching portion. Yes.

**MR. CHAIRMAN:** — Okay. Indeed. Thank you very much, gentlemen, for coming. You have some undertakings which you are going to provide us with at the earliest opportunity. We very much appreciate your assistance. I appreciate your coming and helping us. Thank you.

#### **Public Hearing: Department of Social Services**

**MR. CHAIRMAN:** — I want to welcome to the committee, Mr. Dan Cunningham, the assistant deputy minister of the Department of Social Services. Mr. Cunningham, before I proceed with any further comments, I'll welcome you and your officials and ask you to introduce those who are with you.

**MR. CUNNINGHAM:** — To my immediate right is Mr. Art Uhren, who is the executive director of the admin services division; and to my left is Mr. Graham Craig, who is our comptroller and assistant director of the admin branch. And I'd like to extend to the committee the apologies of our deputy minister, Con Hnatiuk, who this week is in a federal-provincial meeting in Toronto and was unable to attend Public Accounts Committee.

**MR. CHAIRMAN:** — I'm sure you gentlemen can ably answer our questions.

**MR. KATZMAN:** — Compliments to you for coming without your deputy. Some other departments, we have problems getting them because we can't get their deputy.

**MR. CHAIRMAN:** — That's probably true. Just a comment that is made to everyone. What is said before the committee is privileged in the sense it can't be used outside the committee in an action for libel or slander in any criminal action. On the other hand, it's taken down verbatim and is regularly used outside by reporters, and so on.

With that, gentlemen, I want to ask you a series of questions with respect to the . . . It arises out

of the Provincial Auditor's report for the year ending March 31, 1984. That, incidentally, is the year under review. The Provincial Auditor states this year, as he has stated in previous years, that the department is unable to ensure that only qualified and, as he puts it, bona fide recipients receive authorized payments. Then he went on to make an additional comment that not only are there unauthorized payments being made, but the rules and procedures of the department are such that you're not sure of the number, even, nor do you have an estimate of the number of incorrect payments.

I'd ask you gentlemen to comment on that if you could.

**MR. CUNNINGHAM:** — If I may, Mr. Chairman, what the report really implies is that the department has a lack of controls in place to ensure that bona fide assistance recipients are receiving the assistance.

If I may, I'll just mention the kinds of things that . . . or the procedures that are in place to ensure that only qualified recipients are receiving assistance.

When an applicant comes to apply for assistance, he is subject to a screening process in which he must provide identification; he undergoes a full questionnaire on his resources and on his needs; a bank search is done on his assets; he is required to report on his income and his employment activities, and we check with the Unemployment Insurance Commission to ensure that he is actively seeking work; we require documentation for maintenance and child support payment cases; we require a hard-copy verification of rent receipts in certain cases, of utility costs in certain cases. In addition to that, the regular process is we do annual reviews on all assistance recipients, and we frequently do home visits on assistance recipients to ensure that their circumstances are as they have outlined to us.

In the year under review the Provincial Auditor mentions that we were conducting insufficient post-audit reviews to determine or estimate the number and value of incorrect payments, and our response to that is that that was the case. What we did in 1983-84 was we used staff who normally conduct those post-audit reviews on a pilot project basis to look at a process of pre-auditing clients.

As a result of that pilot project where we were pre-auditing unemployed employable folks, we have, in 1984-85, created an entitlement control unit which the purpose of that unit is: to pre-audit unemployed employable cases; to investigate suspected fraud referrals; to investigate client non-compliance with employment programs; to do post-audit of high-risk cases; and to do selected home visits to ensure compliance with policy and regulations.

At the end of 1984, after having completed that pilot project, the post-audit staff who were employed on that pilot project reverted to their former jobs and have resumed the activity of post-audit reviews. So what has happened as a result of that process is we now have in place a pre-audit function and a post-audit function. In addition to that, in 1985-86, and likely on into 1987, we will be implementing an automated SAP (Social Assistance Plan) expenditure system which will help us to control the number of arithmetic errors that are made in making payments to clients, and the number of errors that are made by misapplication of policy or procedures. So we feel that we now have in place a full set of audit requirements that the auditor refers to in his annual report.

**MR. CHAIRMAN:** — Let me ask a question and start with the pre-audit review. What is the minimum done, then, with each applicant for social assistance? Would you describe the minimum number of things that a social worker must do with respect to each applicant?

**MR. CUNNINGHAM:** — As I mentioned to you, the worker, the case worker, requires identification . . .

**MR. CHAIRMAN:** — They begin by filling out an application form, then?

**MR. CUNNINGHAM:** — They fill out an application form. He has to confirm his identity with two pieces of identification. We then check his bank records to ensure that his assets are as he says they are. We require . . . If a client is an employable client, he is required to do a job search. And we have him verify that regularly.

**MR. CHAIRMAN:** — All right. I want to stop you there. How does the job search occur? Explain that process for me.

**MR. CUNNINGHAM:** — Well, I guess there are two processes. The client can go out and look for work on his own, in which case he is given a form to take to an employer and the employer signs that, yes, I saw Joe client and he did apply for a job in my business.

We have also created an assessment placement unit in the department which refers clients to departmentally created positions — jobs out in the private sector.

**MR. CHAIRMAN:** — Run that one past me.

**MR. CUNNINGHAM:** — The department has a program called the employment development program, and under that program we create jobs. We subsidize jobs in the private sector. In order to refer clients to those jobs, clients undergo an assessment process whereby their skills and abilities are determined, and they are referred to those jobs, or they can be referred to training that is offered under another program sponsored by the Department of Advanced Education and Manpower, the Saskatchewan skills development program.

So there's that assessment-placement process. The other thing is that all clients must be registered with their local Canada manpower centre.

**MR. CHAIRMAN:** — Okay. So that's how you attempt to determine whether or not they're actively seeking employment. Okay, go ahead.

**MR. CUNNINGHAM:** — In addition to that, in addition to the standard interview process and processing of payments that the client's worker does, we have two units in place now. One is the entitlement control unit, which does a pre-audit on selected clients.

Intuitively, we feel — and statistically it is proven out — that the unemployed employable client is the client where the highest possibility of an overpayment is likely to occur. So we have the entitlement control unit in place to do pre-audits, or verification of the information — additional verification of the information that those clients provide to us — before they are paid their assistance.

**MR. CHAIRMAN:** — Precisely . . . Can you tell me exactly how they operate? What do they do?

**MR. CUNNINGHAM:** — The unit is just in place now, so the procedures aren't all firmed up. But essentially what they do is: if a worker feels that a client is not providing accurate information, they refer that case to that entitlement control unit, and those people will do an investigation into the circumstances outlined in the application. They'll check references; they'll check the employee — where the employee said that he was last working; they'll check his place of residence, and those kinds of things.

In addition to that, they do a post-audit, as I mentioned earlier, of the high-risk cases, where someone has been on assistance before, perhaps, and there have been overpayments before because of the inaccurate information provided or whatever — they will go out and do an investigation of those people's circumstances also.

**MR. MEAGHER:** — So far you've only been referring to employables, unemployed employables. How do you make a determination that the prospective client is employable? If he or she says that they're ill or can't work or whatever, how do you make the determination that may be employable?

**MR. CUNNINGHAM:** — Two things. If the client comes in and does not have an obvious physical handicap or a mental handicap, the process is that the worker will interview the client and make that determination. If the client maintains that he or she has a medical problem, a medical certificate is required. So it's really . . . A thorough interview is held by the worker with the client, and any documentation or verification is required if there's a medical problem.

And the reason that we place the emphasis on the employable client is that that is the largest part of our case-load right now, and that is where intuitively we feel that the greatest risk for potential overpayment is.

**MR. CHAIRMAN:** — Okay. The member from Saskatoon Fairview had a question as well.

**MR. WEIMAN:** — I've noticed within the last six months in the newspapers particularly . . . (inaudible interjection) . . . Pardon me?

**MR. KATZMAN:** — We're in the year under review.

**MR. WEIMAN:** — Well there are general questions we can ask; they don't have to answer. You know that, Mr. Katzman.

**MR. CHAIRMAN:** — We usually allow these questions unless some member objects.

**MR. WEIMAN:** — These are general questions rather than specific. I've noticed that within the last six months that I've seen a higher incidence of — because it has to do with overpayments and fraudulent payments etc. — that there has been a higher incidence of court cases that have appeared in the newspaper, what I would call very actively pursuing prosecution of fraudulent cases. Is that a policy, an intentional policy, or is that just a circumstance that has arisen out of the increase in the clientele that we have now in Social Services?

**MR. CUNNINGHAM:** — I don't think we can say that it's a change in policy, but the increased activity is as a result of pre-audit and post-audit functions that we have implemented; we have uncovered more frauds. There's no change in policy. The department's policy has always been that if there is a fraud it is taken to court.

**MR. WEIMAN:** — Investigative units that we have, are they increasing or would you . . . are you intending to increase the investigative units?

**MR. CUNNINGHAM:** — Well, as I mentioned, the entitlement control unit, which is the pre-audit function, was just initiated in '84-85 as a result of the pilot project that we implemented in the year under review. So that is a new function in '84-85. The staff who did the pilot project have reverted to their former jobs of doing the post-audit for the verification function that they did formerly.

**MR. WEIMAN:** — Last year when we had Mr. Podiluk here as the deputy minister of Social Services, he'd gone in to explain to us the automated program that you're going to be involved in. My question regarding that is: when will that totally be on stream?

**MR. CUNNINGHAM:** — We're planning that the project will be piloted in the Regina North district starting in September. The pilot project will end in December, hopefully. Thereafter we will implement the system, the automated system, across the province, with the target date for completion of the end of April 1986. And of course there will always be bugs with these kinds of

systems, and it will take us some time to work those bugs out, but the intention is to have it in every office in the province by the end of April 1986.

**MR. WEIMAN:** — The end of April of '86. Is one of the intents regarding the automated program to cut down on what I would call the employee being a paper worker versus a social worker? Is that a fair statement? My understanding is they're involved in a lot of paper work because of the pre-audit, the post-audit, all the declaration forms that they must go through, the authorization forms — that you could basically, you know, get snowed in a blizzard of paper rather than the function that you were truly hired for.

**MR. CUNNINGHAM:** — We certainly hope that the automated system will reduce the paper work for the worker and allow him to do more of the referral, the social work that he is asked to do by his clients. But until we have it piloted and actually see it in action, we can't make that determination. But that's certainly one of the intents behind automating the system.

**MR. WEIMAN:** — Have you at all studied the British Columbia procedure in so far as authorization forms or declaration forms? The reason I ask that, to give a little history on it, from my understanding — and of course constituents have come to my office who go to social services — there is a myriad of forms that could be signed, you know: authorization to allow a bank search; authorizations to allow searches whether you have a second house; whether you're collecting UIC; whether you're collecting workmen's compensation benefits, etc., etc.

There's a myriad of forms that they could sign. And I've seen the British Columbia form, and it's just one piece of paper which is a blanket authorization. Have you looked into that at all?

**MR. CUNNINGHAM:** — We have looked at that, and under the new automated system there will be one application form that includes all that kind of information, and the client will be required to authorized the department to do those checks on that application.

**MR. WEIMAN:** — How do you determine high-risk cases?

**MR. CUNNINGHAM:** — High-risk cases could be . . .

**MR. WEIMAN:** — You'd made reference to the high-risk cases of the social worker going to the house, etc., and follow up on that. How do you determine a high-risk case?

**MR. KATZMAN:** — Should we instruct the people speaking if there's anything they don't want on the record they can ask and it's for the information of the committee?

**MR. CHAIRMAN:** — All right.

**MR. KATZMAN:** — I'm concerned if we're going to put out something that shouldn't be public.

**MR. CHAIRMAN:** — Okay. If there's information you'd want to give us in confidence, say so, and that can be arranged.

**MR. CUNNINGHAM:** — Well, I would prefer to give this one in confidence.

**MR. CHAIRMAN:** — All right. Perhaps we could ask . . .

**MR. WEIMAN:** — Yes. I'm sorry, because we generally preface, after the introductions, preface that kind of information to you.

**MR. CHAIRMAN:** — Okay. It's just past 11:00. I'll let the member from Saskatoon Fairview finish, and then we'll pick it up tomorrow.



**MR. WEIMAN:** — Since we are concerned with pre-audit and post-audit and making sure that bona fide recipients receive authorized payments, and you had indicated that case workers will occasionally visit the client at the home, in so far as finding fraudulent claims, is that because of the pre-audit and the case worker visiting, or is it more likely to happen because of volunteered information?

**MR. CUNNINGHAM:** — Usually it's a third party referral.

**MR. WEIMAN:** — It's a third party referral. That was the question . . .

**MR. CHAIRMAN:** — Thank you very much. It being past 11:00 we'll adjourn these proceedings. We're going to start tomorrow morning at 8:10, at 8:15. You gentlemen, if you can be here shortly before that period of time, we'll probably get started tomorrow on time. I think that Saskatchewan Housing need not be here at 8:10. They could come at a more civilized hour; perhaps 8:30 would be plenty safe. I don't think we'll get to it by then. That's not unreasonable, perhaps, to ask them to be here at 8:30.

The committee adjourned at 11:01 a.m.