



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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The Chair: — Good morning, everyone. It's around 9 o'clock so I think we'll get started. Everybody looks refreshed after their summer break and everybody knows that of course MLAs (Member of the Legislative Assembly) were on holidays so we should all be ready to go back to work now.

First item of business from the agenda is the election of a Vice-Chair. This is necessary since Mr. Tchorzewski resigned. So I'm going to ask for nominations.

Mr. Jess: — I'll nominate Mr. Shillington.

The Chair: — Okay. We have Mr. Shillington nominated by Mr. Jess. Is there any further nomination? Motion to close, please. Mr. Gantefer.

Okay. We have the motion that Mr. Shillington be elected to preside as Vice-Chair of the Standing Committee on Public Accounts. I apologize, Mr. Osika.

Mr. Osika: — It's okay.

The Chair: — I'll ask someone to move the motion. Mr. Whitmore.

Mr. Whitmore: — I thought you were asking for a new motion. Sorry.

The Chair: — This is a new motion because we have nominations; we asked for someone to nominate so . . . okay. We had Mr. Whitmore.

And we have . . . the second item on our agenda is the adoption of the agenda. And before we go on, I imagine everyone has noted the amount of work the auditor has put into providing us with a binder with everything nicely organized. He probably was tired of seeing us flip through a hundred different books. But we do appreciate this work.

This motion for the Vice-Chair has been signed by Mr. Whitmore. Is this carried? Everyone in favour of Mr. Shillington being Vice-Chair? Carried.

And now the agenda. We need a motion to adopt this agenda for the week. I understand it's a working agenda, so if there are a few changes along the way we can do that with everyone in agreement, but right now it gives us a guideline to work with. So will someone adopt this agenda? Make a motion to adopt? Mr. Gantefer. All in favour?

Mr. Koenker: — Is there discussion?

The Chair: — If you have . . . yes.

Mr. Koenker: — Yes, Madam Chair, I'd like to know what the process is for establishing an agenda of the committee.

The Chair: — Okay. We met — Mr. Shillington and myself and the Provincial Auditor and Mr. Putz met during the summer and we went over some of the items that had to be discussed, realizing that it could take up to three weeks to do this work. So we talked about the time frames when we could possibly be

meeting and how much work we could be doing in each week. And we've decided that perhaps one week in October, a week in November, and a week later on in January if necessary, to get through the work that we have ahead of us.

And then at that time it was more of a decision on where do we start, and the agreement was made between Mr. Shillington and myself and the officials who we could . . . which items would come forward. The only real discussion was that Workers' Compensation was one item we'd discussed early in the spring and thought it should be brought forward fairly quickly, so you'll see it's on this week's agenda. And we'd also talked about SaskPower being discussed quite intensely in CIC (Crown Investments Corporation of Saskatchewan), so we thought maybe that one could be left until later on.

But besides that, it was more or less just a decision of how do we get through it as best as possible with the officials. So it was . . . I guess the decision was made between the two of us. I think Mr. Osika did get . . . I think you were sent a draft.

Mr. Osika: — Just a draft.

Mr. Koenker: — I'd like to refer particularly to your letter of August 31 indicating that the Year 2000 bug will be placed on the agenda. Was that item discussed with the Vice-Chair and other members of the committee?

Mr. Shillington: — Can I speak to this? There may have been some honest confusion here. We did meet in August and I think this is a good opportunity to establish a procedure. We did meet in August, we did discuss the general content of what we were to be doing, and perhaps I was confused about it. I was Chair here during the '80s and we used to establish the agenda at the first meeting. That's sort of what I thought we're going to do.

Then I was a little surprised when, during the month of September, I got a suggested agenda from the Clerk which I hadn't seen before. I think it would be a better procedure if you and I were to . . . if the Chair and the Vice-Chair were to agree upon the agenda before it goes out. I don't think that quite happened. We did have a meeting in August, but I don't recall having agreed to the agenda which I saw from . . . which came out from the Clerk.

And I think it would be a better procedure henceforth if the Chair and the Vice-Chair could meet, agree upon the detail of the agenda, and then have it go out. I'm not sure that's quite what happened. As I say, it may have been some honest confusion, but I don't recall having seen the item I got from the Clerk before it came out.

Then I was in kind of a difficult position in that I couldn't contact you and so I did contact your colleague and we worked out an agenda. But I think from here on in, perhaps we should establish the procedure of the agenda being agreed to by the Chair and the Vice-Chair before it goes out. I don't think that quite happened this time. It may have been honest confusion, but I don't think it happened.

The Chair: — I have a comment, but do you have any further things, Mr. Koenker?

Mr. Koenker: — No, I just wanted clarity to how the agenda is prepared. I felt that there was some confusion.

The Chair: — If there was confusion, I do apologize. But we did go over a type of a draft at the meeting in my office in August. We had a list of organizations and committees we had to go through, and recommendations, and we had something that said “for draft purposes.” It was forwarded to us already in June by the auditor and we did go through those and say, is there anything that you want to be brought forward and it was something that we had to work out with the officials.

And then also in the June meeting we had discussed the importance of bringing officials in for the Year 2000 so we also discussed that that would be the first thing on the agenda. So I do believe that we had at least talked about this draft; you had seen that because it was faxed out and it did say draft purposes. But if there is a problem then we will definitely change it back again.

Mr. Shillington: — Perhaps for November we could . . . and it may have been . . . the problem may have been caused by the fact that I couldn't get a hold of you then in September when the agenda had come out. Perhaps before November we could meet and we'll sign off on the thing.

The Chair: — Okay then are you saying you would like just you and the vice-chair and the chairman to again do this same type of thing or do you want to just bring the whole lot in to the meeting to make it very important or impossible.

Mr. Shillington: — No, I don't think we're suggesting that the agenda be struck at the first . . . I think it's a better procedure that the agenda be struck ahead of time, but I think perhaps in November we can be sure I guess we're of one mind, and I don't think we did.

The Chair: — Okay.

Mr. Osika: — Just a question. I've gone through the agenda. I was just wondering if there was a problem, a particular problem with it? Madam Chair has indicated that there was input from department officials and from the Provincial Auditor. What is the problem with the agenda? Is there something specific that there's a concern about or is it just a question that was raised as to how it was arranged or put together?

Mr. Koenker: — That was my question.

Mr. Osika: — But not because of any specific problems on the agenda?

Mr. Koenker: — No, just to . . .

Mr. Osika: — I'm just curious. I just wanted that clarified.

Mr. Koenker: — Yes, I'm curious too as to how it was put together.

Mr. Osika: — Well I just wondered if there was a specific problem with any items on the agenda?

Mr. Koenker: — No, I wanted to bring clarity to the process of

how it was put together.

Mr. Osika: — Okay, thank you.

Mr. Thomson: — We don't want this place operating like a kangaroo court.

The Chair: — Thank you very much. The next meeting then we will . . . Before the next meeting we'll be going over it.

Mr. Shillington: — It would be before the next session in November.

The Chair: — That's correct. We have a motion before us. Moved by Mr. Gantefer that the draft agenda of the Standing Committee on Public Accounts for our meetings to be held Monday, October 05, 1998 to Friday, October 9, '98 be adopted. Is everyone in favour of this motion? Carried.

Again I would like to thank the auditor for preparing the binder for us to keep us organized and on track. The first item on the agenda is the Chair's request for information to government agencies. You were all sent a copy of the letter to the four different departments where we've asked for input into how they were dealing with the Year 2000 and the computer systems and the standing of each department. So are their officials here?

Okay, we will start with the auditor. The auditor has some background information. For those of you fortunate enough to go to the Public Accounts Committee meeting in Yellowknife this year, we had quite a session on the Year 2000 that was very informative and underlined the fact that it's a big problem or it could be a big problem right across, not only Canada, but across the world.

So we will continue with that and I'll ask the Provincial Auditor to go ahead with his presentation.

Mr. Strelloff: — Thank you, Madam Chair, and good morning, members. Welcome . . .

A Member: — Good morning.

Mr. Strelloff: — The teacher, in all the good sense.

Welcome back to our forums. This morning I'm particularly pleased that you are taking a special interest in the government's preparedness for Year 2000. As my colleague, Phil Creaser, will present to you, there are many groups outside of government that are urging government officials and legislators to take a particular interest in the status of the preparedness of government on the Year 2000 issues.

On the agenda there is the Chair's request for information from the four places — the Department of Health, Department of Finance, the Crown Investments Corporation, and the Department of Economic Development.

There's also three chapters from our reports. Two of them deal with Year 2000, and the third one deals with a separate study on information technology security practices within primarily Crown corporations.

And in an earlier discussion with the Chair this morning I suggested that since the Crown Investments Corporation would not be attending this morning, that the section on information technology security be deferred until they do attend. And that's a suggestion because the main focus of today's session deals with Year 2000.

Now, Madam Chair, is that a reasonable way of proceeding? Remember one of the chapters that are in the material deals with information technology security. The agencies that were surveyed in preparing that chapter are primarily CIC related agencies. So since CIC is not attending this morning, we thought that we should defer that chapter until they do attend. Does that make sense? There's nothing, I think, unusual.

Okay, assuming that that's a good way of proceeding, with me today are Phil Creaser. Phil leads our information technology work in our office and will be providing you a 10- or 15-minute overview on our work in Year 2000 and some of the general issues surrounding Year 2000 preparedness.

Also with me are Bob Black. Bob keeps track of the general process, the general agenda and deliberations for our office, as you move through a fairly packed week of items. Also, Victor Schwab. Victor works with Phil on information technology security or information technology issues that we examine. And of course Fred Wendel is also here this morning, who is the assistant provincial auditor.

So my understanding of the . . . Well what I'm going to do now is turn over the presentation to Phil Creaser. Phil.

Mr. Creaser: — Thank you, Wayne. Madam Chair and members, thank you for the opportunity to talk to you today a little bit about the Year 2000 issue and a bit about what we've done to date on that issue within our office. My presentation will be around two lines. One will be a general introduction to the Year 2000 issue and how I see it overall. And then the second part will deal with what we've said in our reports and what we have recommended to the committee.

There's been a lot of work been done lately on the Year 2000. StatsCanada has been very active in their work in trying to track how well organizations are doing. And they just did a survey in May that's showing substantial improvement in the work being done by organizations across the country to prepare for the Year 2000. And I think there's been some similar studies done in the federal government to show there's been rapid improvement in that environment in the last six months.

One of the key forces behind the Year 2000 work in the private sector and in the government in general has been this Task Force 2000. It was set up by John Manley, Minister of Industry in Canada. He set this task force up and got a blue ribbon panel or board to evaluate the Year 2000 issues and to see if there was some work that should be done as a strategic initiative for the country as a whole.

They got Jean Monty, who is the CEO (chief executive officer) of Bell Canada Enterprises, one of the larger companies in the country, to Chair this. And they made 18 recommendations to how the country could better improve their Year 2000 preparedness.

Included in those 18 recommendations were a number that impacted government. And they felt that government had a role to play in the Year 2000 issue. I'll read you a couple of the recommendations.

Recommendation 10 from that report said the House of Commons Standing Committee on Public Accounts should continue to scrutinize the evolution of the state of preparedness of the federal government systems. Provincial legislative bodies, where applicable, should initiate a similar transparent process, through its provincial institutions would report regularly on the progress achieved. Provincial authorities should ensure that municipal authorities put in place transparent reporting mechanisms. And municipal authorities should take the initiative to immediately implement transparent reporting mechanisms as well.

As well they said that the . . . Recommendation 11 went on that all levels of government should require that their lending bodies programs to make existence should — I'm sorry — should have programs in place to make the existence of a formal Year 2000 plan a condition for securing grants, contributions, loans, and loans guarantee where applicable.

And also recommendation 12, before introducing legislation or regulatory changes all levels of government should consider the impact they may have in terms of reprogramming information systems and diverting resources away from the Year 2000 preparedness effects . . . efforts.

So that's just an idea of what the private sector has . . . its expectations are for government. And this panel has made two reports and has now been disbanded but it is felt that the progress was being adequately looked at.

Just briefly what is the Year 2000 issue and what does it mean? There's been a lot written on this, and you've probably all heard stories about the Year 2000 issue. And I guess I'll just give my own particular spin.

If you think of the Year 2000 as being a computer problem, that's fairly accurate. And one of the problems with computers is their ability to understand when a year date that is Year 2000 is being put into the computer system, is it being correctly recognized? And if it's not being correctly recognized, an error could possibly be occurring.

So that Year 2000 date could be going in now, it could be going in six months from now, or it could be, as when most of us think of it, be going in January 1, Year 2000. But many dates are put in in advance, so we have to be careful about thinking the problem only starts January 1, 2000.

As well the Year 2000 issue also revolves around the leap year. The Year 2000 is a leap year and most computer programs won't recognize it as a leap year. As the standard programming convention is that every four years is a leap year and every hundredth year isn't, except every 400 years it is. But that 400 years hasn't been programed into very many applications.

Also there's . . . It's not just limited to mainframes; PCs (personal computer) and our local area networks are also impacted by the Year 2000. I've got a little picture here that

shows this. If you look at the typical network environment that you'll see in most computer systems, every part of that system can be impacted by the Year 2000. The PCs themselves that you have on your desk if it's not a . . . if it's a 386 or 486 or an early version of the Pentium, it may not be compliant. Servers of similar generations may not be compliant.

Operating systems are very dependent on the hardware to collect the dates that they use to operate. And if the hardware isn't compliant, the operating system likely isn't compliant either. Also there's versions of the operation systems out there, Windows 95, Windows NT, which are very common out there and you've probably all heard of those. Earlier versions of those operating systems aren't compliant. You actually have to get a fix.

Another area that's a little more challenging is that automatic devices, imbedded chips technology, is also at risk of not being Year 2000 compliant. The industry norm on that is that they say about 5 per cent of those chips aren't compliant, but the real challenge is finding them. They can be anywhere from in air conditioners, elevators, telephones, power control systems, telecommunication switches. There's thousand of places where these chips could be, and it's up to the organizations to go out and find them or get some assurances from their vendors that they are compliant.

Database systems are also . . . I know we had to upgrade our own database in-house because it wasn't Year 2000 compliant. We were quite surprised because we thought it was only built in the last few years that it would be. So you have be careful about that.

Telecommunication systems in networks and in your offices are also embedded with chips, switches, protocols that are all potentially Year 2000 . . . there could be potentially Year 2000 issues. Some of the big switch companies are talking . . . about making sure you contact them to make sure you know that their switches and that they are Year 2000 compliant.

It even goes down into your day-to-day working with your spreadsheets and word processors. Most are okay but some . . . You should get your spreadsheets checked because I think it's important to know that those dates could be two-digit dates in your year dates and in your spreadsheets and you should get them fixed.

Okay just briefly, what does the Year 2000 mean? Well it means that there's potential for having corrupt information in your systems because it's been recorded or sorted improperly. Inaccurate calculations can occur. Incorrect or inaccurate electronic transfer of data can occur if systems aren't all compliant along the data transfer pipe; sorting could be done incorrectly — budgets, projections and forecasting systems are at risk. As we said before, hard work can be affected, and scheduling housekeeping routines like back-up and recovery and archiving of systems and information could also be at risk.

So how do we deal with this risk? Well there's a number of different ways and I'm just going to touch on the first two: governance and management. But you can also have a . . . you have to manage the technology, accounting, auditing, reporting risks, and we'll save those for another day. But I think it's

important that we look at the governance issue because we were using that document for the reporting here today.

The CIC put out a document on the guidance for directions for the millennium bug and it gives you a pretty good overview of the problem. If you've read it you'll better understand some of the issues. I think a couple of key points in there is one that says the guidance for directors states that directors have a responsibility to oversee the conduct of business and to monitor management and to ensure . . . and to endeavour to ensure all major issues affecting the businesses are given proper consideration. And we feel that this is a prime area of concern and it is the Year 2000 issue we feel that it should be given due consideration by boards everywhere.

It also talks about what management's main responsibilities are, and we'll talk more about this later, but they have a responsibility to put a project team in place. They do an organizational impact analysis, develop a plan, take action, monitor results, and develop contingency plans.

They also ask . . . give the number of questions for the board of directors to ask and I guess you'll be asking those questions today. They revolve around a number of areas. The project team for example — who is sponsoring the project. One of the things that we've discovered in some of our work with large projects is that without good executive sponsorship the projects tend to get late, be over budget. So it's very important that we get good strong executive sponsorship in all these Year 2000 projects.

You should have a mandate, and a project leader that's got the skills to deal with the issue. The plan should be put into place. Have they got a plan? Have they done it as a result of their impact analysis? Have they got budgets, a schedule? Have they adequately scoped the problem? Have they got a system for quality assurance to make sure that the systems are going to be adequately working afterwards?

They also want you to ask questions about the process for testing and for documenting, testing, and documenting the work in progress. How are they doing against budget? How are they doing against their schedule?

Also another important issue is contingency planning. You can't be 100 per cent sure that all your systems are going to be a hundred percent Year 2000 compliant or your third parties are, so you should have a contingency plan in case something goes wrong. And also look at the issues around third parties' insurance. Have you got adequate insurance and have you taken adequate legal issues into consideration?

The second area that we look at is management risk and how do you manage that as an organization? The primary way is . . . steps include risk management, how do you assess the risk. You look at the key business functions or the key organizational functions, consider the risk for each, and then identify the particular business processes within each of those key organizational functions and then determine what IT, what technology supports those processes and see if it's Year 2000 compliant. Or has it got . . . and risk is mainly around . . . is it calculating dates, are there dates in the fields, is the technology old — it could fail for whatever reason — and then do something to remedy that.

After you've done that, then you can prioritize your projects based on which ones are the most important. You can do detailed project planning, which again we feel is key to the success of these projects, having a good plan — use good project management techniques, which means include the plan, the good scheduling processes and good budgeting processes, and a good quality assurance system. And also make sure you have the resources to do it — you have the adequate budget and you have the adequate personnel.

One of the key recommendations that we've seen in quite a few places is what kind of policies have you got to retain and give incentives to your IT (information technology) programmers and staff to ensure that they'll stay around through the Year 2000 to make sure everything works.

Contingency planning, as we've talked about before, revolves around some key issues — ensuring that you take those risks, that you've done your impact analysis, and assign authorities for people to deal with those risks if something happens that the remediation work you've done fails. It could be anything from making sure you've got a way of writing your own cheques for your payroll, if your payroll system fails, to having a communication plan to let people know what happens when something doesn't work so that you're adequately covered.

What have we written and talked about in the Year 2000? Well our first report on the Year 2000 came out in the spring of 1997. We felt at that time the key issues that we wanted the government agencies to be dealing with was having a project manager in place and having good project management practices integrated into a plan. So we contacted about 24 agencies in government including Crown corporations, asking them if they had a project manager in place and do they have a plan. And we got . . . they were all in the very early stages of their work so we decided we would look at it in more detail in our fall report and we'd report in more detail at that time.

Again in our report, though, we did highlight some of the key criteria that we would be looking at. We'd be looking for listings and ranking of systems; a good budget and a schedule; a testing plan because it's important to note that when people talk about their systems are being tested now and they've been fixed, now they're in the testing mode that that takes 50 to 80 per cent of the time that most of the studies have been showing. So it's important to know that the testing plan is a very key part of this and it also takes resources away from your non-IT people because that's the . . . And so we want to make sure that the testing plans are adequate.

And the third party assurances, ensuring that if you're dealing with other agencies, other federal agencies, the private sector, with clients that you serve, that they're all Year 2000 compliant so that you can continue to work effectively after the Year 2000. And it should set adequate milestones for the management approvals so that we know that as steps are being taken that management is adequately informed and has approved them.

Our fall of '97 chapter, the last time we've reported on Year 2000, we looked at 12 larger agencies that we audited directly and they all believed at that time that they were . . . they had a plan in place to get the job done. Our evaluation of their plans

was that we felt that in all cases their plans could be even better, they could be improved, and we recommended that they prepare a complete and approved plan at that time. Some of the things that we noted that were eight of the agencies had a written inventory that ranked the systems as to their importance. Three had an adequate budget in their plan to fix the problems. Most did not have a formula . . . a formal Year 2000 budget that was being approved. None had a documented testing plan. Some had mentioned that they were going to be doing testing but they hadn't laid out exactly how that was going to be done. And there was very little work had been done at that point on third parties and how third party work was going to be checked and tested.

That's all I had to say. It was an introduction to the topic and to what we've reported in the past. I turn it back to you.

Mr. Streliaff: — Thank you, Phil. Have a chair.

The Chair: — Thank you very much. We appreciate your report and I notice in the meantime . . .

Mr. Whitmore: — In the meantime, I'd like to ask Mr. Creaser a couple of questions, if I could, on his presentation.

The Chair: — Yes, go ahead.

Mr. Whitmore: — Yes. Thank you, Mr. Creaser, for your presentation. Just a couple of questions first on the basic introductory. I know that there was an example this summer. I think it was the state of New York liquor commission or liquor licensing agency. They went to program in licences that were expired or that had to be renewed past the year 2000 and their system crashed and that was an example of the system crashing. Have we seen any evidence yet within the agencies of the Government of Saskatchewan of that happening at all? Anything that . . . cause we're getting to that point in terms of contracts or licensing or things like that . . . taking place of an example of a system crashing?

And secondly, in terms of outlining the things you said in terms of the large agencies and that, have you any sense of what a cost estimate is involved in doing — I know it has to be done — but I was wondering what the cost estimate was of making the changes, or is it hard to pin down that type of cost?

Mr. Creaser: — I guess on the question on have any systems crashed, nothing seriously has happened as far as I know. You may want to ask the officials that when they are here. As far as the cost, that varies so greatly depending on the extent of the systems you have. You have to first look at how large are your computer systems; how old are they; how date sensitive are your applications. Payroll systems themselves may not be that date sensitive but if you have a human resource system it's extremely date sensitive. Any financial systems are quite date sensitive.

We had given a presentation last — two weeks ago I guess — to the Chamber of Commerce on this topic and one of the accountants in the audience got up and said that one of his client's financial system had already failed on him and he was doing some work that week trying to fix it so that he could keep on keeping his records into this year. So it's quite sensitive to

those factors to ensure to get a cost, but it's as little as replacing a few PCs or just replacing the BIOS (basic input output system) in the computer which is just a chip that keeps track of dates. We've done that in a few of the computers in our own office and it's very inexpensive.

Mr. Whitmore: — You also made reference to the question of IT people, retaining them, and I suspect there's . . . Is there a lot of I guess headhunting in the industry worldwide then these days for good IT people?

Mr. Creaser: — Yes. The evidence is there that there is certainly a huge demand, especially in the U.S. (United States) and larger centres where they're a lot further behind. I think a year ago the federal . . . U.S. federal Department of Defense was only 10 per cent done. So an organization of that size requires tremendous resources to get the work done. So, yes, there is quite a bit of pressure. I think the government has responded to that in Saskatchewan with some interesting ideas.

The Chair: — Thank you.

Ms. Stanger: — I guess my question is coming off the question that Grant asked . . . is my concern in the personnel that you would need. Because even though some things are fixable, would you be able to get the trained people? Is there a shortage in trained people in this area of computers and do you see that as a problem?

Mr. Creaser: — I think industry-wide there's a shortage. Any individual organization, if they've been able to retain their key people, can do quite well. And I think again that's something that you may get an idea from the officials, how well they've been able to retain. But my general feeling is that they haven't done too bad of a job of retaining their staff. But I mean it is a big issue.

Ms. Stanger: — Thank you.

Mr. Creaser: — Okay.

The Chair: — Any other questions? Okay. During the presentation I noticed a number of officials joined us. There's officials from Finance, from Health, and from Economic Development. We understood that there would be nobody here from CIC today so they'll be coming in November.

Before we ask everybody to be introduced, I would like to present a question to the committee: would you like to discuss each . . . with every department on an individual basis or would you like to see them all at once? Somebody make a . . . Agree to agree?

Mr. Gantefoer: — Madam Chair, I think that particularly since we're talking to department officials this morning, that there may be some similarity of response between the departments and it would probably be useful if the committee would be in agreement of all the officials being there and we could direct the questions where appropriate. It may eliminate some duplication.

The Chair: — We have a thought . . . put forward that we talk with everyone at once. Is everyone in agreement with that?

Opposed? Okay. Then I guess somehow or another all of you are going to have to sit in four chairs.

Maybe we could have a representative from the departments and then I'll ask you to introduce the officials with you. I'm sorry, I didn't . . . From the Comptroller's Office, I think that everyone is . . .

Thank you. The officials that are here today from the three departments are here at the request of our committee. We had asked in a letter in later August if they would not only attend today's meeting but also send us some written information beforehand on the work that they had done. And we do appreciate this information. I think the members have it and so again I thank you.

Before we go forward I'd like ask each one of you to introduce the departments and the people you have with you, starting with this side.

Mr. Van Sickle: — I'm Bill Van Sickle. I'm with the Department of Finance. I'm executive director of administration and the Year 2000 coordinator for Finance.

Mr. Nicholson: — I'm Fraser Nicholson, deputy minister of Economic and Co-operative Development and I have two officials from my department, Tim Whelan and Brenda Jameson.

Mr. Pillar: — I'm Steven Pillar, associate deputy minister of Health, and with me I have two officials as well — our executive director of Finance, Rod Wiley, and the coordinator of our Year 2000 information office in the Department of Health, Jack Wilkie.

The Chair: — Thank you very much. We appreciate you taking time to attend today. Before we go further, I'd just like to read a statement that is given to witnesses before you testify to the committee:

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as a subject of civil action.

In addition, I wish to advise you that you are protected under section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put forward by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document.

And I just ask that you address all your comments through the

Chair. So thank you and I guess we . . . everyone is . . . would you like to . . . Well maybe we'll start with Department of Finance and ask you to go through briefly the information that you have provided and we'll ask . . . and then we'll ask each one of you to do that, and then overall we can ask questions afterwards.

Mr. Shillington: — May I ask a question first, Madam Chair? And this is an honest question, I don't know the answer to it. I'm not sure whether the officials have agreed upon a spokesperson here or not; if you have then it might be more, a more efficient use of our time if there were a spokesperson . . . (inaudible) . . . had a chance to caucus, if I can use that as a verb.

Mr. Nicholson: — The Department of Economic and Co-operative Development, Madam Chair, is taking the lead in terms of coordinating the Year 2000 issue across the government. And so we are prepared to answer in terms of the general way across the range of government issues and the coordination action that's being taken.

Obviously each of the permanent heads is responsible for his or her own departments, and we're not in a position to be able to respond to individual systems. There are approximately 942 systems across the government. And so that is certainly beyond our capability.

But we're prepared to speak to some general issues and then I believe departmental officials can address their own specific departments.

Mr. Shillington: — Yes, why don't we — that's what I assumed — why don't we ask EC (Economic and Co-operative Development) to start then and perhaps the other deputies and officials could supplement their comments with anything that's left unsaid.

The Chair: — By all means. Would you like to proceed?

Mr. Nicholson: — I have a few opening remarks for the committee, Madam Chair. I appreciate the opportunity to appear before the committee to outline issues related to the Year 2000 issue and to give you an overview of the approach that's being taken by the Government of Saskatchewan to address any potential problems.

I guess I want to just briefly say that the Year 2000 issue is not only a computer technology problem, it is a technology problem. It affects everything from certainly computers to faxes to VCRs (video cassette recorder). Anything with a chip, an imbedded chip, in it may in fact be subject to the Year 2000 problem.

Put simply, it arises from I guess many years ago when computer companies . . . when in fact no one really anticipated that systems that were being built or the chips that were being built would in fact make it to the Year 2000. Dates were put in, two digits, '72 rather than 1972; and so because the two digits were put in, when you come up to '99 and then '00, the computers or the chips may calculate it as 1900 rather than 2000. And therein lies the problem.

I think it's fair to say in a broad context that there are very extreme comments being made on this issue in the media, and I think it's important to keep a kind of a sense of balance on the issue. On the one extreme, we've heard various reports that the sky is falling. And in other cases we hear that nothing is wrong. And I believe that those two extremes are to be avoided. I believe that there is something to worry about, that action is required. On the other hand I do not believe that the sky is about to crash on our heads tomorrow. So it's somewhere in between.

It's also important I think to understand that even institutions that have internally addressed their computer problems may be affected by external organizations that haven't addressed theirs. So there may be a ripple effect across the world because of this issue, because of the interconnectedness of computers.

I believe later this week or next week the Gartner Group, which is an internationally recognized authority on computer issues, will be releasing an assessment, a worldwide assessment, that they've just completed. They have surveyed 15,000 companies across the world and 87 different countries. The research that they are about to release I think, as I said earlier, gives us all cause for concern.

In their view, more than two-thirds of the firms operating in key industries across the world — and this is in food processing, farming, government services, education, chemical processing, transportation, architecture, construction, medicine — two-thirds of the firms operating across the world will experience Year 2000 problems. And they are going to be saying that the best prepared sectors are in finance, banking, investment services, and insurance.

They will also be indicating that Canada is among the leaders in Y2K (Year 2000) preparedness, and I believe we're ranking the second in the list after Australia. Also on the top list will be the U.S., Netherlands, Belgium, and Sweden.

Countries at higher risk from Year 2000 related problems include Mexico, the Middle East excluding Israel, China, Russia, Argentina, Venezuela, the Philippines, Malaysia, and Central Africa. Surprisingly, at least to me, Japan and Germany are not as well prepared as they should be. And in fact Gartner Group will be indicating that Japan and Germany are at least 12 months behind the leaders in Year 2000 fixes.

So that is to give the members of the committee a bit of the sense of the worldwide context in which we are operating. I think at the level of even personal consumers, people want to know how will it affect me in my home. For those of you with children and PCs, if your computer is 486 or earlier, it is likely that you will experience some sort of a problem. If your computer is Pentium, then you are perhaps in better shape. Many problems with personal computers can be tested and fixed with a small program called a driver. And of course as the months unfold, we'll be hearing a lot more about how people can deal with their issues.

So this is an issue that affects all industries, all sectors, and all countries. With not a lot of time left, I guess we are all therefore in a position where we have to deal with the issue on an urgent basis.

As I indicated, Canada is in a very good position relatively speaking, but we have our challenges in Canada. There has been a report released by the federal government just this summer; it came out in July. It is called *The Eleventh Hour*, released by the Hon. John Manley. It follows actually from a report entitled *A Call for Action* which came out in February of this year.

In *The Eleventh Hour* — that's the report in July — it offers a progress report and makes a number of recommendations. One is — and this is hopeful — Canadian businesses, 99 per cent of Canadian businesses are now aware of the problem. 70 per cent of all businesses are taking action. That is up from 45 per cent in October, 1997; 94 per cent of all medium and large firms are taking action; three-quarters of the firms realize there's a potential for litigation; half of all firms do not expect to be ready until mid-1999. There's also been some work done, although I would be the first to say that it is, I think, highly speculative, the estimate of the worldwide cost of the Year 2000 issue is \$600 billion U.S. But that is based on I think everyone doing fairly speculative estimates. That work is in fact all being done now.

Just a few more comments. Within my department we've been, I guess working since I arrived six months ago, we've been working on the IT issue across the government. Members will know that our minister was named the Minister responsible for the Information Highway on September 21. And so we are attempting to take a lead on this issue across the government. But by no means can we, in terms of the coordinating action that we're taking, address all of the problems.

We have established a Year 2000 management forum involving officials from across the government. It has now had a couple of meetings, the most recent was on September 21, and we had 35 officials from, well, all of the departments and agencies attending. So I am confident that the departments and agencies are addressing the issue.

We, in fact today and tomorrow, we're conducting training sessions for officials across the government, and I believe 40 people will be attending those, and our Y2K management forum will of course be meeting regularly until we get this problem wrestled to the ground.

In my own department we will be designating a couple of officials to be solely devoted to the Year 2000 issue. I'm in the process now of hiring a chief information officer for the province of Saskatchewan. Saskatchewan, I believe, is the last, one of the last, I believe the last to not have a chief information officer, and it's imperative that we do have one. So I believe within a month we will have one — the first round of interviews was conducted last week and I believe within a month we'll have a chief information officer. And of course that official will then be largely devoted to addressing this issue and coordinating the action that's required.

I believe by way of introductory remarks that about covers it, Madam Chair. It's a very complex and wide-ranging issue, and so we'll do our best to answer questions that you may have.

The Chair: — Thank you very much. I have a bit of a speaking list started, but I think they'll let . . . ask the Department of Finance and the Department of Health just to add to that and

then we can go on and ask questions to any . . . to I guess mostly to Mr. Nicholson. But if you have anything specific, you can ask them then.

Mr. Van Sickle: — I don't think I have anything to add in terms of general comments to what Mr. Nicholson has said here. I'd certainly be prepared to answer any questions specific to the Department of Finance that you may have to give you an idea of where we are in the process.

Mr. Pillar: — Thank you, Madam Chair. I also don't have anything to add to Mr. Nicholson's comments of a general nature. I can and will, if the Chair would like, outline what the Department of Health is doing specifically in terms of its initiatives to become Y2K prepared.

We've done a number of things in terms of dealing with our department — internal to department systems. We've also been involved in a lot of initiatives involving health districts in the field that have a direct responsibility for delivering services but we have some overseeing responsibilities as well. So I could make comments and outline what we're doing with respect to those two areas now if you would like or I could wait until later. Whatever the Chair would prefer.

The Chair: — Let's wait and ask and see when one of the members will ask the questions directly. And I'll start with Mr. Gantefer.

Mr. Gantefer: — Thank you, Madam Chair, and welcome to the official, Mr. Nicholson. I'll direct the questions to you because I want to start in a very general sort of way if I could. It strikes me from your comments and thinking about this a little bit that there's sort of two issues that you're faced with and I think you've outlined them.

One is an internal issue in terms of your own systems and your own procedures in software and hardware and all of those sorts of things, and the second is somewhat external in that you deal with other agencies — either governmental or private sector or whatever — and depending on where they're at indeed you could create your own . . . have other issues that you may not have complete control over.

And finally I'm a little bit . . . I'm pleased to hear that you're moving to get a chief information officer. But I'm a little concerned that, you know, what are we — 15 months away from the actual turning over of the clock? But as the auditor indicated this morning there's a lot of systems that already have the dates moving forward and so time is really getting tight. And I'm also quite concerned about the fact that in the private sector or other government agencies that they're 12 months or more behind us. It strikes me as that though they don't have 12 months. I mean there's going to be problems somewhere in the global economy.

In terms of your internal systems, have you established a prioritization, if you like, about what issues or what systems are more critical than others so that you can deal with them sequentially or how are you approaching your own internal systems?

Mr. Nicholson: — Okay. I guess in terms of . . . as a general

comment and then I'll be more specific. In terms of a general comment I think the prudent steps that one should take include doing an inventory of all your systems and being able to say that we have 942 systems. I mean we need to know what the inventory of systems is and obviously then we need to have an assessment of those systems. We need to assess whether or not a conversion is required or whether a replacement is required.

When conversion or replacement are accomplished then you have to do testing to make sure that it's Year 2000 compliant. We have to do a risk assessment and have contingency plans, and we also have to, as you have noted in your question, have some sense of our partners' preparedness, those agencies around the world and their state of preparedness, because of the ripple effect. So there are a number of things that are just reasonable and prudent steps. And we have started that process. We have an inventory now of all the systems. We are going through the assessment.

I think from the information that I've obtained, work has been going on within the Government of Saskatchewan over the past three years. I do know that some were out earlier than others. So in 1995-96 the departments had begun to work on the issue. So work's been going on for some time. We have an assessment of some of the systems. I say this on behalf of permanent heads who will have to speak in terms of their own. But in a general sense, I think we know more about some of the systems than others and where we still need to get information, that's being done on an urgent basis.

One of the things that we need to coordinate across the government is the whole question of external suppliers. And because if we have a problem with a Hewlett Packard fax or printer or something, it's important that we coordinate those sort of supplier issues across the government.

So on the internal front, I think there's a bit of a mixed picture on the assessment front. We do have the inventory. And on the external front, it's really important that we coordinate action across the government so that we don't duplicate.

Mr. Gantefer: — When you indicate there was 942 systems, what would be included in that in a general sense? Are you saying that there's individual brands of fax machines, individual software programs? What do you mean by 942 systems?

Mr. Nicholson: — Maybe I could ask Tim Whelan to respond.

Mr. Whelan: — Systems would not include fax machines or hardware, it would be a database of some sort, some program that's used to collect and retain information. That would be the definition of a system. And they could be as large as the major systems in Finance and in Health that look after billions of dollars and millions of people — or a million people — or as small as a database that looks after all of the agricultural implement dealers in Saskatchewan. So that would be the definition of a system.

And further to what Mr. Nicholson was saying, within each government department and the gentlemen at either end of the table can certainly answer this, they have identified their systems, they have indicated which ones of those systems are critical to their operations so that they are focusing . . . again,

these folks can answer to that, but within each department they've done that.

Mr. Gantefer: — I would assume that in some of the departments, some of the systems would be mainframe-type systems that may be custom designed and things of this nature. But I would also assume that there's probably, at least initially off the shelf, hardware systems or database systems access or whatever.

When you're looking at this, like 942 systems, it just seems to sort of be one of those things that happens to large institutions, that everybody heads off in their own direction. Are you looking at the fact that you have to review these systems and things of this nature to look at some consolidation and saying, you know, is there a way of tightening up this list rather than letting it keep expanding indefinitely?

Mr. Nicholson: — I've had five or six hours of discussion with the Systems Management Council since I arrived in Saskatchewan. And I think there is a consensus. The Systems Management Council is a group representing the directors of information technology or the executive directors of information technology across the government. And I think there is a pretty strong consensus amongst that group that we do need to work more on a coordinated basis, and to bring in standards across the government, for things like e-mail as an example, so that all of the departments can communicate with each other.

When we look at areas, database technology, not all departments may need to use the same sort of database technology but we ought to have maybe two or three standards that are inter-connectable if you will. So there is a requirement to do that and one of the reasons why the government has now named a minister responsible for the Information Highway is that we want to take a more coordinated and concerted effort towards system inter-connectability and coordination across the front — across the whole front of government systems. And I believe that the IT folks across the government have a consensus that we ought to do that.

An example of a new area would be electronic commerce. There's no need really for all of the departments and agencies to branch out in their own way on electronic commerce. We ought to work together and to try to make sure that as we start to deliver services to people in their own homes and businesses that we do so with similar kinds of technology and not very different technology.

So that's very much a topic of discussion across the departments now and one that we'll have to work hard on over the next months and years.

Mr. Gantefer: — In terms of . . . in your prioritization where you've identified you know critical systems, have you assured yourself that the IT technicians and personnel are going to be able to look after making adjustments to your internal systems particularly in time for 2000? Or are they already completed? What is the status on . . . pretty much what I'm asking is your critical systems not some little database down the office, but the critical systems.

Mr. Nicholson: — Yes. I understand. I think and officials from specific departments will be able to address their own but I'll answer on a general front.

There is now in the country a national coordinating effort in the health field. The federal government and the provinces have established — and Mr. Pillar may be able to inform you more about the details of that — but a federal-provincial coordinating effort in the health care field.

In the financial field I mentioned earlier that the banking industry, the financial services industry, is perhaps in the best shape of all. In fact we've — the minister and I — have had a discussion with folks from the banking industry and with the business community as well. But in the area of financial systems, Mr. Van Sickle may be able to address that. But I think we're all sufficiently — and Canada as I say is really in the lead or maybe second after Australia — we're really very conscious now of trying to do things on a national basis and to make sure that information is shared.

With respect to the training for officials, one of the reasons why . . . I think we do need to do work on this issue. And one of the reasons why we have a training session going on, I guess today and tomorrow, is that we weren't entirely satisfied that our officials had up-to-date information, and so that training effort is going on today and tomorrow. And more will be done if it's required.

So I think taking the information that we're getting from across the country, from our suppliers and in specific fields, there will obviously be a lot of work to do. And it may include more training as the months unfold.

Mr. Gantefer: — I think my question was a little more specific. On the critical systems that each of the departments have, where are you at in assuring yourself that the systems are now Y2K compliant? Is there more work that needs to be done on your critical systems at Finance, for example, or in Health or Economic Development? Or are your critical systems already in place? Or if they're not, how soon will it be when you have them up to your standards?

Mr. Van Sickle: — Thank you. In Department of Finance we identified 16 systems critical to our mandate. And when we did an assessment of those systems, we determined that 10 were already compliant, using four-digit dates. Five have been repaired or replaced to this point in time, and we have one remaining system now which is being worked on.

That's the government's payroll system . . . (inaudible interjection) . . . We all feel that's fairly critical and we do recognize that that has a major impact on other organizations. That is being repaired now. The programing is about 35 per cent complete on that system and we expect that it will be ready by May of 1999. That is our one remaining system left to address in terms of our critical systems.

Mr. Gantefer: — Could I ask the same question of the other departments.

Mr. Pillar: — Thank you. In the Department of Health we have 33 of those 942 systems in terms of major systems in the

Department of Health that we identified initially back in 1996, I'm informed, when the Department of Health began working on this issue.

Over the course of the last three years the department has done a number of things to address the Y2K issue. First of all, identify those systems that did not have the problem — the more recently acquired systems. Secondly, identifying where, as you suggested earlier, some coordination among systems could achieve reduced numbers of systems and hence avoid the Y2K problem. We've done that in three or four instances where a system was somewhat redundant, what was able to be coordinated with another system, and the Y2K issue resolved in that manner. And then thirdly, areas where specific work had to be done to upgrade systems to make sure they were Y2K compatible.

In the Department of Health, as I've indicated, those 33 systems, approximately half of them mission critical, are either currently now Y2K compatible or will be well before the January 1, 2000 date. There is work still continuing within the department but we're confident that the department's critical systems will be able to deal with that changeover. And when I talk about systems in the Department of Health there are several that I can mention to give you an idea of the systems that we're talking about.

The person registry system, which is the master database for all of our systems in the Department of Health, is certainly mission critical, and it is now ready to go. Physicians' registry system, vital statistics, medical services plan payment system, the drug plan payment system, provincial lab, facility planning and construction, supplementary health payments, all of those individual systems are, as I say, either currently Y2K compatible or will be in good time.

Mr. Gantefer: — If I could stay on Health for a moment. What about the . . . in a way it's hardware or technology systems in the department, in the health field. I think of all the high-tech equipment that we use in our hospitals and health care fields. Have those issues been addressed in terms of . . . is there some little chip hiding somewhere that potentially could have critical impact on the functioning of this equipment?

Mr. Pillar: — Right. That was the second area that I addressed in my opening comments, and that is the area where we are having more difficulty addressing the issue. The information resides in health districts — in 32 health districts around the province — and as such is a little more difficult to get at than information within our department itself.

And yes there are issues of equipment in health districts, medical devices, as well as other kinds of systems — admitting systems, emergency room systems, those kinds of systems that are in place at the local level, in hospitals for example — that we don't run departmentally but are critical to the operations of health districts. There, as I indicated, our task has been a little more daunting.

We have initiated, in the department, a survey to develop an inventory, as was talked about earlier, of all of the systems, equipment issues — and there I'm thinking of facilities, facility systems — and medical devices issues that are in place in all

the health districts in the province. We have at this point I believe half . . . a third of the health districts in the province that have responded to that survey. They're having some difficulty. Our original time line was August 1 for it to be back in. We don't have them all back in yet.

On the basis of the analysis of those surveys we'll then determine implications for the field.

Mr. Gantefer: — Is it your sense that, you know given the time that's ticking away, that you're going to be able to, number one, identify where critical issues may be on medical devices as I think we should call them? And will there be time then to take the appropriate action to make sure that those devices function in a reliable way past the turn of the century.

Mr. Pillar: — In addition to Department of Health resources that we have brought to bear on the issue, including our coordinating office on this matter, we have contracted with some outside resources. In addition to the federal-provincial consortium that Mr. Nicholson referred to in the health sector, it is ongoing and is providing detailed specific advice on those kinds of issues, in particular, medical devices.

In addition to that kind of expert information that's coming into the department and then out to the field, we have hired on contract, experts in the biomedicine area to provide us with specific information on devices that will be a problem. And we are disseminating that information out to all districts.

So we're not in a position to take the corrective action. What we are doing is attempting to coordinate and provide the information that they need to take the corrective action.

Now in terms of how confident are we, the last part of your question, in the case of some districts, usually the larger districts, they are well on their way to dealing with this matter. Part of our advice to health districts was that they establish a coordinator, a management coordination position, in their district to coordinate these activities. The larger health districts have been able to do that. And where that has happened, they tend to be further along the process.

Some of the smaller health districts have not had the luxury of identifying a single individual. And where that's the case, they've had a little more difficulty in coming up to speed. And we're trying to help in those situations.

So I would say at this point it's a mixed bag in terms of how effective this part of the process is.

Mr. Gantefer: — In your inventory of medical devices, and I can appreciate that the smaller districts probably are having more difficulty in getting these issues identified, is there resources that the department is going to make available in terms of saying, well this line of equipment has potentially these issues surrounding it. It might be a software issue, it might be a chip, it might be something that's fairly simple to make the adjustment on.

Where the local health district really has a great deal of difficulty coming to those same decisions, are you working with, you know, the manufacturers, the industry suppliers,

things of that nature that supply these medical devices in a general sense to make sure that changes can be made as appropriate?

Mr. Pillar: — Certainly one of the pieces of advice we've provided to health districts when we first initiated our efforts to address the problem in 1996, was to encourage them and urge them to ensure that any new equipment they purchased did have a manufacturer's guarantee that it was Y2K compatible. That was the first thing we did.

And it may seem fairly obvious, but fairly difficult in some instances to get those kinds of guarantees from manufacturers because I think, as was mentioned earlier, they're not always sure themselves just exactly what's going to happen. So that was one of the things that we've done.

And with the experts that we have contracted with, there is communication as well with manufacturers of the kinds of devices that we're talking about to make sure that we're getting as up-to-date information as we can from the manufacturer of these devices, and that in turn is communicated to health districts.

Mr. Gantefer: — Thank you, Madam Chair. A last direction, getting back to Mr. Nicholson, In the general sense touched in a very general sense, and I trust my colleagues will pick up on some of these other areas internally, but focusing on your relationship with internal agencies — and you indicated I think that there is an intergovernmental task force looking at relationships between provinces and the federal government perhaps in terms of dealing with this issue — I'd like you to touch on that some more to see where you are and again, particularly with the critical, critical systems.

I think that those are the ones that the people really want to make sure are in place — the critical systems. There may be some smaller systems that can be updated or can be . . . in the prioritization, not nearly so worrisome.

On two fronts, are there . . . have you identified what critical systems there are that you deal with intergovernmentally, if you like, between municipal, other provinces and the federal government? And are we on track of making sure that while we may have our stuff all up and running, all of a sudden something comes in that throws a monkey wrench into the whole system due to some other agency or another province not having their systems in place appropriately?

And second of all, are there those kinds of systems that are dependent upon a private sector that you depend on — interrelationships that way — and what safeguards are we taking to make sure that we can have all our stuff, all our critical systems up and running, that we don't have them somehow compromised by external problems?

Mr. Nicholson: — It's a good question and there are reasons for concern. I'm going to ask Mr. Whelan to address that since he's been in contact with colleagues on a national basis.

Mr. Whelan: — Let me answer the question about relationships between Saskatchewan government organizations and the people they deal with. It varies a lot from organization

to organization. In our department, Economic and Co-operative Development, we don't have any situations where we provide information to a third party or we get information from them, so we don't have any linkages. It's different for the Department of Finance and it's different for the Department of Health, and they're aware and they're working on that.

As far as third parties go generally, the Saskatchewan Property Management Corporation is the buyer of most goods and services for the government. They are the ones that are the landlords in almost all cases for government departments. So they're the ones that are looking at heating systems, ventilation systems, and are making all the contacts with those who make photocopiers, fax machines, those kinds of things, PCs, you know, off the shelf hardware, and are looking after that on behalf of all the government in making those inquiries.

Mr. Nicholson: — There's also . . . I mean the impacts are so wide ranging that there is not, I don't think there is . . . there's not one group that has its arms around every single issue at this stage.

The airline industry, for example, they have a huge number of issues to deal with, everything from the operation of their aircraft to scheduling. I mean, the number of systems that are operable within the airline industry is staggering.

One of the things that has been done on a national basis is that the ministers responsible for the information highway have established a council of chief information officers and they will be meeting regularly.

I think, but in . . . so there's not a broad-based document that covers every system and every government in the country and all of the interconnections and implications of that. I think what is going on is departments of Health are dealing across the country, departments of Finance are dealing across the country, departments of Transportation are dealing across the country, and that's the way that it's being dealt with at the moment.

And within the Saskatchewan government, therefore, what we're trying to do is to bring together officials from all of the departments and agencies together and to make sure that the left hand and the right hand are coordinated in terms of dealing with supplier issues and other issues.

Mr. Gantefer: — If I could specifically address the questions to the two departments that we're dealing with then. With Finance you indicated that you've identified critical systems. There's only one outstanding. It's going to be complied with by early in the new year. Are there any systems that you have that are critical, that rely on other agencies or other provinces for economic analysis or things of that nature, that you rely on? And if there are, are you satisfied that they're going to be in compliance in a timely way?

Mr. Van Sickle: — Yes, thank you. Certainly the critical systems in the department, some of them do rely on other organizations for data transfer. For instance, our revenue systems receive data and information from particularly large corporate taxpayers and we are contacting those taxpayers to determine their readiness.

The revenue and expenditure systems and other sorts of financial systems that we consider critical are generally dealing with the financial sector, with banks and other financial institutions, and they are generally in good shape. Certainly in Canada we don't see major problems in that area. We're getting letters of inquiry for instance from large organizations telling us they're going to be complying, how are we doing. And we're responding to them.

So there is information going back and forth between these organizations. Many of these outside organizations are acting as paying agents for the department. We would send them a transaction file and they would make payments to people's bank accounts or pay interest on investments and those sorts of things.

Mr. Gantefer: — So you're satisfied that any of the critical systems that you relate to, that the third party or other agencies that are required to deal with you, are going to be compliant in time?

Mr. Van Sickle: — We have not satisfied ourselves a hundred per cent yet. We are relatively confident, yes, that they will be compliant. But we recognize that we still have some work to do in discussions with these folks and to verify their compliance.

Mr. Gantefer: — In the Department of Health, where are you at in your area there, because it would seem to me that there are issues of transferability of records and things of that nature depending on where a person resides or where they require treatment. Where is the Department of Health in this issue?

Mr. Pillar: — In terms of reliance on third parties or other agencies, we do not see a problem currently, in terms of our critical systems, mission-critical systems. They're developed on our databases. There are systems in the field, for example, where pharmacists input drug information for payment, it's our system they input it into in the field for example and it comes in to us. So we're confident that all of those systems are secure in the sense that we aren't reliant on other individuals.

We potentially could have a problem in that area if we had the Saskatchewan Health Information Network up and running currently — the SHIN (Saskatchewan Health Information Network), as it's referred to, where the intention ultimately is to have an electronic medical record that could be moved from location to location throughout the province including hospitals, and emergency rooms, and doctors' offices.

Now to the extent that any of those locations weren't Y2K compatible, there would be a breakdown in the electronic transfer of information. That is not the case currently because the SHIN is not operational but that will be an issue we are looking at as we develop the SHIN project.

Mr. Gantefer: — Thank you, Madam Chair.

Mr. Nicholson: — As a general response, Mr. Van Sickle was commenting about getting information from larger firms for revenue for tax purposes. In a general sense in Canada this information comes from the federal government in their 11th hour report from July. They indicate that as of July of '98, that 31 per cent of Canadian businesses are ready now; 13 per cent

of businesses will not be ready until the last half of 1999 or do not know when they will be ready; and so the other 56 per cent are somewhere in the middle working hard on it and will be ready hopefully by mid '99.

As of July, 28 per cent of Canadian businesses were already started on checking supplier preparedness. This has exploded in the last few months. People began to look at their own internal systems and then everybody said well but it's not only internally, it's on the external front as well. So as Mr. Van Sickle indicates, the letters are now coming in and back and forth so there's an explosion of activity in terms of supplier preparedness: 24 per cent of the once again July of the large utility companies; and 21 per cent of communications firms do not expect to be ready until after mid '99; 65 per cent of transportation firms are in pretty good shape and taking a formal approach and are in pretty good shape. So overall, as in various departments, the various industrial sectors are at varying states of readiness but a tremendous amount of activity is taking place.

The Chair of the federal task force is Jean Monty who's the Chair of Bell Canada and he indicated that when the report was released in July that the situation is still serious. I mean this is something that we've all got to be very diligent in attacking. But there's been an explosion in terms of third party supplier preparedness checking the last few months.

The Chair: — Thank you. Before we go on to the next member with questions, it's been suggested that we take about a 10 minute break if there's no opposition to that. Then we'll meet again at 15 to.

The committee recessed for a period of time.

The Chair: — The next member on the speaking list is Mr. Thomson.

Mr. Thomson: — Thank you, Madam Chair. Actually Mr. Gantefer covered many of the questions I had wanted to ask. However, there are a couple of others I should seek some clarification on.

The Department of Finance is going to be in a position or is already in a position to ensure that payroll is going to be able to manage.

Mr. Van Sickle: — We are ensuring that payroll will be managed. Payroll is the last remaining system to be reprogrammed. And I'd mentioned earlier that that programing is going on now and we're placing additional emphasis on it.

Mr. Thomson: — And in terms of tax collection, our ability to collect taxes is . . .

Mr. Van Sickle: — Those systems we looked at very early — started looking at those back in '94 and doing assessments on those — those systems have been reprogrammed.

Mr. Thomson: — Okay. I have one question for the Department of Health, and that concerns SHIN. Is SHIN going to be designed to be Year 2000 compliant?

Mr. Pillar: — Yes.

Mr. Thomson: — That's all I had to ask.

Mr. Osika: — Thank you, Madam Chair. I've listened with a great deal of interest and I know that a lot of people are interested in what may happen to us with the implications of the Year 2000.

The one thing I haven't heard addressed and it has to be a concern, is what are the financial implications? What are the budgetary preparations for departments? I'm concerned about our health districts which you referred to or alluded to, having to look to their own resources to deal with their own problems, health districts that are already under a great deal of financial pressure and stress.

Is there any consideration being given to financial implications overall to government, to taxpayers, financial implications to individual departments, and how are these being addressed or how are they being budgeted for? I'd really take some comfort in knowing that our finances are going to be in place and those concerns addressed.

Mr. Nicholson: — Okay. I can just answer on the general front once again, and then if you have specific questions for health districts I'm sure Mr. Pillar would be prepared to address those.

On the general front, over the last number of years, as I indicated earlier, some departments have been working on this for three years. And so a number of fixes have already been accomplished within the context of normal departmental budgets. There has been no separate budgeting, if you will, for Year 2000 issues over the last number of years when in fact the work was going on.

In terms of where we are just now with the assessment of our systems across the government, as I indicated earlier, you can either be in a position where you're going to do a conversion or you're going to do a replacement of the system and solve your Year 2000 problem. Some of the replacements would of happened in any event, and once again, in the context of normal departmental budgeting the replacement of systems is something that's done. And it was done not necessarily for Year 2000 reasons but because they were going to replace the system anyway. So it wouldn't necessarily show up as a Year 2000 expense. It would be just handled within the normal departmental budget. Conversion of systems is more of the kind of specialized issue that we're working on now.

So in terms of the upcoming budget cycle one of the reasons — one of the things that we're doing — is trying to ensure that we have as good information as we can have with respect to the upcoming budget, because it will be important that we have any significant financial implications covered in the upcoming budget. Over the last few years it hasn't been the case because as I say it was in the normal departmental budgets.

So we are working diligently now to try and bring together numbers, estimates, but we don't have a final number at this time. But we will be — and I've talked to the deputy minister of Finance about this and my officials have been working with Finance on this — we will be trying to work with Finance for

the upcoming budget.

Mr. Osika: — Is that on behalf of the Health department as well? And how will the health districts deal with their problems financially?

Mr. Pillar: — I would just support what Mr. Nicholson said. In terms of the Department of Health, because we started in '96 we have been able to do our job with respect to our mission critical systems within existing allocations of budget — targeting it towards that initiative.

The larger health districts have to a certain extent also been able to do that. They've had the opportunity to do some longer-range planning than some of the smaller districts, as I indicated, identified staff earlier on to identify problems, and have been working within existing budgets to do the same kind of thing that we at the department level have done and other departments have done, as Mr. Nicholson indicated.

There will, however, be additional costs. And that's one of the reasons why we did the survey and the inventory. How much that will end up being we're not entirely sure at this point in time. But we're attempting to collect that information so that we can include it in the budget cycle that we're currently going into — the '99-2000 budget cycle that Mr. Nicholson referenced that Economic Development will be co-ordinating those costs for all districts.

Mr. Osika: — So individual districts will be considered for an increase in their normal budget monies that they might expect from year to year to assist them with their replacement of equipment and perhaps even hiring additional technicians?

Mr. Pillar: — Individual districts will identify to us through the process of the survey results and our analysis with them of costs associated with it. We will attempt to develop a provincial picture as far as health districts are concerned individually, and then forward that into the larger government exercise of identifying Y2K costs. And at that point it will be a government decision as to how and if these initiatives are funded incrementally.

Mr. Nicholson: — There's one other point that's I think relevant here, and that is that given the explosion of activity that is now going on with respect to supplier preparedness and so on, we're seeing a situation where for example hardware suppliers are offering downloads of software at no cost to enable a fix for their particular brand of problems.

And so today you might say, well it's going to cost us so much to fix these PCs, and tomorrow we find out that that particular hardware supplier now has software available for a download that will enable us to do that at no additional cost.

So this is very much an area where it's a moving target in the sense of what do we think it's going to cost because we're getting more information every day about the supply chain and who's prepared to come forward and to try to . . . and maybe we'll be able to fix some at no cost. Clearly we won't be able to fix everything at no cost, but its best effort's being applied to a cost for the upcoming budget cycle.

Mr. Osika: — I thank you for that. I do believe it's important that we hear from our government agencies as to where we're at so it doesn't come as a surprise down the road when we only have a short window period of time and suddenly we're scrambling to get equipment and/or finances and technicians that are not available because somebody else got to them first.

So hopefully you folks are keeping on top of it and then down the road, in the not too distant future, we'll be able to hear from you that we've already progressed considerably from October when we last spoke to you, and we can take comfort and so can folks in our province take comfort that you were right on top of things. I thank you for that.

The Chair: — Thank you.

Mr. Shillington: — I have a question of which you may not have the answer and I think you would be excused for not. You gave us a comprehensive and actually a very interesting overview of what private industry and senior governments are at. I'm wondering if you have any information on where local governments are at. I'm not sure it's our direct responsibility to deal with it, I just . . . I'm interested in the context of the larger picture. I wonder if you know where the local governments are at. I was thinking municipalities and boards of education.

Mr. Nicholson: — I'm sorry, Madam Chair, I don't have that information.

Mr. Shillington: — You don't. Okay. Yes. That's fine. That was my question.

The Chair: — Any other questions? I have a couple of questions. We were informed that there was 942 database systems that are looked at. Do they include CICs?

Mr. Nicholson: — No. That figure does not include Crown Investments Corporation.

The Chair: — And we also discussed that really dealing with the problem will either be replacing equipment or conversion of equipment. Do you have . . . can you give us an idea of what percentage is what? Like how many will be replaced as . . . or how many will be converted?

Mr. Whelan: — There's also the option of retirement. And I do know that as Mr. Gantefer said, Madam Chair, that some systems when you look at them, and they haven't been that active of late, and you look at them and say should we go to the effort of making these Year 2000 compliant, you decide that there's no . . . you know, no value in that so you retire that system.

I'm sorry. I've forgotten your question.

The Chair: — The percentage of conversions.

Mr. Whelan: — Oh. No, not precisely. My sense of it is, from dealing with all of the departments, that many of the larger systems have been replaced over the last few years and that the smaller systems are the ones that are, by and large, being corrected. I can't give you a breakdown, either 60/40.

The Chair: — Okay. So, I guess, Mr. Nicholson, you had said that over the last few years there had been no separate budgeting so, you know, really kept track of for the Year 2000. So if a system was replaced in the last year or so, it wouldn't be allocated towards the Year 2000.

Mr. Nicholson: — That's correct, yes. It would've just been normal replacement and it wouldn't have been separated, tracked. It would've accomplished the Year 2000 fix without having been kind of recorded as a Year 2000 fix.

The Chair: — Okay. And just a follow-up to Mr. Osika's question then. He was talking about district health boards. Some districts that have specialized equipment like MRIs (magnetic resonance imaging) . . . And maybe that's a bad example because we don't have too many of them in this province, but if they are only going to be able to deal with the problem if it will cost significant amounts of money, if they can't deal with it in their budget, you're saying that it will be something that will be brought forward to government to ask for, you know, to help for funding.

Mr. Nicholson: — Yes. It will be brought forward in the upcoming budget cycle. But Mr. Pillar can maybe answer specifically.

Mr. Pillar: — Yes. Well, perhaps just to alleviate your concerns around CT (computerized axial tomography) and MRIs, they are fine. We're not going to incur huge expenditures there. And the ones that will be coming on stream in the course of the current year will of course be Y2K compatible. But there clearly are other equipment costs that we will incur — perhaps not of that magnitude on individual pieces of equipment. But that's . . . We're inventorying all of that as well and we'll be doing an analysis of costs.

The Chair: — Okay. And I just have one final question. I understand that we'll have a new person in charge of this problem, or maybe won't call it a problem — discussion within a month or so. And I'm just wondering, at this time you're talking about major systems and minor systems, do you have any worries at all that there will be any of the major systems that won't be ready by the Year 2000?

Mr. Nicholson: — Well as I said, I guess in my opening remarks, Madam Chair, I guess I'm trying to explain this in the context of on the one hand, you know, the sky is falling; on the other hand, you know, there's nothing to worry about. And I think there is, you know, there are reasons to be concerned. And that's why it's . . . because it involves all industries, all sectors, all countries, and because of the interconnectedness of systems across the world and that there may well be a ripple effect because of the interconnectedness of systems across the world, there are reasons for concern.

But I think I'm trying to take a balanced view. There are reasons for concern. I don't believe the sky is falling. There's a tremendous effort going on now at all levels of business, government, the computer industry, a tremendous effort being focused on this issue.

I think, as Mr. Gantefer was addressing in his question, I think very much we need to be conscious of mission-critical systems

and to make sure that our mission-critical systems are ready. It may not be possible to have every fax, every VCR (video cassette recorder), every PC, but I think we do have to address our focus on mission-critical systems and it's important that we get the problem resolved there.

Ms. Stanger: — I think one of my concerns coming out of — we were at Public Accounts in Yellowknife this summer — was the technical staff. And in industry this was highlighted as a problem; there's going to be a critical shortage of technical staff. And I was just wondering, just to give us some feeling of comfort, if the Department of Finance and the Department of Health could give us some assurances about the in-house technical staff that you have and their expertise and how they would be able to handle problems as they arose.

Because you're going to have problems with people you're dealing with that you have no control over. And so you're going to have to have people, you know what I mean, suppliers, and what about global investments and stuff. So I just wanted to know if you have the staff and have been able to train them and have them . . .

Mr. Van Sickle: — Speaking for the Department of Finance, we do have in-house programing resources, and those programmers have been on staff a quite considerable length of time for the most part. They are the ones that have been in large measure doing the changes to our critical systems. One exception was the main revenue processing system; we used some outside resources for that. But that was done and has been addressed.

We have no indication that our staff are looking for the big bucks in the private sector down in the States. As a matter of fact, we're fairly confident that our staff will be remaining with us. So at this stage we are not overly concerned about the technical support that we have in-house.

Mr. Pillar: — Thank you. In the Department of Health, I guess a couple of things that we've done. We also, of course, have a MIS (Management Information Systems) information or IT shop within our department. And in addition to that, we supplement those resources with contractual resources where expert advice and experience is required. So we have a combination of two — both outside contracts and internal department resources.

In terms of the recruitment issue though that you zeroed in on specifically, it clearly is an issue in the industry. The Department of Health — and I can't take credit for this because I've only been in the Department of Health a couple of months — but the Department of Health has traditionally recruited very young people in this area in the hope that through the training process and indoctrination into the department's philosophy and government approaches, they'll be able to retain staff as opposed to going out on the open market and trying to buy very expensive staff who are quite . . . well, they're very fluid in terms of their employment status and move from place to place. So the conscious decision of the Department of Health has been to recruit young staff from university, college and train them. And the department has had, I'm informed, a great deal of success in retaining those staff.

Ms. Stanger: — Thank you very much. You said contractual. You do some contractual buying but those people are going to be in great demand in the Year 2000 from the private sector and everywhere. So it gives me a little more comfort if you have them in-house.

The Chair: — Do you have any further questions?

Ms. Stanger: — No thank you.

The Chair: — I have one or two more small questions and this is because I'm not very good at computers. I'm wondering if there's any chance that if you have a critical system up and running and ready for the Year 2000, if a third party is connected to your system and they're not ready, could that have an effect on your system?

Mr. Nicholson: — Yes, yes it could. And that is part of I guess the worldwide concern, that even if you solve your internal problems an external system that's connected to you could in fact cause your system to experience problems. And I believe once again, in response to Mr. Gantfoer's question, I indicated that there's an explosion now of correspondence between companies, and companies and governments, to whose system you're connected to try to determine well, you know, I'm okay but is everybody else to whom I'm connected okay. And so that is a very real cause for concern and there's an explosion of activity in that area right now.

Ms. Stanger: — I forgot to mention. In your opening remarks, Fraser, you gave us an excellent overview of sort of the world situation and where we find ourselves. Could you make those available because I think I got a lot of it but, if I had it written down, it would be really interesting to have.

Mr. Nicholson: — Yes, Madam Chair, I'll be happy to provide that.

The Chair: — Just before you leave . . . And I assure you, you've all done a tremendous amount towards giving us some assurance that the province is ready. And I guess I just wanted to hear Mr. Nicholson say yes, he is the gentlemen in charge right now for the province, that you feel the mission . . . critical issues that we'll be dealing with for the Year 2000 the government feels that they are ready and we won't have any serious problems.

Mr. Nicholson: — Well, Madam Chair, I . . . that's a tough question. What I can tell you is that a tremendous amount of work is going on. I am confident that we have the attention of all of the permanent heads. We, at meetings now on the Year 2000 issue, we have 35 to 40 people turn up representing all of the departments and agencies. There's a tremendous amount of work going on.

So we're giving it our best efforts. And I would be comfortable giving you that assurance — that we're applying best efforts.

The Chair: — We thank you for that. And we assure you that we'll all feel better knowing that it's everybody's prime concern at this moment. We thank you for all your work today. And if there's something that we can be doing as a committee, be assured that it is a concern for all of us and we're all

representing the people of this province. So thank you very much.

Mr. Nicholson: — Thank you very much.

Mr. Strelloff: — Well, Madam Chair, members, we still haven't finished all our systems. For example, we rely on a bank payroll system and we ask them for assurance that their system is going to be working. They haven't yet provided that.

We live in a building that has elevators and heating systems, and we've asked for assurance from the building management whether heat will work and air conditioning will work and elevators will work. We haven't yet got that assurance.

And we have some database systems in our office that are complex and we think we've got all of them in hand, but it's not simple. But we're working on it.

Mr. Whitmore: — You raise a very interesting question — the question of assuring whether the payroll system is up and running by the bank. I guess the question that enters into it then: what about liability? If something isn't up and running, like your dependence on the bank or whatever, is there a liability or can liability or damages be sought if they assured that the system would be up and running and it's not?

Mr. Creaser: — Yes I think that it's safe to say that organizations that aren't able to provide the services that they're currently providing, and if people are relying on those services, that there is probably — although I'm not a lawyer — there is probably grounds for legal cases. And yes there would be a lot of that because there would be a lot of organizations that are very reluctant to give assurances that their systems are working properly because the lawyers have told them not to and that's going to make it fairly interesting because people are going to be trying to trade paper here. A lot of assurances going back and forth — going both ways — and it may be very challenging to get those assurances from some organizations.

Mr. Whitmore: — But if the system fails though — Year 2000, somebody has to be responsible for that, you know, if a certain system is not up and running that day and there is a loss of business, you know, commerce can't take place or something like that. Will there still be legal grounds? I don't know but it certainly . . . unless it goes from the IT people it may go to the legal courts after that.

Mr. Creaser: — There is talk . . . I think the Gartner Group had mentioned something like \$3 trillion in legal cases and as a result of the Year 2000. I don't know where they get these numbers from but they've estimated \$600 billion to fix it so . . . I mean it sounds like a cost-benefit analysis.

I'd done this presentation and one of the things that we were trying to figure out, to find out what the legal community was doing in this, and there was a quote from a law firm in San Francisco about that boards of directors were liable for due diligence as far as Year 2000. If their organization has got systems that would fail and they wouldn't be able to provide services they would be — they could be liable.

But the interesting part of this article was that this guy was a

member of a large firm and he had a team of 24 lawyers working on Year 2000. That's what they were dedicated at this particular point in time. So the troops are mounting out in the world so litigation is going to be a serious issue. I mean if you can't provide your services people will use that as a remedy.

The Chair: — We have under the Year 2000 is actually three chapters in here but as the auditor mentioned earlier the last two, and that's chapter 7 and 8, basically deal with CIC which we agreed this morning would be . . .

A Member: — Just the one chapter.

The Chair: — Just 7? Okay. So the discussion regarding that would have to be left until November when the CIC officials are in.

So we do have one recommendation on page 24 of chapter 3 that we should deal with. And I think for the benefit of the new members, we had been discussing when dealing with recommendations we can concur or we can differ or we can report progress. So when it comes to dealing with the recommendations I am suggesting that someone make that type of comment.

The recommendation on page 24 is at .16:

Agencies should complete a written year 2000 plan and have it approved by senior management. Senior management should approve the budget for the costs associated with the year 2000 issue.

Mr. Thomson: — I would move that we recommend concurrence. Or I would move concurrence I guess.

The Chair: — We have . . . Mr. Thomson has moved concurrence. Does anyone have any discussion? Is everyone in favour with concurring with this recommendation? Agreed. Okay.

So I guess then we . . .

Mr. Shillington: — Yes I heard that succinct comment or we could think about this for a minute. If we could get a presentation on the government finances, I assume you folks have some comments introducing a subject. We get that before noon and kind of chew it over the noon hour and then get into it this afternoon.

Mr. Strelieff: — The people that are doing that presentation are back in the office. They're geared up for 1:30.

Mr. Shillington: — By the time they get here it's going to be . . .

The Chair: — There is another suggestion. On Friday there are three items to be brought forward that will have no officials. And I'm wondering, if we have more time at certain times during this week if we can bring forward some of those issues. Possibly we'll be able to bring them . . . Is there anybody opposing that idea?

Okay I think on . . . We have the annual reports of departments

and Crown agencies. Chapter 17 of the 1998 Spring Report of the Provincial Auditor requires no officials. I don't imagine — unless somebody has done a lot of their homework — anybody had a chance to read this over? If someone wants to take more time I don't want to push this forward if there's things that people want to look at.

Mr. Shillington: — The issues set out I didn't think were difficult. I didn't have an opportunity to go over this. I didn't think they should be difficult. I don't want to push it either if someone wants some more time. But certainly the issues here aren't difficult.

Mr. Gantefer: — Madam Chair, were there going to be presentations from the auditor's department on these sections?

Mr. Strelieff: — Madam Chair, members, as Mr. Shillington mentioned the issues related to the last three topics are not difficult and they don't contain recommendations. They are status reports of audits and examinations we've done in the past and are updates on those audits when we've . . . and well — period.

Do you want me to try to deal with one or two of these things that I . . .

Mr. Shillington: — Coordinating yes.

Mr. Gantefer: — If you're able.

The Chair: — Everyone in agreement?

Mr. Strelieff: — Okay, well let's go in reverse. Go to the last one, which is the joint evaluation of a new audit process.

The Chair: — It's the pink tab, the pink tab.

Mr. Strelieff: — Right at the last page, where it says joint audit process. The history on this is that there was a report on working relationships between my office and public accounting firms and management, all designed to make the audit process more effective and clear up a lot of misunderstandings. There was a task force report with a whole system of protocols being put in place and have been put in place for maybe four years now.

As part of the task force report, there was a recommendation that at the end of the first year there'd be a joint evaluation of the process, a joint evaluation consisting of people from my office and primarily the Crown Investments Corporation, that we'd get together and evaluate the new protocols and report back to the Standing Committee on Public Accounts on whether we thought it was working well or, if not, whether changes are necessary.

We have provided you a status report a couple years ago on this process. And in that report we signalled to you that we thought the process was working and that, if there are changes that are needed, they're more related to fine-tuning and those fine-tuning changes have been taking place all along.

And in this second evaluation — remember the task force recommended that there be an evaluation after the first year and

then an evaluation after the second year — after the second year, we again got together and had a discussion on whether the system was working and whether changes are needed. And this report is a result of that second year's activities.

And in general we did conclude that we thought the task force process is working. The system of protocols has been successful. In paragraph 10 we state that the second year of applying the new system was more successful than the first year. So it's getting more efficient and there are some key parts of making that system of protocols work.

We are also pleased that the government supported the system of protocols. And when they appoint other auditors, they make sure that everyone is aware that the expectations are to work together with our office, public accounting firms, and management. So the update is that as a result of the . . . that the joint evaluation signals that it's still supported by all parties. No recommendations to change and we're continuing to work with it.

Mr. Shillington: — For my part, Madam Chair, I think this is reasonably good. This was better news than I expected. As minister in charge, I was chair, actually for three different, for three different periods. And this had been a problem. I was pleased to see the report that we are further along with the resolution of this problem than I thought actually. So I was pleased to see this as someone who's been involved in a different capacity in the past.

Mr. Strelieff: — A little bit of further background, one of the key reasons for the need for a new protocol system was that before we had this new system, people were taking public positions on financial statements, on compliance with laws, on good systems of internal control before they knew what our office was going to do. And there was no opportunity to make sure that prior to work commencing and prior to issues being resolved in a real time basis, that all the parties got together and said, well here's the issue, let's make sure we have a common understanding and agreement on the resolution of the issue before people lock in their positions.

So as a result when there is disagreement, and from time to time there's disagreement between our office and public accounting firms and management, there's ample opportunity to debate with this agreement before concluding that okay, let's agree to disagree and everyone knows why. And as a result there's been far less acrimony in the system compared to the first few years that I was living through. The last few years with respect to this issue has been a lot easier.

Mr. Shillington: — There was, I think, I would go . . . just, I might even go one step further than that, I think there was a lack of understanding of the role of the Provincial Auditor in the Crown corporations. If you ask the average head of a Crown corporation what the Provincial Auditor was, I do not think they could begin to tell you what they did. That's obviously changed. That's a good thing.

Mr. Strelieff: — It also requires constant diligence as well.

Mr. Shillington: — Yes.

Mr. Strelieff: — As boards change, and all sorts of things happen.

Mr. Shillington: — As CEOs (chief executive officer) change as well.

Mr. Strelieff: — Yes.

The Chair: — So there isn't any recommendations in this. Is there a status report unless the member has another comment? Okay.

Mr. Strelieff: — Moving back another chapter, the Boards of Directors of Crown Agencies. Maybe three or four or five — four years ago, our office carried out an examination of how well the government ensures that boards of directors understand their roles, responsibilities, and duties. And that means boards of directors in educational places, Crown Corporations, and other commissions. There's many boards that the government creates to help it carry out its responsibilities.

We were getting signals prior to this that members of boards weren't fully aware of their responsibilities and they were finding it confusing. So we began some literature searches and surveys with . . . I think there were 17 different Crown agencies involved in our work. As well as we sought advice from faculty at the University of Saskatchewan and the College of Commerce, trying to sort out what are the key issues facing boards, and then trying to apply that to the Saskatchewan scene. And we found in general that there were two, two general issues that the government we thought should do better on when they appoint new boards or when they provide orientation to board members.

The first one relates to when are board members decision making, and when are they advisory, and on what topics? Very important. And as you probably know in the Crown corporation sector, under I think the general leadership of CIC, they do have some very specific decision-making grids as to when boards of directors are making decisions, when they're providing advice or recommendations to the board of CIC, and then when, on which issues the decision is cabinet's. But prior to that there was a lot of confusion as to when they make the decision and when they are providing advice.

The second issue relates to all. Governments have a lot of laws that surround the activities and authorities and responsibilities of individual organizations. And we found that board members were confused by those laws in the sense of there might be a law that says the Minister of Finance has to approve all borrowing. So if a member of a board of a Crown corporation is dealing with an issue that involves borrowing of money, they weren't aware that another player comes to the table — the Minister of Finance — through their officials, in terms of providing advice on whether the borrowing is suitable.

So another issue would relate to the purchasing of capital assets over a specific dollar amount — maybe a million dollars or maybe \$2 million. Many boards didn't realize that an order in council was required before such a decision would be made. And they would assume when they were taking on the responsibility of a member of a board that they would have the authority to make those decisions. Or there would be a law that

said, well the Provincial Auditor steps to the plate on the audits — well, why?

So there's a whole series of what we call general laws that boards of directors in Crown corporations, educational institutions, health institutions, all over the place, they weren't fully aware of. And so we've recommended to the government, particularly the central agencies and departments that deal with boards, that they do a better job of explaining and setting out clear descriptions of all the general laws that apply to the operation of particular organizations and what they mean, and what decisions are made by the board themselves or other kinds of central agencies or legislative or committees of cabinet.

And now, so that was three or four years ago, and then this chapter provides an update on the status of our recommendations and that we've noticed that there has been work done by the Crown Investments Corporation.

Recently the Department of Finance, under the leadership of the comptroller, published the document referred to as something like the general laws that . . . or how government works and the general laws surrounding Treasury Board agency work, and a whole series of other things have happened to make sure that boards of directors better understand their role and also the interplay they have with other parts of government.

We are going to continue to monitor this; so in general, I'm signalling that there has been lots of work done. For example, the boards of director training done by the Crown Investments Corporation were a significant step forward. But on the other hand because boards of directors are always turning over, it's important to keep the effort up to make sure that the directors of all government organizations understand their responsibilities.

So in general, positive news in terms of the work happening and encouragement to continue that positive direction.

Ms. Stanger: — Well, Mr. Strelieff, seeing as boards like the health board and the boards of education and municipal boards like our local town council, being a legislator I have a lot to do with these areas and I find, like you, that some of the people on these boards — but they are elected by our citizens so we respect them — many times they do not understand the difference and what they are . . . and understand the laws that they are dealing under.

Have you looked into municipal boards, boards of health, and boards of education?

Mr. Strelieff: — Madam Chair, members, we have looked into the clarity surrounding the responsibilities of the boards of district health boards and have encouraged the Department of Health to provide better guidance — and they have. There is one document that I can sort of remember called something to do with accountability framework for Health and district health boards that really does touch on the relationship between the Department of Health and district health boards.

We haven't to any great extent looked at that same kind of relationship with school divisions and school boards and also with local governments.

Ms. Stanger: — When you looked at the health boards, did you assure that they have regular orientations and explanations to their board members? Because how can we assume that because we provide money from the taxpayers for each of these — and a great deal of money when you look at . . . the majority of the money goes to those three entities. And it would seem to me that somebody should know if there is regular training.

Mr. Strelieff: — Madam Chair, members. On the district health board side, with the districts, with SAHO, the Saskatchewan Association of Health Organizations, SAHO, and the department, they do have many forums to discuss issues of common concern. They even invite me in usually once a year to talk about what issues my office sees facing the department and districts.

And each December, at least after each election — there's only been two, I think, to date — the department and SAHO and the districts have organized orientation sessions right . . . if the election's in November, the orientation happened in December, trying to get all the players together and with the key departments and agencies to try to help members come to grips with their considerable responsibilities. But it is an ongoing task that has to happen. We haven't . . .

Mr. Shillington: — It's an ongoing challenge. I know when I was at CIC, this is an ongoing challenge; new directors come, they go, and it is an ongoing challenge trying to keep directors up to speed on what they're supposed to be doing. Four of us sat on the Channel Lake hearings this spring and there will be things about which we will agree, but I think we might be agreed that the directors there were . . . might have been a bit more attentive to some issues.

Ms. Stanger: — Mr. Osika, I haven't finished yet. The reason I ask is because I see in dealing with municipalities and local governments and school boards that these are mostly honest, earnest people. And they have to rely totally on the person that they pay, their CEO or their administrator, for information. When I come and meet with them, which is often, they do not understand the processes or who's responsible for what or what they are, you know, in that line of command; they rely totally on their paid person.

Well myself being on a board, I would not like to totally rely on the paid person. I would like to know what my job was, why I was doing it and how I was doing it, and what my responsibilities were. So I don't know how we get that across, but seeing as we give a lot of the taxpayer's money in the hands of these people, they should be a little better trained is what I'm saying. Not that they aren't good and honest people.

Mr. Osika: — Thank you. I have to agree with Ms. Stanger on that. But is that . . . if you're . . . I'm not sure who the . . . where the responsibility centre is for that. I would expect that it could then rest with the department, with the minister responsible for that particular department to ensure when there is a changeover that there is critical information supplied to new people coming on board. I believe that would only be prudent in wanting to ensure that people who fill those positions, who make some very serious decisions, are at least brought up to speed as to what their responsibilities, roles, as opposed to being appointed to a board and, as was mentioned, having the folks that have

been there saying, ah well, we just do it this way.

Mr. Shillington: — Well, I know in CIC they do. They now provide a package of information; query how thoroughly all the directors absorb it, but they certainly get a packet of information. I don't know what we do at the municipal level. I don't know whether the Municipal Affairs gives them a package or not, but we do with the directors at CIC. We did, I should say. I shouldn't say we — they.

Ms. Stanger: — Well when I was on town council, if you have a very inquisitive person that's been elected, they'll find out the information. And they'll attend SUMA (Saskatchewan Urban Municipalities Association), which I did, and eventually you get up to speed. But the thing is there should be a little, maybe a . . . And maybe it's the local government's responsibility. I don't mean the . . . maybe it's the municipality's or the town's responsibility themselves to do that with their new members. But I don't see that being as effective as it could be.

The Chair: — Any further comments? So this again doesn't have any recommendations so unless there's some . . . (inaudible) . . . else to discuss it?

Mr. Strelieff: — The person who deals with the Public Service Commission annual reports is the same person and she'll be here this afternoon and tomorrow morning. So if there's opportunity then, I can warn her to be prepared to speak to them.

Mr. Shillington: — I might be . . . (inaudible) . . . Actually I was thinking exactly that, that the first and second item on Friday morning, we might be able to this afternoon if we get time . . . issues which come up this afternoon are of fundamental importance, but they're not new issues, and we may be done them before 5. So I'd concur. I think that would be an opportune . . . (inaudible) . . .

The Chair: — Okay. If everyone is in concurrence, we'll try and deal with this third item later on this afternoon or tomorrow morning, and then that would give us a chance to recess early.

Mr. Shillington: — And I was thinking as well she might be prepared, if we have time, to deal with the — it's a she — the first item Friday morning, the Public Service Commission.

The Chair: — There are officials lined up for that so the Clerk has indicated that he could . . . Greg has indicated that he could try and get somebody in here at that time.

Mr. Shillington: — What we used — I just have a suggestion for the committee — what we used to do at Legislative Review Committee, which I chaired for some years, was we used to warn people that . . . we used to ask people to try to be ready to come on 20 minutes notice so you don't have them sitting here all afternoon if they're not needed. But if we find at 3 o'clock or something we're moving through it, we could then ask them to come. I don't know how that would work or that it would work.

The Chair: — I've been advised that the ones with the agenda set out the way it is, the officials have been told up to Thursday that you might be called early because Monday is a long way

from Friday. They might not be ready. But perhaps this afternoon we can discuss it with them and see if it would work out.

Mr. Shillington: — Yes. We could only ask and see if they can come here.

The Chair: — So if that's the case, then we will adjourn to meet back here at 1:30. Recess is what I meant.

The committee recessed for a period of time.

The Chair: — This afternoon from 1:30 to 2:45 we're to be dealing with understanding the finances of government, which is chapters 2 and 3 of the fall report, of the fall report 1997, and chapter 2 of the 1998 fall report. So we have the Provincial Auditor and some officials here so I'll ask him to introduce his officials.

Mr. Strelieff: — Thank you. Madam Chair, members, with me today are Brian Atkinson, right here. He's going to lead the discussion on understanding the finances. Judy Ferguson is going to lead the discussion on the government-wide planning recommendations.

And also with me today are Tara Clemett from Hodgeville. She's a University of Regina grad and is in her second year of the CA (chartered accountant) program within our office. There's Tara over there. And Andrew Martens over there, who's going to step in when we get to the Department of Finance.

So as you know, my office issued a report last week called the *1998 Fall Report Volume 1*, and in that report we focus on the finances of the province, providing an overview of the trends during the last eight years. If you remember, we take eight years because it's only been eight years where the government has produced summary financial statements. So that's why the eight-year trend line is there.

Now Brian and Judy, I'm going to turn it over to you.

Mr. Atkinson: — Thank you, Wayne. I've got an overhead presentation so could we just . . . That's good. I'll see if I can get it to come up. There we go.

As Wayne indicated, the presentation is going to cover the 1997 and 1998 fall reports, volume 1. Because our 1998 fall report has the most recent information in it, I'm going to focus this presentation on that volume. To help with the presentation we've handed out a handout that's got our slides on it — three per page — and that will help you to follow along the presentation, I hope.

The topics Judy and I plan to cover today are understanding the government's finances. I'm going to cover that topic, as Wayne indicated, and Judy is going to cover the topics of importance of planning and the importance of recording on results. If you have any questions during the presentation, please stop me, or you can hold your questions till the end of the presentation.

The first thing I'm going to talk about is the Government of Saskatchewan. And as indicated on page 59 of our *1998 Fall*

Report Volume 1, the government delivers its programs, products, and services through a variety of organizations. It can be Crown corporations, boards, agencies, and commissions.

We accountants classify those organizations in two ways. We call them either government enterprises or government service organizations. Now that classification is important to us as accountants; I'm not too sure how important it is to you people.

What it does, is the government enterprises usually are the commercial Crown corporations like SaskPower and Sask Tel, SGI (Saskatchewan Government Insurance). The government service organizations are usually government departments or corporations like the New Careers Corporation.

I think what is important here and the concept we're trying to get across is that all the things within that orange sphere are the Government of Saskatchewan . . . includes the enterprises and the government service organizations. And that's the important concept that we're trying to get across here is that every organization that's accountable, either to a minister or to the legislature directly, is part of what we call the government. I think that's important.

As the slide indicates I'm going to cover three topics. One is importance, and understanding the government's finances is quite important. It's required for there to be a reasoned debate about the issues facing the government. That is, how is the government going to raise revenues, the affordability of programs, and the size and condition of the province's infrastructure.

And when we talk about the infrastructure, we mean really the foundations that are necessary for transportation, education, health care, communication, energy delivery, social services, and the protection of people and property. So it includes the foundations of those things that are necessary for that. In just a moment I'm going to talk about the relationship between the General Revenue Fund and the Saskatchewan Liquor and Gaming Authority and its impact on the government's financial position, and lastly I'm going to talk about the financial condition of government.

As I stated earlier the government delivers its programs, products, and services through a variety of organizations. The General Revenue Fund and the Saskatchewan Liquor and Gaming Authority are just two agencies of government. The relationship between these two funds has been called by some the rainy-day fund. The Liquor and Gaming Authority has been called the rainy-day fund for the General Revenue Fund. That fund is supposed to provide resources to the government during hard times.

One of the questions we're asked frequently is there any cash in the rainy-day fund and of course the answer you all know is no. Our government, through good cash management, takes the money from the Saskatchewan Liquor and Gaming Authority and brings it into the General Revenue Fund on a daily basis and that cash is managed effectively that way. But that's not the issue that we're talking about. The real issue is understanding the difference between talking about the financial position and the financial condition of government versus talking about the financial position and the financial condition of a single fund of

government.

If the government pays cash to an organization or to a person outside the government, that has an impact on the financial position and the resources that the government has. On the other hand when two agencies of the government pay cash from one agency to another agency, that doesn't impact the total number of resources the government has at its disposal. It impacts the reported results of each of those funds but has no impact on the government as a whole. I think that's important to understand that relationship.

As you know the government's budget is based on the General Revenue Fund and that's just a single fund of government, and we've talked about before is that the government can control and decide the results of that fund by deciding when and how it moves money from the Saskatchewan Liquor and Gaming Authority to the General Revenue Fund.

That's one of the main reasons why we've been encouraging the government to focus its planning, its management, and its reporting on the overall government rather than a single fund. Because if you look at a single fund you don't get the impact or you don't find out the financial condition and position of the government — you find out what's going on in one fund. And that's not what you should be focused on.

Anyway it's encouraging to note that the Minister of Finance recently was reported as also being concerned about how the government budgets. I think this is an excellent opportunity for the government to move to a broader, overall planning framework for how it shows what's going on for the government as a whole. We certainly support that initiative, and we would like them to go ahead and look at different ways of budgeting for the government. And those different ways should also include performance targets for the government.

Recently the CICA (Canadian Institute of Chartered Accountants) published a research report called *Indicators of Government Financial Condition*. The reason they published that research report is because they were concerned that a government's financial statements, although they show you the financial position of a government, they really don't tell you much about the financial condition of a government. And the financial condition of a government is really the health of the government when you look at it in the context of the overall economy and the overall economic and financial environment that it operates in.

What they suggested was that you would look at the financial health of a government as measured by sustainability, flexibility, and vulnerability. The definitions are included in the *1998 Fall Report Volume 1*, and I'll go over them briefly.

Sustainability is the ability of a government to continue to provide its existing programs and meet its creditor requirements without increasing its accumulated deficit. So that tells you something about sustainability.

Flexibility is the ability of a government to raise new resources to respond to rising commitments. In other words, it can either borrow some additional money or it can raise additional taxes or it can raise utility rates.

And vulnerability is the extent to which a government becomes dependent upon sources of financing outside of its control — and what we're talking about here is transfers from the federal government.

So those are the three ways of looking at the financial condition of a government. You look at it in the context of sustainability, flexibility, vulnerability, thinking about it in the context of the entire economy.

The government's annual surplus or deficit is what the — the graph that's up there now, graph no. 1 — the surplus or deficit, the accumulated deficit, and the province's gross domestic product all provide you with insights into sustainability. This graph shows the trend in the government's surplus or deficit since 1991 to 1998. And you can see there's been some fairly large changes from 1992 with about a \$1.7 billion annual deficit versus 1998 when there was a \$367 million surplus, annual surplus. So that's quite a change. To understand the changes in the annual surplus or deficit you have to look to the revenues and expenditures in more detail to figure out what's going on.

Appendix 1 includes information on the government's revenues and expenditures in more detail and I encourage you to go and look at that appendix.

Of course the annual surplus or deficit of the government impacts the accumulated surplus or deficit of the government. This next graph shows the government's accumulated deficit and the province's GDP (gross domestic product). The white line is the province's GDP and the yellow line is the accumulated deficit over the period 1991 to 1998.

As you can see, there's been a very nice growth within the province's gross domestic product and that's the value of goods and services produced in the province in one year. And you can also see that the accumulated deficit increased from 1991 to 1994 and then began to decrease to 1998.

When you bring these two pieces of information together and combine them, you get much more information. And that's what this next graph does. It shows you the government's accumulated deficit as a percentage of GDP over time since 1991 to 1998. It really shows you what the financial demands the government's fiscal policies — that's its revenue raising, spending and borrowing policies — have placed on the economy.

As you can see, from 1991 to 1993 there was a fairly significant upward trend in the graph. What that means is that the government's fiscal policies in the long term probably would not be sustainable. And the reason I say that is because the economy would not have been able to finance the growing deficit.

From 1993 to 1998 you can see that there is a downward trend. And that's fairly encouraging because what it means is that the government began spending less than it raised in revenues and at the same time the economy was growing. So what that means is that the economy would be better able to sustain the government's fiscal policies. So that's a very positive picture.

The next graph shows the government's liabilities, its debt and

the components of the debt over the years. The government's debt in interests costs really provide you with an insight into the flexibility of government; that was how much, you know . . . your ability to raise additional resources to meet rising commitments. And what this shows you is that the government's overall debt since 1994 was about \$20.7 billion and in 1998 it was \$18.9 billion. So there's been a nice decrease in the overall government's debt.

What you can see from this when you look at the components is that the green portion, the portion showing the bonds and debentures, there's been a marked decrease in the amount of debt held through bond and debentures. It's decreased about \$2.5 billion. In the same time, since 1994 the red portion of the graph shows the pension liabilities and that's increased about \$500 million. So that should give you some signals about what's going on and some things to be looking at.

The next graph shows the government's debt cost as a percentage of total revenue, and that's usually called the interest bite. This really is an important indicator of flexibility, because as I said earlier, you can raise resources either by borrowing additional money or by raising your taxes. So one of the indicators is the debt cost as a percentage of total revenue.

Its downward trend is good because that means that we are spending less money for debt costs and we have more money available to provide programs and services. But what it tells you also is that 16 cents out of every dollar that the government raises goes toward debt costs and it's fairly significant. In 1998 the government spent about \$1.5 billion on interest costs or debt costs and in the same year it spent about \$1.8 billion on health care. So that portion . . . the debt costs are really a very significant expenditure.

The next graph shows the government's own source revenues as a percentage of GDP and what that's talking about is our own source revenues are those revenues the government raises within the province of Saskatchewan. And those do not include federal transfers. Now what you can see here is that the trend has been very, very slightly upwards. And that means that the government is taking . . . Its revenues have grown a little bit faster than the economy in Saskatchewan has grown. So that may cause you some concerns with that kind of a trend line because what it means is that it would be very difficult or be more and more difficult to go back to those revenue sources if you need to raise more revenues.

The only caveat I would put here is that you have to remember that Saskatchewan is unique in that it delivers a lot of its essential services through its Crown corporations — those that deliver electricity, gas, insurance — and we're unique in that circumstance. So that somewhat I guess brings into . . . brings a mediating factor to this. So you do have to be concerned that the government would be able to return to these revenue sources if demands were rising on it.

The next graph shows the federal government transfers as a percentage of Saskatchewan government's own source revenues. And here there's a marked decrease. This is an important indicator of vulnerability, like I said earlier, whether or not the government becomes dependent on revenue sources outside of its control. And obviously here there's been a very

positive swing. The government has become less and less vulnerable to revenue sources outside of its control, such as federal transfers.

There's a couple of reasons for this happening. The first is that federal transfers have decreased significantly; equalization payments have dropped about \$650 million; federal transfers for agriculture support programs have decreased about \$400 million. At the same time, taxation revenue, natural resource revenues, and enterprise Crown corporations revenues have increased. So there's the explanation for that.

Ms. Stanger: — Did you say that was a positive development, Brian?

Mr. Atkinson: — Well, for flexibility, yes it is.

Ms. Stanger: — Four hundred million out of agriculture for a rural member like myself — that isn't a positive.

Mr. Atkinson: — I think you have to look at what this . . . the trend is trying to show you here. It shows you whether or not the government is becoming more dependent or less dependent on revenue sources outside of its control.

Ms. Stanger: — I understand that but it really isn't positive for farmers when their revenue is decreased that much. And you have to backfill it with other revenue that you could be using for other things.

Mr. Atkinson: — Yes, I know what you're saying. And I'm just saying is that these are indicators of the financial health of the government. If this line would be going the other way, it would tell you that we've become very dependent on revenue sources outside of the control of this government. In other words, somebody else would be making your decisions for you. So I think that's the context that you have to do this in.

Ms. Stanger: — I know, but it still burns me up.

Mr. Atkinson: — Oh, okay.

Mr. Shillington: — We should be positive of the government's fiscal health. It's a little less positive for the farmers' fiscal health. You have the federal government withdrawing from the field. I think you'd agree, wouldn't you, Ron?

Ms. Stanger: — And I haven't even mentioned health, Mr. Shillington.

Mr. Shillington: — Yes.

Mr. Atkinson: — Anyways, the conclusion as you can see on the screen is that the government's financial condition continues to improve as I've talked about. The Saskatchewan economy in the '90s has grown significantly. Our government has spent less on programs and services than it has raised through revenues. But the caveat is that it remains fragile and I think we all understand that.

We have an accumulated deficit of about \$9 billion or approximately 31 per cent of the GDP. The government's revenue demands on the economy are fairly significant and

lastly our economy is vulnerable and we all understand that. It's vulnerable to changes in commodity prices; it's vulnerable to interest rates; it's vulnerable to the exchange rates; and of course, always in Saskatchewan, the weather.

As I indicated previously, I think that understanding the government's finances is important and the reason that it's important is so that there can be an informed debate about the issues that the government faces. And those are how it raises its revenue, the affordability of its programs, and the size and condition of our infrastructure.

So I hope that this presentation has helped somewhat, and that ends my portion of the presentation. And I'll turn it over to Judy.

Mr. Gantefer: — Is it possible to ask you a question now before we do that on this section? Madam Chair?

Mr. Atkinson: — Certainly.

The Chair: — Go ahead.

Mr. Gantefer: — I perhaps should have butt in about four slides back where you talked about the government's liability debt as of March 31 — that one. And I gathered from your comments through your presentation that the important thing to watch for is trend lines, that that is a useful exercise.

Mr. Atkinson: — That's correct.

Mr. Gantefer: — Now if I understand it correctly, the green section there, this represents the total liability of government which includes the General Revenue Fund and everything, like the Crown corps, everything?

Mr. Atkinson: — Yes.

Mr. Gantefer: — Now the green section which are bonds and debentures is trending downward or shrinking in size. Is that a component both of the decreased amount of liability and of interest rates, and if it is those two components, how does each one weigh in that?

What I'm getting at, if it's trending downward, are we benefiting from the fact that interest rates are less or is this because we're paying off outstanding liabilities?

Mr. Atkinson: — I think that if you look at the trend, if you take a look at the total trend that's shown there, that since 1994 or 1995 the total debt of the government has in fact trended downwards. I mean it's gone to a peak and it's starting to trend downwards. That in itself is significant. In other words, that the total debt of the government in fact has decreased.

The second thing is to look at — and I think we're just pointing out here — is that just looking at the overall debt itself doesn't tell you everything you need to know. You need to look at the components of debt to know where . . . if and where things are changing. And what we've pointed out is that the debentures, the debt for bonds and debentures, has decreased about \$2.5 billion. During the same time, the red portion of that graph which represents the pension liabilities in fact has increased

about \$500 million.

And what we're saying is that although the total debt has decreased, the components of that debt are changing a bit and that may signal something of interest.

Mr. Gantefer: — What I gathered from this, we seem to be doing better on paying down the bonds and debentures. That represents the biggest section or almost more than the total section of the overall amount that's coming down, that the bonds and debentures have gone down more than the total. At the same time that's happening, our pension liabilities have increased.

Mr. Atkinson: — That's right.

Mr. Gantefer: — And when I was saying about the trend lines, with an aging population, is there a warning being flagged on our pension liabilities? Is that likely to continue to expand with an aging population? Are there some concerns here going forward?

Mr. Atkinson: — No, I think the pension liabilities, they represent the amount that is owed for services rendered to date; now that versus what was funded by the organization towards those pensions.

Mr. Gantefer: — So there is no impact on the aging population or if more people are going to access those pensions as they reach the eligibility age.

Mr. Strelloff: — Members, the pension liability is growing and the trend line has set out on a graph that it was about 2.7 eight years ago and now it's 3.6. So it is growing and as the population ages and people who work within the government system get closer to retirement, it continues to grow. I think the trends that I've seen produced by the Department of Finance for the two main components, which are unfunded teachers' liabilities and unfunded old public service plan, indicate that the unfunded pension liability will continue to grow for the next five to ten years before it starts to decline.

On the bond and debentures side, one of the results of less debt is less interest payments. And when you bring all the interest costs to the table at the same time for government, it peaked at about \$1.7 billion per year on interest, and now it's about 1.5. So you can see that the two interest component debts, pension liabilities and bonds and debentures, in total they've declined a little bit, and so have the interest costs.

Mr. Gantefer: — The section that's grouped as other — would those be things like community bonds or things that the government has guaranteed, or what would be included in that paragraph which is fairly significant?

Mr. Strelloff: — No, mainly the accounts payable, trade accounts payable, accrued interest on outstanding bonds and debt. They also include the mainly funded insurance claims at the Workers' Compensation Board, the auto fund, the SGI. So when you add all those together — they're a whole series; the big ones are those insurance type claims which are mainly funded — you get the \$3.5 billion amounts.

The two main ones that seem to be the ones that you should keep the most track of are those unfunded pension liabilities and the bonds and debentures. They provide the clear signals as to whether we're getting ourselves deeper in debt and therefore will have a more difficult time meeting interest costs and providing money for programs and services and the unfunded pension obligations.

Mr. Gantefer: — But even the other category has gone up by some \$700 million, so it isn't as if it's insignificant. And I was wondering if there's any trends there again that indicate concern.

Mr. Strelloff: — Well the reason I say it's not as significant as the other two components, is that that other portion is usually represented by assets, financial assets usually, like the Workers' Compensation Board has a fund of maybe — I can't quite remember — \$400 million of investments, and then they have a claim of \$400 million. The claim is on that total. And SGI has something similar, the auto fund has something similar.

Mr. Gantefer: — So the other category is largely offset by assets.

Mr. Strelloff: — By assets.

Mr. Gantefer: — Current assets. Okay, thank you.

Ms. Stanger: — Wayne, eventually in the unfunded pension liabilities like the teachers' fund, eventually there are people . . . the teachers after 1980 are on the money purchase plan rather than the defined plan. Eventually that is going to . . . those people, that will all be funded. The older folks who were are on the other defined benefit plan will die off and etc. But all the people since 1980 are on the plan that we brought in. Is that the same in the Public Service Commission also?

Mr. Strelloff: — Yes.

Ms. Stanger: — Because it seems to me, I remember once Wes Robbins saying, you know, we've got to do something about the pensions. And we went to these plans, and I don't know where we'd be today if we hadn't done those plans. Is that going to take a blip up and then come down? Is that . . . my understanding the correct understanding of it?

Mr. Strelloff: — Yes, the growth in the unfunded pension liability has two main components: the old teachers plan and the old public service plan. Both of those liabilities are continuing to grow and will grow for — I don't know — 5 to 10 years now.

The teachers superannuation plan's financial statements provides a good cash flow forecast where it shows the cash inflows and outflows, so that you get a good understanding of how long it continues to grow. On the other hand, the newer teachers and the newer people that are employed by government in departments and Crown corporations, and the newer MLAs, are in the money purchase plan. And by definition, those plans are fully funded and are not part of that unfunded pension liability.

Ms. Stanger: — Thank you.

The Chair: — Any questions . . . (inaudible) . . . Continue.

Ms. Ferguson: — Madam Chair, members, thank you. I'm going to move onto sort of the next segment of this presentation where we're going to talk once again about planning and performance reporting.

Earlier Brian described the size of government and the fact that the government itself is made up of a number of different organizations altogether. So I think what's important for us to continue to remember is that the focus today is really on that — government-wide, the entire government. And while we recognize that planning is a continuum and reporting is a continuum, again our focus is at the cabinet level because what we recognize is that cabinet has that overall responsibility for the entire government. And they as a whole are responsible for the planning and performance reporting of the entire government.

What we want to impress upon you is that we think that the legislators and the public want to know beforehand the direction that cabinet intends to take the government. And that public and the legislators are interested in the future of Saskatchewan and the future of the government.

Again we think that legislators and the public also expect to be told of the results of government — what happened. This sharing of information is key to good accountability and impacts public confidence.

So why plan? Well planning ensures that everyone works in a common direction. You don't want to have, as the overheads indicate, people going off in a number of different ways. What do you want . . . We think that planning is really important for the government because just by the fact that it is a complex organization. We're not talking about one entity, that it has just one entity in it. Rather it's the sum of a number of pieces. And this makes it more challenging to plan, and in planning, at the end of the day, more important.

We recognize that the government is elected to serve the public and with planning you can ensure that everyone has a common and clear understanding of the goals of the government and what constitutes success for the government. And that's success beyond being re-elected for the next term. This understanding will enable the individual government organizations to align their plans to be consistent with the overall plans of the government so that the government is not working at cross purposes.

Also, planning at the government-wide level will help ensure there is a clear understanding of what the plan costs and who and what . . . who will pay for that plan and how it will be paid for.

For example, will the government increase corporate or personal taxes to pay for the plan? Or in turn will they increase our utility rates through the Crown corporations or some combination thereof? These are legitimate and real choices the government makes and must make. And these are the choices that the public must understand.

In our 1997 fall report we acknowledged the government's key

planning documents. Right now they are the budget address and a number of cross-government strategies. We also acknowledged that these have improved over recent years, but at the same token we encourage and look for more improvements. These improvements are necessary to make sure that they are understandable and complete plans.

I want to take a moment and just take an example that's in our 1997 fall report. This is the one that's in the exhibit on page 12. What we've done in this example is just pull together some aspects of the actual government's planning.

The goal and objective that is in this exhibit are contained in the 1997 budget address. Basically the government set out a goal of enhancing our quality of life. They set out the objective of every child, whether rich or poor, can get a quality education. These are important and I'm sure all of us would agree with the importance of these goals.

What the budget address did not set out, however, was the performance indicator or target relating to this goal and objective. A performance indicator and target are important so people understand to what degree the government is focusing on the goal and objective, and also to help them understand what would constitute the successful achievement.

If you look . . . What we did in our research is that we found that in the Saskatchewan indicators report there was a performance indicator and target that was set out for this goal. Unfortunately, it wasn't in the budget address.

The indicator and target are listed on the overhead above. What we were unable to find though what was the cost or the extent of the resources the government planned to dedicate to this goal and objective.

Again this is an important piece of information, planning information, so it helps you decide as a member of the Assembly and as a member of public the extent of commitment that the government has towards its goal and objective. Also, is it affordable? How does the government plan to pay for this goal and objective? Those are all very important questions that the people, as members of the Assembly and as members of public, you are probably interested in.

I'm going to move from planning to reporting on results. We call reporting on results actually performance reports. And really in just a nutshell, good performance reports explain the difference between the planned goals and actual results. So it's just as it says, it reports on the performance. Are you on target? Are you off target?

They should tell the legislator and the public if the goals that were previously shared with the public and legislators, are these goals achieved or have they been delayed or have they been changed? And if so, why? We encourage the government to report on their performance in a way that is understandable and accessible so that members of the public can go to one place or a few places instead of a myriad of literature.

Good performance reports would show the progress the government has made as a whole against its targets from both a financial point of view and from an operational point of view.

In our 1997 fall report, and in our *1998 Fall Report Volume 1*, and again this morning, Brian has indicated to you and shared with you that our office does think the government has good summary financial statements.

But unfortunately I have a but. But we recognize that the usefulness of the statements is really diminished in the fact that as members of the . . . as legislators and members of the public, you're unable to compare the actual financial results of the government against the budget.

So as a legislator and member of the public, it's more difficult to decide was the government on target. Were these the financial results they had planned for as a whole? It's more challenging to try to determine that. The financial information and indicators this morning that Brian presented does . . . gives you some insight into that but again you're left to draw your own analysis and your own conclusions.

Also the legislators and the public are left to determine how the government fared with respect to its broad goals and objectives. If we go back to that earlier example, where it looked at enhancing the quality of life in every child, whether rich or poor . . . gets quality of education. The questions that you should ask as legislators or members of the public are, where is the government at with respect to that goal? Do you know where to find that information? How much resources has the government expended towards that goal? How much resources do they intend to expand to that goal? Do you know if the government currently thinks that this goal is of continuing importance? Is it included in their current plans. These are all very important questions — questions that we think legislators and the public want answers for. These answers will help instill the public confidence within the government and help them understand the government's business and operations.

Our office has made two very important recommendations. The first one is that cabinet should improve its published plan by showing clearly the broad directions of the entire government from both a financial and operational perspective.

The second one is, is that cabinet should prepare and publish better performance reports for the entire government that shows its progress from a financial and an operational objective towards achieving the goals set out in its overall plan.

As you recall, Brian referred briefly to the Minister of Finance's announcement last week where he's going to look at the area of planning and performance reporting. Our office is very encouraged by that announcement and actually looks forward to the changes. And we hope that these changes will reflect movement towards a government-wide perspective with a focus on results.

We also hope that our discussion about understanding finances will give you as members of the Assembly some insight as to what could be in a performance document. We recognize it's not complete because we can't provide the analysis piece to that document. We think that piece should rightfully be provided by members of the government.

In summary, we continue to think that the adoption of these two recommendations are very important and that they will help in

further accountability and also help in further informed debate by members of the Assembly and also by the public at large.

That concludes our presentation. If you have any questions we'd be pleased to respond to them.

Mr. Strelieff: — Thank you, Judy, and thank you, Brian.

Mr. Gantefer: — Thank you very much, Madam Chair, Ms. Ferguson. I'd like to go back to that example you used so that we can just stay on the example that we have. And I'm asking this to just understand better how the process of budgeting goes, and perhaps the Provincial Comptroller could assist us with this.

If indeed, using that example about the grade 12 students and that sort of thing, I think that it would be easy for me to understand how you could measure very easily how many students graduate and how many do not graduate, and that could be a pretty absolute number that you could hang your hat on.

What I'm wondering is, is where you get down to the cost with the question marks. Is it possible, or is it practical within the way the budget system works, to be able to take out of the 800-odd million dollar education budget and assign X number of dollars that would be linked specifically to this initiative. And if you can, then I guess there's no reason why you couldn't sort of measure if there was a performance indicator measuring that it costs you X number of dollars for every graduate you achieved, or some kind of factor like that.

But I'm wondering if you can take a budget, like using education just because it's your example, and break it down in its entirety to all these different initiatives. Is that the idea that you would end up with? You would end up being able to say, well we've succeeded on the grade 12 graduation initiative and it cost us this much dollars and on this initiative or that initiative or the other initiatives we've either succeeded or failed. From a pragmatic standpoint, how would that work?

Ms. Ferguson: — We're kind of pointing back and forth here a little bit. Basically I guess what we're saying is that as a part of your planning process one of the things that you always have to address is whether or not your plans are affordable. Okay.

Now you're asking, to what level would you break down the costs? I guess what I would suggest is that it would depend to what level you have at the activities within this particular strategy. So what you would do is for the particular strategy that we have here is that you'd look and say, okay, now what activities or what programs are we going to have in place that will advance this goal and objective?

So given that, you'd say, okay, now here are the activities. For example in this particular situation we'd have activities with respect to the development of the curriculum. Okay. We may have activities with respect to . . . well curriculum development would be the main one. The other ones are maybe some costs that the department is picking up with respect to the overall training of teachers and advancing their knowledge of the curriculum.

There may be procedures that the department has in place to

track information, to record information. So all of those activities you would cost them and bring them up. Obviously planning is a top-down bottom-up and it's a marriage of both of them together, the alignment of both of them together.

Does that answer your question? Wayne, do you want to further . . .

Mr. Strelloff: — Thank you, Judy. A part of the equation that wasn't put on the table and that is if one of your key indicators of success, and there would have to be a debate on whether grade 12 graduation is a key indicator, and you, at the end of the day, you decide that the number of grade 12 graduates is really an important indicator of the success of education, then the next step is, well what percentage of people now have grade 12?

And say the number is 70 per cent. I don't know what it is but say 70 per cent. And you then try to do some national/international studies as to what is a reasonable target. You think it's very important. It's 70 per cent now. You've done your environmental scan and you've noticed that perhaps the 70 per cent in Saskatchewan is below the national average. I don't know if it is or not but . . . and that you want to target the grade 12 graduation to be 85 per cent in five years. So that's what we want to achieve after significant debate on whether that is a key measure of your success in the education world.

Then the next step is, well what are we going to do as a government, as a department, working with all the different agencies that we have at our disposal, to move the target from 70 per cent to 85 per cent and in how many years? So out comes a strategy with specific deliverable programs and services and activities and the government of the day says, well here's the program of targeted activities within Justice, Social Services, Health, and Education that we're going to marshal to move this indicator which we've decided is very important from 70 per cent to 85 per cent. Here's the costing of those specific initiatives.

At the end of . . . And let's say that the move from 70 per cent to 85 per cent, we've decided as a government that it's going to take 5 years. This isn't easy. Or maybe it's going to take 10 years. And so each year you report back saying well you remember that important goal related to education and that performance target of the number of grade 12 graduates, well it used to be at 70 per cent. We've now increased to 72 per cent but we thought it was going to be much higher by now.

Well here's how much that increase or that change cost us and here's what we're going to do to change our direction so that the achievement of better quality education as measured by grade 12 education is achieved.

So you're costing out the activities that you're marshalling to move things along and then you're changing strategies and you're also reassessing whether that's the key indicator.

Mr. Gantefoer: — Well I understand if you say it quickly that you can sort of say well that's eminently sensible to cost it out. My question is, in the practical sense, is how do you cost out a specific program from outside of the background noise if you like so that you're . . . there's an \$800 million education budget, give or take. And all of a sudden you have this initiative and

you say, okay I got to pick \$10,000 from here, \$13,000 from here, I've got to diminish those other program budgets or whatever. Do we get to the stage where we end up with a budget that is all of these little nitpicked amounts with no flexibility of adjustment? What covers the overhead? You know where are some of the basic initiatives that go on?

Then you get interdepartmental disciplines for example using this example and staying focused on it because in order to achieve greater success with grade 12 there could be Justice issues, there could be Social Services issues, there could be Health issues. There could be the impact of intervention, prenatal, and you know all kinds of stuff, that I'm asking the simple question how do you cost it? Like how do you get that in a reasonable, reliable way so that you don't end up clouding the issue with a bunch of numbers that have absolutely no reliability?

I can see if you sit down and say we want to set performance targets that show improvement in this area or not. I can see that. I mean if it's an absolute of the number you had used, again if you want to go from 70 per cent to 75 per cent to 80 per cent, you can measure that. My problem is, is how do you cost them so that you can make an intelligent decision as to the cost effectiveness in a reliable way? I mean you can throw out figures, I mean we do that all the time in this profession very often.

The whole point is if we're going to get something that is more objective, more reliable, how do you do it? Like can it be done in a practical sense? Otherwise we're talking theory that it can't be done or can it be? I'd love someone to tell me it can be.

Mr. Strelloff: — Well I think you're right in the sense that the cause and effect of these issues is not a rigorous science and therefore the costing of the cause and effect is very, very difficult; but the starting point of setting goals and objectives and clear performance targets and reporting back on progress to achieve those targets and then realigning your programs to try to achieve a better result is a good direction to go, otherwise where are you going in leading an organization.

But the costing to try to pick out that I spent a thousand dollars there and got 1 per cent result over there — really tough. In fact I don't know if it's possible in such a specific way. The main part of our recommendation is to set out what the organization as a whole is trying to achieve in the broad strokes in terms of improving education, and then set out specific performance indicators. And then do your best to try to identify the programs and activities that you're marshalling and changing to make a difference, and then also cost it out. But then when you go back to claim credit or blame for spending a particular amount of money and getting a particular result — really tough.

Mr. Gantefoer: — Okay. Thank you.

Mr. Whitmore: — To carry on in the same vein that Mr. Gantefoer is speaking of, I guess it's also in the area too of measurements of performance. Particularly in the area of public policy which it's become somewhat difficult to be as definitive as in the, as in a business plan that you determine by which you've planned to achieve from a dollars-and-cents standpoint.

I think the costing one is trying to determine that within a program. The other problem too is also then the benefit in terms of programs — be it the example of the grade 12 student — whether the performance objective is determined to be short term or long term, effects on the economic activity of the province and how that's enhanced. On the public policy side it becomes difficult for me to get into that area how to define the performance thing.

I've seen some examples of performance being applied in the area of public policy. An example of that is in the education system in Alberta right now where schools are rated in terms of performance ratings at different schools — particularly in the Calgary system. And what you have then is somewhat, to a certain degree, students ... student flight to a particular performance of a school, because that school has done better. Suddenly students are over there because simply the theory is, is that if you're in that room you'll do better to a certain degree.

And I think there's somewhat of a concern there in terms of the measurement — how micro/macro those performance objectives are. And I think we have to be careful about that in terms of the whole definition process.

The question that I also want to bring up is in the question of other jurisdictions. Do we have examples of other jurisdictions starting to use performance models? What has been their success rate in that area as legislatures, be it not just in the area of Canada but North America? How are those experiments working for them? And are they running into difficulties or are they ... or has it improved things for them in terms of performance measurements?

Mr. Streliaff: — In general the ... Certainly North America — and I think largely the western world — is all moving towards trying to determine what results you're trying to achieve with scarce resources, and measure and adjust, adjust resources and programs and policies accordingly. That's the trend line. And it makes sense in the context of making decisions with scarce resources that somehow you have to put your money where you think it will do the most good — not easy. But that moves the decision-making frameworks and the management frameworks to try to identify what, what people are trying to achieve with money. And that of course moves you down to trying to define performance and get agreement on the key indicators of success.

I think Health, the Department of Health, is moving very significantly in this direction as they come to grips with what they call health status indicators and the key determinants of health and then try to ... If for example, if low birth weight babies is a key indicator of the status of the health system, they then try to target their programs and activities to affect the percentage in a positive way. I mean the whole trend line in a general sense is to move to more results-oriented management and planning and reporting mechanisms.

Judy's just reminding me that I've been asked this question in prior Public Accounts Committee meetings, and in the fall of '96 I provided a whole series of planning and performance reports to you as examples of what was happening across Canada. And I mean that definitely the trend line is in that direction. It seems like, faced with limited resources, you have

to make choices and you make choices based on the results that you want to achieve. Whether the world is going to become a better world because of it or just harder-nosed, I don't know.

Mr. Whitmore: — But are there ... in terms of the model that's been outlined here, in terms of performance indicators and that — in reference to your recommendations that you've outlined, is there jurisdictions using it right now? I guess that's what I'm trying to ask.

Ms. Ferguson: — Yes, there is. We'd be pleased to share with you again, like the correspondence that we shared previously, and there is movement that continues to happen since the date that we shared this.

Basically the one that I have right before me is Nova Scotia and what you'll find is that, again, I think the reality is that governments today are making tough choices, which I'm sure you know about. And what they're doing is they're trying to share, really I think, their circumstances and the context in which they're making their choices with the members of the public by setting out planning documents. And they actually call them, like in Nova Scotia's case, it's *Government by Design*, "The Government Business Plan". It is very similar to what we're recommending. They do have a piece on finances too, but again it's a holistic; it's looking at it from an entire government point of view.

I just wanted to add ... you expressed concern that it's hard to make hard and fast indicators for public policy. The example that we provided is a really good example because it is an example, I think, where the Government of Saskatchewan is showing a lot of leadership in, in that they have for a number of years produced what's called the Saskatchewan indicators report. They've done that in conjunction with their key stakeholders.

And they have provided reports on a system-wide basis on just this — on whether or not children are receiving a good education. You'll find that the report itself sets out indicators at a lower level and that you as a reader — there's analysis on it but — as you as a reader, you have some information there that allows you to make some informed decisions and some informed debates about the education sector.

Mr. Whitmore: — What about the costing side in that?

Ms. Ferguson: — The costing side — there's a portion in there. It's got room to move yet, but they've started into that sector too. So you know there's movement.

So I guess what it's showing is that it's not impossible and other jurisdictions are moving there. Yes, it's evolving; it's not perfect, probably never will be perfect. But the point that we're trying to make is that as members of the government you're responsible to manage a very large piece of business. And to share that information with legislators and the public is important because it helps them make informed decisions and increases the level of ...

Mr. Whitmore: — And you see it as an evolutionary type process?

Ms. Ferguson: — Most definitely. It is evolutionary. Yes, yes.

Mr. Strelieff: — This kind of work I think is forever.

Mr. Whitmore: — Yes.

Mr. Strelieff: — Important steps that we're advocating is begin to see the government in the overall context. That will be an important step, because as Mr. Gantefer said there's a lot of links between Health, Education, Justice, all — Workers' Compensation Board and the Liquor and Gaming. And to make sure that the planning framework puts all the pieces on the table at the same time is a very important starting point. To debate and discuss what are the key goals of government and how are we going, how . . . what are the key performance indicators that a particular government is going to use to signal its progress and success. I mean that's very much the debate of the day.

Mr. Whitmore: — Yes. I worry about indicators being too finite or too definitive in their approach and then it certainly limits the ability of government to govern. And I worry about those kind of, those kind of . . . oh, boundaries being put in. It makes it difficult then for further decisions to take place because of those tight, tight performance indicators.

Mr. Strelieff: — In the health sector, it's taken a lot of years to get closer to agreement that there's maybe five to seven key indicators that you should monitor and manage, and then try to paint a district picture as well as a provincial picture as well as a national picture. You can't do that on a hundred different indicators. You have to get consensus on what are the key ones that have the most impact and signal the state of the art.

Mr. Whitmore: — In health's an example too in terms of trying to find those formulas that will work well and that are accepted principles because there's even some discussions in terms of discussing numbers. An example, waiting lists — there are several definitions out there by which is a proper measurement. We see Health ministers right now even working to define a national measurement because there's nothing really, there's nothing accurate out there too. So I guess that's the other piece of the puzzle because it has to be evolutionary to determine what are . . . how you determine what are accurate performance indicators. And you use within those bounds.

Ms. Ferguson: — I think the key thing that you have to remember is the performance indicator is a monitoring tool. It's not your *fait accompli* at all, like, you know. But it . . . it will help you monitor. So as you move along, the indicators will probably change a little bit as you move.

Mr. Whitmore: — But that is a problem though . . . the inherent problem with the political system. Even though it's seen, you know, this is something that shows progress, if it's done on a yearly basis on the political system, it will be deemed . . . you know, if there's failure one year and success the other, that failure year will be the one that will strike out as the great focus.

Ms. Ferguson: — I think what we're saying as an audit office is that if you report on your performance, what you would share with the members of the public and your fellow legislators is

the explanations as to what happened and increase their understanding. And so perhaps it's not a failure. Maybe it's a delay. It's to provide the context and the background as to what happened.

As people recognize, Saskatchewan is really dependent upon the weather, upon commodity prices. I think that type of understanding is increasing as general knowledge, you know, and I'm sure that, you know, that changes in priorities can be appropriately explained.

Mr. Whitmore: — I wish the scribes were here today to hear that because, you know, because if anything takes place no matter whatever the story is, it's a question what that headline is more focused on what's going on rather than what the story relates in terms of the success or the reasons.

I'm finished.

Mr. Shillington: — I can be relatively brief at this point in time because much of it's already been said.

I don't want to pan the idea because performance indicators and performance targets can be useful, but one must be very careful with them. They can be fiercely controversial if they're not seen to be a fair judge of people's efforts. I would be very careful. As someone mentioned, the core curriculum and judging the success of that by the number of people who graduate. Boy, I'd be super careful of that. If I tried that at the spring council, I think you'd run into a storm of protest.

Performance indicators and performance targets must be seen to be fair and where judgments are necessarily subjective, very difficult I think to do. Let me give you a very simple example that I thought of when I was sitting here. An acquaintance of mine whose name is Yvonne Tucan, who was a former member of the Catholic Sisters of Charity, retired as a teacher, began a program in Dwain's riding actually, called Early Learning Centers which was designed to assist disadvantaged children in getting ready for grade one. She would argue it is a success. But if you insisted on performance indicators, I think it would be very hard for her to do until many years have passed because I think she would argue that all children are there from year one . . . in elementary school. It's in high school they start dropping out, and her efforts don't bear fruit for years to come.

So there would be areas in government . . . I think there would be many areas in government which simply don't lend themselves to nice, neat — and I'm not being in any sense critical of your comments — but nice, neat performance indicators. There would be many areas which won't. As I said I don't want to pan the idea because there are areas that are susceptible to this and we should be doing it. We want to be careful we don't oversell the idea because I think there's many areas which are something that would be very difficult to provide objective performance indicators and objective performance targets that won't be very, very controversial.

Mr. Strelieff: — Madam Chair, members, that's right. What you measure is very important; it affects performance. People move to what you measure. As we move through the various departments and agencies and corporations over this next week, one of the questions that you might want to ask relates to how

do they measure their success? What are they trying to achieve? Can they define it in the sense of measurable performance indicators or is it too, too soft? There's a lot of experts out there that you will have access to over this next week and there is a lot of good work taking place. Explore it with them.

Mr. Shillington: — Before we go on, we have the . . . I don't want to put anyone on the spot, but we have I think at least one person here from the Department of Finance. I'd be interested in any comments that might be made on this whole subject.

Mr. Paton: — The only comments I might want to make get back to some of the things that Mr. Gantefer said earlier, and when you're trying to relate some of these direct costs and these activities to the performance objectives I don't think it's very easily done. I think that sometimes you see where an activity that takes place in any one year may not bear fruit for a number of years. So to say that the activities were successful or not in any one particular year, I don't think is fair.

The other thing you have to be very aware of when you get into this field, is that there's other factors in our environment that impact this. And when we start talking about education and health, there'd be many other factors throughout Canada that impact the health or the education of the people in Saskatchewan.

So to simply trade off the dollars and cents cost against some of these non-financial performance indicators isn't that easy. And it's something that when you start looking at it, I think it is a very long-term project that you look at. I think it's something that's developing. I know that there are examples of this that's happening in Canada. The auditor cites Nova Scotia. I think this is probably their first year that they've entered into this. The only other province that I'm aware of is Alberta.

And while there is a lot of talk in this area, I don't think it's where you can say that there's a model that's being followed. It's very exploratory in my view, and something that is developing; 10, 15 years from now, maybe we'll be in a different position where everyone can say yes, this has developed throughout the provinces and in Saskatchewan and maybe there are some models evolving that are more acceptable.

But I think it's very exploratory at this point. And that cause and effect situation just isn't quite as direct as you might want to be looking at when you're making day-to-day decisions regarding your budgets and where your funds are going.

Mr. Osika: — Madam Chair, yes, I was listening to this and a lot of this sounds familiar from past efforts by the national police force, some provincial departments, back to the '70s and again in the '80s, and they talked about management by objective. And it seems to be rekindling in my mind some of the very ideas and suggestions and directions that some major players were moving in the direction that they were moving.

I know that the national police force, in the '70s, moved to management by objectives. I'm not sure how that was interrelated with other federal government agencies. I recall in this province that there was at least one Crown corporation that moved towards its department, one particular agency, working

on management by objectives. And with performance indicators, with checks and balances, and opportunities to at various times a long-term plan, being able to define other strategies to achieve the final objective.

So this is almost like something that has been talked about, has been tried, and then when people change in different positions, it gets put aside. I know that the folks trying to grasp the idea . . . of following the type of management that the auditor is proposing, it's a change, it's new, and unless people feel comfortable with it, they seem to say it will never work.

And it never will work unless it's given an opportunity. And people sit down and have the will to say let's try it, we have some direction and some ideas and there are probably folks that have managed in the world, in the real world, by this method — maybe we could learn something as legislators. And maybe government can learn something from the business plan approach and management by objectives performance indicators.

People fear the unknown and the first thing that comes into their minds, well if the department fails boy what's going to happen to me? So I just offer that up and ask if others have been involved or familiar with the management by objective approach to business and to the best of my recollection the people that had sold that type of idea were people from the business world who seem to be doing pretty well. It's not something new I don't think. Thank you.

Mr. Strelloff: — Sure. Members, trying to be more performance oriented has been an initiative that has been taking place over a lot of years with different kinds of names attached to it all trying to get agreement on what — in the government sense — what particular programs are there to achieve and why and with what resources and how do we know whether we're going to be successful or not And if we're not being as successful as possible how do we adjust?

Those kinds of efforts have been on the table for a lot of years under different kinds of names but the idea of trying to set out clearly what you're trying to achieve with the resources that you're using is always at the core of it and whether it's called management by objectives or whether it's related to performance results oriented, it's all moving in the same direction trying to help decision makers assess what is the best use of resources and give them better information to use to decide and better information for program managers to plan and manage. And this is a continuation of that.

On our recommendations we're continuing to recommend the performance route, but also we're setting on the table the need to bring everything together, that the wisdom behind an overall plan for government that puts all the pieces on the table I think will help all legislators and the public sort through what is really happening with government.

And also at the end of particular periods to come back and say well here's — in a performance report — here's how we did. The rigour in those reports will improve year by year but it's not that easy.

Mr. Osika: — No, that's right but . . .

Mr. Strelieff: — But it's good; it's a good place to move.

Mr. Osika: — And it doesn't preclude flexibility to the extent that we have some concerns about it because of the nature of our province here. There's still room for the flexibility given uncontrollable outside forces that somewhere along the way require you to alter the direction that you're taking.

Mr. Strelieff: — I mean that's natural. Every organization, every family, every person knows that what they plan to do will change as a result of circumstances of the day and to me, for publicly-funded organizations, it's important to get out there very quickly saying, something is changing — whether it's the economy, whether it's the weather, whether it's the program priorities of a particular government — and here's how that's going to impact what we plan to do in this next six months, year, three years.

Mr. Osika: — I can just mention one of the . . . the Crown corporation which was operating on a very volatile situation was the crop insurance program during the '80s. Boy I'll tell you, talk about volatility and trying to achieve your goals when the droughts and grasshoppers and everything else were . . .

Mr. Strelieff: — And in that organization it is very important to get out and explain how events of the day are changing their plans and programs and priorities, very important.

Mr. Thomson: — Thank you, Madam Chair. I can see the benefit of this model where we are running commercial enterprises, where we can clearly articulate what the objective is, what the goal is, what the productivity levels are, what the prices are. I'm not sure how we apply this model to the soft side of government and I'm not sure that we would want to apply this model to the soft side of government.

I can give you an example. I would suspect everyone around this table would agree that one of the things we want to do is improve the health care of Saskatchewan people. On this side of the table we've defined that to mean that we want to move into a wellness-based model — more community-based health care and more prevention and we've restructured government's priorities to do that.

The result, as we all know, as many of the members opposite have given scathing speeches in the House about our approach, has been to cause public uncertainty about it. The result, while we believe that wellness is important, that prevention is important, we have directed virtually all new money into acute care services, exactly the opposite direction of what we believed the results would bear out.

At the end of the day we could argue that it's short-sighted but that's what people want us to do. That's what people demand that we're doing and that's what we're doing. Will the indicators bear out that that was the best use of the resources? Not likely. I still maintain that wellness would be a much better use of those resources.

But the fact is we're in the business of government, we're in the business of collecting tax dollars and spending them on the things people want them spent on. This objectification and codification, particularly on the soft side of government, I don't

think works because we're not dealing with universally agreed upon indicators. We're not dealing with universally agreed upon goals. And it is . . . I just don't think it can apply.

I suspect you're right, we could use it in SaskPower. I suspect you're right, we could use it in telephones. You can probably use it in virtually every one of the commercial Crowns but I'm not sure how we use it on the rest of the government.

Use your education example. We want to provide — I forget what the actual wording of it was. It's . . .

Ms. Stanger: — Grade 12 graduates.

Mr. Thomson: — Well I'm not sure that the performance indicator is even related to what the objective was, the objective being that we would provide that every student can . . . Do you have that handy?

Ms. Ferguson: — It's on page . . . the 17th . . .

Mr. Thomson: — Every child whether rich or poor can get a quality education. Now you're saying the performance indicator would be presented to children achieving grade 12. Would it not make . . . I mean that's an interesting conclusion but what we should be measuring is the number of students who are wealthy and from middle income families who are achieving grade 12 versus the . . . (inaudible) . . . poor. So the performance indicator isn't necessarily how many are achieving grade 12. What we need to do is measure within that.

This codification lists, what do they call it . . . (inaudible) . . . on benchmarking I guess is what it is, it's an interesting idea but I'm not sure that the debate or the public debate will ever get to the point that it is universally agreed upon enough or sophisticated enough that this will work. I know the system we use right now is imperfect, this system of estimates and budgets, but it does allow a free-flowing discussion about what the priorities are.

I worry that taking it to the extreme what we'll see is a move to an Ontario-based model like Mr. Harris, Premier Harris tried, where you set a single target that every single child will be given X number of dollars to pay for their education — fairness, equal, among the school boards. And then that money travels around where every child is — doesn't take into account special needs, doesn't take into account rural busing, doesn't take into account any number of different things.

I'm not sure how as politicians we easily explain that with a single indicator. And so I would like us to move to a model like that some day, but I don't think that the model is advanced enough for us to be able to apply it to today's reality.

Not to say that internally we shouldn't look at it in terms of how we manage our budgets. I'm just saying that I'm not sure you can codify it. I'll be interested to see how Nova Scotia does with their model. I'm not sure that when the Liberals go down to defeat in Nova Scotia at the hands of the NDP (New Democratic Party) that we'll be able to read anything into it one way or another. I doubt that the performance indicators will have anything to do with it. But it will be interesting to see.

That's the comment I have. I'd be interested to hear what your response is.

Mr. Strelieff: — Members, the indicator that you picked out, the grade 12 one, which is one that is advocated by the Department of Education, it's interesting that you were tearing it apart as to whether there's different dimensions to it for middle and higher income people, and different dimensions to lower income.

I mean that's the benefit of indicators, is it causes that kind of discussion, debate and analysis, or something sitting behind the general indicators. And when officials from the Department of Education and other softer programs come to the table, you should ask them about how they're doing in trying to define particular performance targets and how they got there — why they chose those targets, what kind of consensus building they moved to, to agree on those targets.

I know the example I used, the health status indicators, those indicators have been discussed for quite a few years, and they're getting closer and closer to being the indicators that paint a provincial picture, because they have national consensus as well on them.

The public debate, the public debate as you, I think, were alluding to, quite often moves to more single issue focus. I keep thinking if the government and legislators could move that debate to what a particular government is trying to accomplish in the long run, it would be . . . the debate would have a better long-term impact. But that's hard. It's very difficult.

That's why I was quite encouraged when the Minister of Finance just recently announced that he was going to have a look at the budget process to see if it can be more results-focused, and that the information coming to him, I guess, as Chair of the Treasury Board, allows for a better informed decision on allocation of resources. And we'll see how that comes out. I'm quite positive on it.

On the other hand I know that it's not a quick fix thing, it's a long term. But just acknowledging or endorsing a move to more focused performance is a good thing for a government to do. I mean it's not going to get there tomorrow, but just to encourage all the different people within government organizations to think of their management responsibilities in that way I think will have a good, positive influence on Saskatchewan.

The Chair: — I have Ms. Stanger on the speaking list, knowing that we have nearly finished our coffee break, and we have a government department out there, plus recommendations.

Ms. Stanger: — I'll only take a few minutes. I just want to thank you because I think we've had a very good discussion here. I agree with all of my colleagues that have spoken and the points that they have raised.

Mr. Osika asked if we had any examples. When I think back to the '70s, somebody came up with the idea of merit rating for teachers, and it was tried extensively in British Columbia. The problem is on the soft side of anything is that you can't . . . if you could do it objectively in some way, but the person that's carrying out the programs has to be subjective.

It caused a great deal of unrest among the public, among the teachers. I mean it was just chaos within a year because who you had doing that were directors. I mean people's lives were almost threatened because they were having to do something subjective and apply it to indicators or an objective way of doing something.

Now having said that, I think it's very good, and I don't think there's an organization or an educational facility or a health facility that should not know why they exist and for what reasons they exist and their most efficient way to do something. You should know those things. It's just that if you embark on a broadening of these indicators we have to know why we're doing that. Are we doing that to set objectives to become more efficient? Or what is the reason for doing it?

I'm thinking of a really famous Texas audit, I believe that was brought in to make — this is my idea — it was brought in to justify the cutting of a lot of the soft sides of spending. So governments could just go ahead and slash and cut so that we could . . . the people that really needed it were never going to get the money because they were using the kind of indicators and audit so that nothing is efficient. I guess it isn't very efficient to be poor. I guess it's not very efficient to have five or six kids.

But I think that Andrew made a good point when he said that we are politicians. We mostly, no matter what political party we come from, try to respond to our constituents. And I may have an objective from my political party, from the government side or from whatever, and my constituents may say to me, I think you should change this. And I respond to my constituents.

I mean people that are in the objective business, they may not believe this. I don't think there's a politician does not reflect his or her constituency that they represent. People say to me highways are important, then they're important to me because I represent them — important to me because I reflect. They say the environment and improving the rules that the oil companies work under, that's important to me. So while I think it's really important that every organization have objectives and indicators to get there, and how they're doing, I just don't know how in my mind, I can't see how we'd obtain this on the soft side.

The Chair: — Mr. Strelieff, do you have a comment?

Mr. Strelieff: — Just a couple things. Again, I encourage you to ask your officials as they move into this meeting how they're doing on setting out clearly what they're trying to achieve and how they make the difficult resource decisions that — resource allocation decisions that they have to make.

And also, just to point out that a lot of the . . . there are some initiatives taking place in government that are trying to bring together discrete activities, discrete programs, and achieve common goals. Like the child action plan — it involves, I think, six or seven separate departments that are coming together to try to agree on some common goals and objectives and how best to move their programs to those objectives. And that the two recommendations that we have is asking you to further endorse that move which is taking place but to put all the different pieces of government on the table so that the broad direction of the entire government is clearer.

The Chair: — Any other comments? We have recommendations in this chapter, in this issue here, that are basically the same. If we look at page 17 in the *1998 Fall Report*, there's two recommendations and on page 18 in the Provincial Auditor's report, *1997 Fall Report*, there's two recommendations that are basically the same. So by dealing with one, we'll be dealing with both of them. So I'm asking for comments or . . . we talked about concurring or not concurring or I'm asking for comments from members.

What would you like to put in your . . . in the report about these paragraphs, this chapter? It's basically the same type of thing that we dealt with in the spring session when we talked about the recommendations concerning the content and use of public accounts, summary financial statements and financial plan of the government, and then recommendations for our Government of Saskatchewan annual report and its content. It's that type of thing.

Mr. Shillington: — On one part I wished, I wished the resolutions — I'm not being in any sense critical of the people who drafted these — but I wish the resolutions had been worded differently. There are so sweeping in the way they are written here.

I recommend the cabinet include with its published overall plan by showing the broad direction for the entire government. I recommend cabinet publish better performance reports for the entire government.

I wish they had been worded a little differently and a little less sweepingly. I would have difficulty concurring in the recommendations that are there. I don't want to discourage the minister from doing what he said he would do and that is to — I'm trying to find his comments here — to examine different ways of budgeting, that include performance. So I don't want to discourage the minister from doing that — I think that's useful — but I find the wording here really difficult, and I'd just as soon pass on without recommending concurrence in these two resolutions.

But as I say I don't want to discourage the minister from doing what he said he'd do. I think it's very useful.

And I think we're making progress in terms of providing standards by which government can be held accountable. I think some useful work has been done and I think the Provincial Auditor and the Department of Finance are making useful progress. I just am not taken with the particular resolutions which are here because of their wording.

The Chair: — We could note the recommendation or we could suggest something as a committee to the Assembly that is sort of an alternative, that knowing that, you know, that we're dealing with it and considering something that's very important.

Mr. Thomson: — What did we say previously on these recommendations?

The Chair: — Okay, that's what you did, is reiterate what the committee had said in 1996 which was a lot more hard-liner than the changes we're talking about right now.

Mr. Shillington: — Well I think the tone from the Minister of Finance in previous years has been a little more aggressive. This is much more conciliatory. So I don't know what we do with this.

But I, as I say, I would have difficulty voting for these resolutions as they stand here. But I'm interested in whatever the minister brings back. Do we have to do anything with them? Why don't we just pass on?

The Chair: — Can you suggest that we just note it, or that we're interested in the new direction the Minister of Finance is taking and something so we at least acknowledge there's some suggestion for movements?

Mr. Shillington: — It's the effect of noting them . . .

Mr. Strelieff: — What's the effect of noting them?

A Member: — The effect is your political peril.

Mr. Shillington: — No. Well I don't have any . . . I don't have a long life left in this business, so I don't care a whole lot. I just don't want to give the wrong impression here.

Mr. Thomson: — I just wonder if we wouldn't be better off reiterating what we . . . Maybe we can simply note the auditor's comments and note the Public Accounts' previous recommendations from 1996.

Ms. Stanger: — I agree.

Mr. Koenker: — Could I hear the '96 recommendation read, please?

The Chair: —

Having considered the Government's response in light of its own deliberations on this matter, the Committee is satisfied that the desired information is already available in various government publications. Therefore, the Committee agreed to reject the Provincial Auditor's recommendation that the Government publish a government-wide annual report.

Mr. Shillington: — The difficulty with that is that that's not what the minister said in response to this.

Mr. Thomson: — That's also not the recommendation.

A Member: — That's not the issue here.

Ms. Stanger: — It isn't the recommendation. Annual reports are different.

Mr. Thomson: — Although I would confirm that on annual reports, I'd vote the same way.

Mr. Shillington: — Could we note the Provincial Auditor's recommendations and await with interest the Minister of Finance, the Department of Finance's review of its budgeting process? Would that get us over this little hump without doing too much damage?

Mr. Thomson: — The other option would be to note the auditor's recommendations and note the minister's comments.

Mr. Shillington: — That might be a better way of doing that.

A Member: — I like that.

Mr. Shillington: — That's a better way of wording it. Why don't we do that?

The Chair: — Do we have to say what their comments are?

Mr. Gantefer: — I detected in our discussions that there was an undercurrent of a general consensus that where possible, practical, and reasonable, that it is valuable to set some targets, some objectives, some you know indicators if you like, of how you evaluate within a department. I think where we got bogged down is when we get into the minutiae and the details of saying how do you quantify that in absolute detail.

So by just noting comments on both sides, I don't think that we'd want to leave the message that we're really kind of, you know, lax on this whole issue. I suspect that as we talked to other departments, if we ask them the question of how do you . . . what performance or what targets, what objectives do you set for yourself, they'll be able to say in a general sense we have objectives. And then an obvious question is, how do you, in a general sense, evaluate your performance against those objectives?

I think that there struck me that there is a consensus that that's very valuable and perhaps it should continue and be encouraged to continue. I think the danger comes in if we try to get it so minute that we micromanage and get everything into this minute — dollars and cents — that the soft-side issues get lost in that micromanagement.

So I think we should send a message of, that we encourage the trend, we encourage the work that's going on, we encourage the minister to look at these issues and we recognize the objectives as set out by the auditor's recommendations, so that somehow it sends a positive sign that in a general sense it's going in the right direction and we'd like to see it continue.

Mr. Shillington: — Try wording it and see if this gets us anywhere.

That the committee note with interest . . . Sorry, that the committee note the Provincial Auditor's recommendation and the await with interest the minister's undertaking to have his department examine different ways of budgeting, that would include performance and targets, and expresses a note of encouragement to the minister to move on it without, I think, defining what we would want the result to be. Okay?

The Chair: — You're going to have to say that again. The committee note . . .

Mr. Shillington: — Note the Provincial Auditor's recommendations and await with interest — I'm reading here directly from the *Leader-Post* and I believe everything I read in the *Leader-Post* — so it says the committee would note the Provincial Auditor's recommendation and await with interest

the minister's undertaking, "to have his department examine different ways of budgeting that include performance targets." And that's what's in the *Leader-Post*.

The Chair: — Has everyone heard that, Mr. Shillington's motion or suggestion? Is everyone in agreement with it? Nobody opposed to it.

Well it's 10 after, let's stop for 15 minutes, I'll say 10 minutes and then you'll be back.

The committee recessed for a period of time.

The Chair: — . . . we could possibly get through some of these three departments or issues that were going to be discussed on Friday afternoon, and we did two of them but he said he was hoping that this afternoon when Ms. McPherson was here that . . . No, Ferguson — I've said that wrong again, sorry — that she could possibly do it.

I talked to the Department of Finance officials out there and told them that we wouldn't be very long, unless you have a lot of questions. If you do, then I guess we'll have to ask her to come back again. But in the meantime maybe we could go ahead with it and possibly that would . . . if you have any discussions after she's spoken, then we'll go on.

A Member: — And that is . . .

The Chair: — That's on . . . Get my glasses on here.

Ms. Ferguson: — It's actually chapter 17 of the *1998 Spring Report*. It's near the back of your binder package.

The Chair: — It's the white tab.

Ms. Ferguson: — The one that says annual reports.

Ms. Stanger: — Oh yes. I'm in the wrong binder.

Mr. Strelioff: — Could I have a copy of that binder? You've got mine.

The Chair: — You know we like to table 15 copies. Okay. Would you like to go ahead, please.

Ms. Ferguson: — Thank you, Madam Chair, members. The chapter that you have before you is really a status report on prior recommendations that our office has made, and our office has continued interest in annual reports as a performance document.

Just to quickly recap the recommendations. They're set out in paragraph .02. And basically what we're doing is, as an office, we're encouraging the government to use annual reports as a performance document, and that's what those recommendations try to promote. We're also encouraging that the members of the Assembly use the annual reports as a source of information to help them debate the performance of organizations.

I'm just going to quickly jump actually to paragraph .04 and .05 which is on page 178 of the chapter. And basically what we are finding is that the annual reports of individual organizations are

improving, but slowly. We are finding that the members within organizations themselves have a better appreciation as to what an annual report — the purpose of the annual report — that the annual report is an accountability document to the public and to the members of the Assembly, which is very encouraging. They do seem to be aware of the areas that they need to work on and they need to improve, and they are slowly putting emphasis on those areas.

We also note that one of the concerns that we have raised in the past is that the annual reports are not made public in a timely manner. And we note that although people are complying with the law, the current laws really result in some reports not being that timely. The ones that I'm referring to specifically are annual reports for government departments and annual reports for a number of Treasury Board Crown corporations.

We note that the annual . . . or the *Public Accounts* and annual reports of CIC and its Crowns are timely and the law permits them to be timely. As an office, we note there hasn't been any changes to the law to encourage more timely release of annual reports of departments and Treasury Board Crown corporations, and we encourage you as members of the Assembly to look at that once more and to try to make sure that the annual reports of those agencies are released in a more timely manner.

And that concludes the information and the update that we have for annual reports. If you have any questions.

The Chair: — Thank you very much. Is there any comments from any of the members? No comments?

Mr. Shillington: — With respect to tabling at any time, that would require . . . there might be some merit in that, but I think that would require a change in the rules of the Assembly. After the election — this is something I will have no direct interest in — but after the election it may well be that the members of the Assembly will want to strike a rules committee and this might be something that might they might deal with. I think it's difficult to deal with at this point in time.

Mr. Osika: — I'm . . . (inaudible) . . . agree with the comments that were made, Madam Chair, that in fact reports that are due the end of June and we don't see them till the following year, people don't see . . . you know, you're always working in the past. And I agree with that strongly.

Mr. Thomson: — Working in the past?

Mr. Osika: — No. Having the reports submitted on a timely basis.

The Chair: — Mr. Osika, do you want to make that as a comment in this . . .

Mr. Osika: — That I don't want to work in the past? I would make it a comment that it's in support of having those annual reports which should be due by the end of June made available on a more timely basis, rather than wait till the following year.

The Chair: — I guess it would require a change in some documents. Perhaps as Mr. Shillington has noted, maybe it's something that should be brought up.

Mr. Shillington: — A broader review of the rules. We haven't had a rules committee for some time and I think after the election it would be timely to do it, but you can't do it before an election.

Ms. Ferguson: — I know that from our office's point of view, in working with the individual organizations, that they do at times express some frustration in not being able to use their annual reports more effectively.

Mr. Gantefer: — Would it be appropriate, Madam Chair, that we make that as a recommendation, that it indeed be referred to the rules committee after an election so that it just doesn't hang here somewhere that, you know, some specific point is made.

Mr. Shillington: — I think we would be very reluctant, by so doing, to express ourselves in favour of a rules committee. That's something they'd have to discuss in caucus. The problem with your motion is it suggests that Public Accounts is recommending a rules committee. I express that in a personal way, but I don't think we could do that until we discuss it with the caucus.

Mr. Gantefer: — Well I guess that I'm not saying they should change it, I'm saying that if there is a consensus that reports be . . . that it's a recommendation that reports be tabled in a more timely way, if we have a consensus on that, then shouldn't we say something to effect that appropriate changes to legislation be considered in order to make that happen.

If we're saying on one hand that we believe that it would be better to have these reports tabled in a more timely way, then on the other hand saying that we're not interested in doing anything to make that happen, then it sort of is a pretty meaningless gesture.

Mr. Whitmore: — Maybe as a suggestion then, recommend that the question of annual reports should be referred to the committee on rules and regulations — or rules, I should say — for further study.

The Chair: — There's something that was just brought to my attention. It's under the annual reports of departments and Crowns:

In 1995 the Standing Committee on Public Accounts recommended the law be amended to enable the tabling of annual reports when the Assembly is not in session.

We note the law has not changed.

Mr. Gantefer: — Madam Chair, I think it would be appropriate then that we reiterate that recommendation and, you know, it gets resubmitted on our report.

The Chair: — So basically it would be that we recommend that the law be amended to enable the tabling of annual reports when the Assembly is not in session.

Mr. Gantefer: — We'd reiterate the recommendation of the previous committee.

The Chair: — Okay. Any other comments?

Thank you very much. Appreciate your time.

Public Hearing: Department of Finance

The Chair: — I apologize for making you wait. I promise we'll be extremely nice to you this afternoon since we made you wait. I ask the introduction of the officials to the members.

Mr. Jones: — Madam Chair, committee members, I have with me Terry Paton, the Provincial Comptroller. Also from the Provincial Comptroller's shop, Chris Bayda. Beside me to my right is Brian Smith, the executive director of PEBA (Public Employees Benefits Agency). And beside Brian is Bill Van Sickle, our executive director of administration.

The Chair: — Thank you. Before we go further I will be reading to you the statement for the testimony of witnesses appearing before this committee:

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as a subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put forward by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the Clerk, who will distribute the document.

You are asked to please address all your comments through the Chair.

So I'd ask that there be an overview from the auditor if you have one.

Mr. Strelloff: — Okay, thank you, Madam Chair, members, guests. With me is Andrew Martens. Andrew helps lead our work at the Department of Finance and is going to review with you the segments of two chapters that are before you today. Andrew.

Mr. Martens: — Thank you, Wayne. Madam Chair, members, beginning on page 140, this chapter includes a section explaining the key issues facing the department. We confirm these issues by discussing them with the department officials.

The success of the department is tied to how well it manages these issues. Its performance indicators and targets will therefore be related to these issues. And I'll just briefly list them.

The department's key issues include giving Treasury Board

accurate and useful information to enable it to develop, manage, and evaluate the government's fiscal plan. They include managing the government's debt; managing the government's investments; collecting revenues due to the government; publishing useful planning and performance reports; managing several government pensions and benefit plans; and ensuring that designated government entities comply with Treasury Board's directives. And each of those issues are explained in further detail in the chapter.

In this chapter we recommend that the department should prepare an annual report. We think that an annual report is a valuable performance document. It would help the department to explain how it manages the key issues it faces. It would also help MLAs and the public to assess the performance of the department in managing those issues.

In paragraph 40 we provide information about government spending approved by special warrant. We don't have any concerns about those payments.

Next we provide an update on a previous recommendation that the department should prepare financial statements for the government's sinking fund. We acknowledge that — in paragraph 46 — that the department had expanded the information on the sinking fund in its '97 GRF (General Revenue Fund) statements and summary financial statements. The department made further improvements in its '98 financial statements. For example, those statements now show more information about the sinking fund's investments, its liabilities, and its earnings. While separate financial statements may be useful we are satisfied the department is now reporting adequate information about the sinking fund.

Moving into chapter 20 of the *1997 Fall Report* we comment on four matters. In paragraph 8 we indicate that our auditor's report on the GRF financial statements contains a reservation of opinion. This is because the GRF financial statements do not include all of its assets, all of its liabilities and expenses related to pension costs. Our auditor's report also advises readers to refer to the government's summary financial statements in order to understand and assess the government's management of financial affairs and resources as a whole.

In paragraph 14 we note the department is responsible for several entities. The annual reports of the entities listed in paragraph 14 were tabled late. We recommended that the department table them on time. As a follow-up I can advise that the December '97 annual reports for these entities were all tabled on time, except for the Workers' Compensation Board superannuation plan.

Next we carry forward two recommendations we have made in the past related to the MLA superannuation plan. The first relates to legislative changes needed to authorize the payment of certain supplementary allowances being made under the plan. The second relates to legislative direction on how to handle the plan's profits and losses resulting from its underwriting activities. In both cases the department has said it is continuing to seek the necessary legislative changes to address these issues.

The chapter concludes with two matters on the public employees' dental fund. The department has policies and

procedures for checking dental claims. However it stopped checking claims for a period of time. We recommended that the department resume following its established policies and procedures. In a subsequent audit we found that the department had done so.

We also reported that the department does not have a budget for the dental fund. We think a budget is an important management tool that the department can use to monitor the fund's performance. Therefore we recommended that the department should prepare and approve a budget for the fund before the year begins. Also we recommended that the fund's financial statements should present a comparison of actual results to the budget. The department told us it would prepare a budget and would present a budget to actual comparison in the fund's annual financial statements.

That concludes my remarks on the chapters. Wayne.

Mr. Strelieff: — Thank you, Andrew, Madam Chair.

The Chair: — Okay. I ask the deputy minister if you have any . . . Do you have any further comments?

Mr. Jones: — Madam Chair, to you and to members of the committee, we certainly appreciate the opportunity to be here to try and assist the committee in their deliberations. I would just like to make a couple of general points if I may and then if the committee would like, we can get into specific issues. But the first point, I think, it would be fair to characterize the relationship with the department and the auditor and his staff as pretty good. That's at least my view, and I think that that's important and that's something that we certainly will try and continue in the future.

Associated with that, I think, while you've had a description and a list of some of the issues that are perhaps not new where we have different points of view, and we continue to work on reconciling those different points of view, I think the important point is also that on most things, I think it's fair to say, that we in fact agree and that we have worked together to try and put forward a common viewpoint. So I think with that, Madam Chair, I just . . . I think I'll leave it for specific questions.

The Chair: — Thank you.

Mr. Gantefer: — Thank you, Madam Chair. Welcome, near the end of a fairly long first day of a busy week for the committee.

I was interested and refer you to a . . . in the report on page 140 of the *1998 Spring Report* where it talks about the auditor . . . talks about the key issues that the department must manage well in order to be successful.

We had a discussion earlier about trying to measure success and define it, and I won't belabour that discussion any further. But I think there's some useful guidelines here in terms of some key areas that your department, I'm sure, is very busy with these days. Every time you open a newspaper over the last days and weeks, there seems to be clearly some challenges on the national and international scene that potentially have pretty significant implications to this province's economy. And there's

a number of issues and I don't want to get into, you know, a finance or a budget debate.

But I would like, if you would, to give an overview of how the department views the current fiscal situation, the Asian flu, the stock market. What steps, how is your department dealing with those issues in terms of the kinds of criteria that are laid out here. We've got managed investments, managed debt, revenue issues. Would you mind giving us an overview of how you see the situation unfolding?

Mr. Jones: — Madam Chair, and Mr. Gantefer, that's a large question so if I ramble here, you may want to steer me in the direction you'd like me to go.

Certainly the issues you talked about — what I'll call the volatility in the international economy and the financial volatility and so forth — is an area that something that the department is looking at very, very carefully. We will be reporting in, hopefully in a month to month and a half through the mid-year reports, as to how we're doing with respect to this year's budget. But let me just say not to get into any specifics because that's the prerogative of the minister and so forth, but in terms of Saskatchewan's economic performance in the face of these important events, we tend to see that the Saskatchewan economy continues to do pretty well. Now it's continuing to do pretty well by historical standards and it's doing or will do probably a little less than over the last four- or five-year period.

We've had pretty remarkable growth in that four- or five-year period and it's probably, at least from our forecast, is going to slow down somewhat. That essentially was, in a nutshell, the forecast we saw and in the spring which underpinned the budget. So they said the key point here is positive growth, pretty good growth by historical standards but slowing down compared to what we saw in the last four or five years, which really has been a very remarkable period.

Therefore, the conclusion at this early stage that I have is that the so called Asian flu, the stock market volatility, what's happening in the Soviet Union, South America, and so forth, has had not significant impact on sort of the nuts and bolts of the Saskatchewan economy. The concern at this point — but it's early yet — the concern that I have certainly in the near term is what's going to happen to the interest rates. If interest rates trend upward that would be a signal, at least from my point of view, that we better look very carefully at what's happening in the Saskatchewan economy and the Canadian if not the North American economy. Interest rates will be driven in part by what happens south of the border. So with respect to the economy, so far so good despite some of these clouds on the horizon.

Point two, with respect to the fiscal situation, this year we think the economy is performing more or less in line with what we thought at budget time and therefore on the revenue side we're doing more or less in line with the budget. There are some ups and downs and so forth, but the bottom line is at this point revenue is holding in. On the expense side we've had a difficult year with forest fires and so forth so we're going to have to keep an eye on managing expenses.

You will recall that the surplus for the current year was in the

\$106 million range. That's not a lot of room to manoeuvre so I think from finances point of view, from your — if I can call this your treasury manager's — point of view, we continue to put the message out that there are storm clouds we got to keep an eye on but our fiscal situation is one that we have to continue to manage on a day by day basis very, very carefully.

A brief comment with respect to a couple of other areas in terms of our investments, in our terms of our debt management. I think the way I would characterize our debt management policies is that we have tended over the years, over the many years that I've been associated with it, to follow one that . . . follow a debt management policy that can be described as conservative. We have a small amount of debt that is denominated in foreign currencies, only U.S. dollars at this point. Those U.S. dollars were largely borrowed during a period when our credit rating was very low and it was difficult to get large amounts of money that we needed at that time from other sources such as the Canadian domestic market.

But by and large our borrowing will be confined, certainly as we go forward, to Canadian dollars at this point. It will be likely longer term in nature at these levels. We think it's prudent to lock in some debt at these levels, particularly for Crown corporations that are using the money to fund activities such as capital projects, such as power plants, telecommunications, energy facilities, transmission facilities, those types of things.

On the investing side, we in the Department of Finance are responsible for a few investing areas, primarily short-term money markets and the sinking funds that were discussed. Both of those follow a very conservative approach in the sense that we're there, yes, to maximize returns but subject to appropriate risk. So that while we keep an eye on the volatility in the financial markets, we certainly are . . . we have guidelines in place upon which we operate on a day-to-day basis.

Most of the volatility that we've seen and read about, it really is reflected in stock . . . equity markets and so forth. And that is a function . . . or something that would be more relevant to the management of pension plans and so forth which most of our public sector pension plans are managed by; a number of investment councils who operate with very strict guidelines as to how much they can put in different classes just as a private sector firm or investment manager would operate under. And again those would be the responsibilities of each of the boards to set up the guidelines and have them approved and so forth.

So I think that overall while there is concern, I suppose we should look at it from the point of view of how we're going to manage through this. But the one signal that I would leave you with is I think we will manage through it but interest rates are the things that I . . . the issue that I fear the most. That's the one we've got to keep an eye on.

Mr. Gantefer: — Focusing on the interest rates, there has been some indication that the American federal reserve has eased interest rates and there was some expectation that that might move forward over the next near term anyway. Is there anything on the horizon that would give you concern that general direction or that overall policy of the federal reserve may be being reversed or potentially could be reversed, if that's our great worry?

Mr. Jones: — Madam Chair, Mr. Gantefer, I think that is a . . . that's a tough question. If you think back two or three, four months ago, the thinking was just the opposite that the fed was going to raise rates. So I think given that the inherent volatility we're in, who knows what's going to happen tomorrow, and in particular what's going to happen in the U.S. with respect to interest rate policy. There's just so many variables that I just don't . . . Well I just don't know at this point.

Point two is what happens in Canada. And there are a number of factors there that could impact Canadian interest rates other than what's happening south of the border and we've seen that happen here over the last 18 months. The big issue was the depreciation in the value of the Canadian dollar vis-a-vis the U.S. dollar. The issue of national unity if I can put it that — I don't want to get into that debate and so forth — but I'm sure we're all familiar that that has had an impact on the value of our currency. That in turn could put pressure on the federal government to respond to try and protect the currency.

One way that the federal government has used in the past is the interest rate lever. My concern is that — again this is my personal view — is that this country as a whole is in a low inflationary, non-full employment although doing pretty well, and that in that type of a situation interest rates are a very blunt instrument that may do more damage if they're jacked up than good. The medicine may be worse than what you're . . . than the symptom.

So that's my concern with interest rates.

Mr. Gantefer: — In terms of you know monetary policy I guess would be pretty much a federal responsibility or at least a lead in the Canadian context would be a federal responsibility. What is the ongoing process that would link your department with federal departments to keep you abreast of what's going on?

It seems that in this very volatile situation that keeping on top of what's evolving would be critically important. Is there a mechanism in place at a deputy minister level or a minister level or how is that being handled at this time?

Mr. Jones: — Madam Chair, Mr. Gantefer, I think there are a number of channels through which communication takes place. I think it takes place certainly at the very top where the Premier and premiers who meet with the federal government from time to time and the Prime Minister and so forth, Finance ministers meet and Finance ministers meet on a bilateral basis if you like. There are also deputy ministers' meetings that involve the provinces and the federal government, and also Intergovernmental Affairs meetings and so forth. All of those meetings and relationships if you like take place on a formal and informal basis and so I think the issue of interest rates is something that has been discussed and will continue to be discussed in the future as we try and travel and manoeuvre ourselves through these choppy waters.

Mr. Gantefer: — Thank you very much. Thank you.

The Chair: — Any other questions? Any members? Okay, we have a number of recommendations to go through, and if we start with . . . The first recommendation is .38 and that is from

the Provincial Auditor's 1998 *Spring Report* that:

The Department should prepare an annual report on its activities.

So if there's . . . do you have any comments on it or . . . for their input?

Mr. Shillington: — I would be interested in hearing the comments of the officials on the recommendation.

Mr. Jones: — Madam Chair, Mr. Shillington, this is not a new issue. The Department of Finance has to my knowledge not . . . has never prepared an annual report. Our view I guess . . . my view is that there are numerous reports and documents that the department prepares and puts out — the budget documents, mid-year report, *Public Accounts*. These all involve the activities of the department and so forth. I suppose we have not been convinced at this point of the need of how it will improve or be beneficial to the public. And I don't mean that in an argumentative way to the auditor; I think he has a very legitimate point of view.

Having said all of that, I have been in my office working on this issue, looking at it, seeing what a report could involve using some of the auditor's suggestions here. So that's . . . I suppose what I'm saying here is, if this report is to be just another piece of paper or something that goes on the shelves, I don't think any of us are interested in that because these things are not cost-less to produce. And so we're going to look at it and we're going to continue. We've looked at it over the last year or so. I'm going to continue to look at it and that is something that . . .

But we're not convinced at this point we should do it. Perhaps in the future it's something that would be helpful to legislators and to the public.

The Chair: — Any comments from the members?

Mr. Shillington: — Just thinking about this, I note . . . I suppose as it stands, if we simply prepared an annual report which looked like all the other annual reports, I'm not sure what it would add to the documents already tabled and it would add to the expense of . . . there's certainly expense in preparing them.

I suppose the Provincial Auditor would argue — and I should not be making his arguments for him, he's quite capable of making his own — but I suppose the Provincial Auditor might argue that this would be an appropriate place for performance indicators and one where you might be able to, in fact, set some objective standards. My guess is this department would have a pretty good story to tell because I think its stand . . . its objectives of reducing debt and reducing interest costs and so on have been the flagship of this government's successes actually.

On that having been said, I'm not sure where that leaves us. Because I'm not taken with the notion of preparing an annual report which looks like all the rest. I think the arguments are sound actually. It's simply, simply an expense. They publish so many documents now. And no problem so serious that you can't postpone it for a while. But I would rather await the

results of our last recommendation and that is the report of the minister in that department on the use of performance indicators. Because I think unless you're going to include that in the annual report, I frankly don't see what it does add.

Mr. Strelieff: — Madam Chair, members, I agree that the performance measurements would be what you want to put in an annual report and we had a discussion just a few minutes ago that said that a key part of making annual reports relevant is to facilitate the ability of departments to make them public in a more timely way. Right now the way the system works, if the Department of Finance did prepare an annual report, it wouldn't be made available to you until February, March of the following year which certainly hinders the enthusiasm or even the relevance of such an annual report.

So a key part of having a relevant performance report is also the timeliness so as you move forward on changing the tabling of documents Act to make sure all organizations can make their performance reports public. I'm sure that will add a different ingredient or a variable into the ingredient that the Department of Finance considers as they consider preparing an annual report. So an important first step is to get that tabling of documents Act revised.

The Chair: — Further comments, Mr. Shillington? Okay.

Mr. Shillington: — Well perhaps, perhaps if its relevance would depend upon performance indicators and performance targets being adopted by the government, perhaps we should note this as well and await the . . . await — how did you say before — await with interest the report of the minister on . . . and the department on performance indicators and performance targets.

The Chair: — Before we go ahead with that, I think there's a couple of other general comments to make.

Mr. Shillington: — All right. Maybe other comments. I don't know.

Mr. Goohsen: — Well, Madam Chair, it seems to me that every department of government should be accountable. And it also seems to me that setting goals in government is not a bad thing. And even though we may not always achieve our goals, it never hurts to have some. Easier target to aim for. And I think we listened to a reasonable argument earlier today that sometimes you don't achieve those goals that you set. But that doesn't necessarily mean that the government has to fall as a result of it if you explain to people why these things are happening.

I know my personal life wouldn't go very far if I didn't set some goals of what I want to achieve. After all if I don't set a goal of seeding a crop in the spring, I'm not likely to harvest in the fall. It gets as simple as that.

And this department, it seems to me, probably has come to the time where they should start to follow the rules of democratic government which is to be accountable and to follow this recommendation of preparing a report showing its activities, it is not an unreasonable request. And I think it ought to be started. Even though it's not perfect perhaps at the start, it will

evolve perhaps to being something that will give us direction in the future.

So I support the concept of accountability and goals and the idea that they should start to prepare an annual report.

Mr. Osika: — Thank you, Madam Chair. There are some key points mentioned. The timeliness of a report that would be submitted by the department; the suggestion that producing reports just for the sake of putting out nice, glossy reports, maybe that whole business of how those annual reports are submitted and what they contain should be reviewed as well.

It's very clear that some of the usefulness is to know what their department is about, what they've done, where they are now, and where they are going. Make it a meaningful document that does explain to folks what the objectives were, whether or not they have been met or not — almost like a benchmark approach.

And as we discussed earlier, that there be no fear of being so restricted that there's not room for changing an objective because of circumstances. But it is, it is a document and a method of indicating performance accountability and letting people know exactly where the department is and where we would all sit in response to some of the questions that Mr. Gantefoer had asked.

You know, perhaps a report might indicate in advance or alleviate people's concerns because of the volatility of what's happening in economics nationally, provincially, and the impact of it.

So I support the annual reports, but with meaningful substance, not just glossy pictures of how nice things are.

Mr. Thomson: — I don't think any other department in government provides more information to the legislature than the Department of Finance. Document after document after document is tabled with the legislature in great detail. I don't know what we would see in the annual report that we don't already get.

We have a five-year financial plan from the department. We get an annual report in the budget. We get the mid-term financial report. We have the Public Accounts. And we get the economic review. I don't see what we would gain out of asking for yet another report that covers the same territory.

If we did for some strange reason approve this recommendation, I would hope that all they would print is covers and simply attach all the other information they already produce. Because I think that's all we're asking for is a packaging question here. And to me that's simply a waste of taxpayers' money.

So unless there is something new that we would be asking for in here, I don't see why we would want to commit any more taxpayer money to this when the information is already readily available. So I'm just not inclined to support the recommendation at all.

Ms. Stanger: — Thank you, Madam Chair. The last annual

report I saw of the Alberta government was just a bunch of propaganda bound in glossy paper, page after page. Now I think we do a darn good job as it is of presenting our case. We don't yet need to produce another piece of propaganda that tries to sell our government.

The thing is now, if you could show me something that would add to the accountability and the goals of the Department of Finance, I would be for it. And I agree with Andrew. I don't think there's a department that gives me more information, as a MLA, than the Department of Finance. There are key people in that department, and I could name them, and there isn't many departments where I can name the civil servants. I can name you the civil servants in the Department of Finance and they have yet to not respond, even if it takes two or three weeks, Brian, to questions that I have asked them. I was just kidding. I was just kidding. They've been very timely and responsive.

And the other thing is, is if you have read the report and you don't get it 'til a year later, what good is it? The first thing we have to do is change the Act so that timely tabling of the documents is done.

You can't convince me of this yet, Mr. Strelieff, unless you give me some proof that more paper is going to help my constituents. I can tell you one thing, it is as I said to you in Edmonton that year when Stockwell Day, the Treasurer — they call him the Treasurer not the Finance minister — was going on and on about his huge surplus at our public accounts. My constituents do not give a damn about an annual report. What they want is accountability from this government and how it spends its money. They want it to be clear. They don't want any . . . they want timely reports. They want to know that we are using their tax dollars properly. They don't give a damn about another glossy report.

The Chair: — Further comments?

Mr. Koenker: — I'll just wade into this a bit and say that further to the comments of Ms. Stanger, I could see an annual report — and I mean this almost seriously — if it were a cartoon version that ordinary mortals or constituents could understand. Because I think the one problem that I find is that . . . I find that the reporting done by the department is very good, and the hallmarks in section 35 of your recommendations of a useful annual report. I think to that I would add there's a sense in which if it's to be useful for Joe and Mary Average it has to be very simple and very basic, if you're talking about giving people an accounting of where things are at.

As my colleague says, it doesn't mean that people are simple or even simplistic in their abilities but it does . . . I think we do need to recognize in this discussion of an annual report the amount of information that is provided to people and what format it's in. So I don't seriously mean that the Department of Finance should produce a cartoon version, but anything you can do to simplify the information would certainly be very much appreciated by myself and I think many of my constituents. So that would be my plea for clarity and simplicity in the communication of the information rather than necessarily another report.

The Chair: — Further comments? So we have this

recommendation before us. We need a comment on it.

Mr. Shillington: — How can we have it in force? Has someone moved it?

The Chair: — This recommendation. The one that I've read, the .38:

The Department should prepare an annual report on its activities.

Mr. Shillington: — I think on reflection I agree with Andrew. Unless we have some purpose beyond supplying additional information, because I don't think that's needed, I think we shouldn't ask . . . put the department to the expense of it. I think I agree with Andrew. Unless and until such time as the annual report . . . until such time as we see the annual report serving some additional purpose, I think I would, as it stands, defeat it too.

The Chair: — So are you saying that you don't feel that a report is necessary? Is that the way you want to say it?

Mr. Shillington: — That's what I'm saying.

The Chair: — Is that agreed by . . . Mr. Shillington is indicating that he feels that a report is not necessary, an annual report is not necessary. Who is in favour, in favour of that? Opposed? Since it's opposed, I guess we have to have it written.

Mr. Shillington: — I move:

That this committee not concur on the recommendation of the Provincial Auditor that the department should prepare an annual report on its activities.

The Chair: — Everyone has heard this motion by Mr. Shillington that this committee not concur in the recommendations of the Provincial Auditor that the department should prepare an annual report on its activities. Those in favour of this motion? Those opposed? The motion is carried.

Okay, we can go on to the further recommendations.

I think the next one is on page 195, I believe, of the *1997 Fall Report*, .12. We recommend the Treasury Board should record the General Revenue Fund's pension costs and liabilities in its financial statements.

Discussion? Is there a comment from the department?

Mr. Jones: — Madam Chair, the only comment I would offer is, this issue, I think, I believe has been around for some time and we've discussed it before, so if there's anything I can add I'd be pleased to.

The Chair: — Comments from members?

Mr. Shillington: — I again do not concur in this recommendation. The amount of the pension costs and liabilities are known, published, available. And the question here is whether or not we should . . . and as is the state of the General Revenue Fund, the GRF, and the question is whether or

not we should add up the two. I don't think that adds to the public's ability to understand it at all, with every deference to the Provincial Auditor.

If I owned a farm and I owned a restaurant, and the bank manager asked for some financial statements, I don't think he'd want me adding the two statements together. I don't think that would help him very much. I think he'd want separate statements on each business.

I regard this as kind of the same thing. It's not to deny that the pension liabilities are something this committee should concern itself with. We should and we will later in the week. But to add the two of them together seems to me does not make it easier for the public to understand what we're doing; it seems to me it makes it more confusing. And so I don't concur in this.

The information is readily available. I just don't think it helps to add the two of them together. I think that's less meaningful rather than more meaningful.

The Chair: — Further comments?

Mr. Goohsen: — First of all I want the name of Mr. Shillington's banker because mine's getting kind of grouchy about not giving him all the information, so maybe we could work something out.

The next question I have though is — if Mr. Shillington's statements are correct, that it's readily available then from the auditor — what do we gain by recording it twice and what would it cost to write down the figure from one set of papers to another?

Mr. Strelloff: — Madam Chair, members. Well we're recommending that the GRF record the pension costs and total liabilities. Now why?

Currently the budget that is presented to you is based on the General Revenue Fund and the cost of the activities that are financed out of the General Revenue Fund. So annually when the government presents its financial plan, part of that plan relates to the cost of employing teachers who are in the old pension plan and government employees who are in the old pension plan. So when those plan costs are brought forward to you, they're incomplete. Over the last many years as plans have been brought to you, a total pension cost of about \$3.5 billion has not been presented to you as part of the annual cost of doing business.

So as you make decisions on how best to allocate resources and how to finance future costs, that's an important part of the puzzle that hasn't been presented to you when you approve and debate the annual *Estimates* which are based on the General Revenue Fund. So in terms of making decisions, it's important.

As we say in paragraph .09, the total pension liabilities are 3.5 billion but the annual pension expense was \$102 million, which was not presented to you as part of the cost of what was being financed through the GRF. So it's an important part of the cost of doing business on part of the government.

As to the cost of recording it, I mean it would be very little. The

information is there and available to the government officials and it could be incorporated into the plan and financial results of the General Revenue Fund.

Mr. Thomson: — It seems to me we've debated this for several years now. What was our most recent conclusion on this issue?

The Chair: — There was a comment . . . we read it out to Mr. Shillington, but I can read it to you if you like. Okay.

Your committee notes that the government fully discloses its unfunded pension liability in the notes to the GRF financial statements and further that the unfunded pension liability is recorded in summary financial statements in accordance with the public sector accounting and auditing board recommendations and the government budgets and fully records its annual pension cash flow requirements in the GRF.

Mr. Thomson: — Is this statement still accurate?

A Member: — Yes.

Mr. Thomson: — I'd be inclined to support the same, restating our current position on this.

The Chair: — It's up to the committee to decide what they want to do with it.

Mr. Shillington: — Well, let me try a resolution . . .

The Chair: — I have Mr. Osika on.

Mr. Shillington: — Sorry.

Mr. Osika: — I guess, Madam Chair, just for my own edification, I would appreciate the officials explaining why they would not include this in the whole financial picture. It's obviously a debt which governments don't like to advertise that they have. I don't know what the explanation would be not to record it as part of the financial transactions of the province.

Mr. Jones: — Madam Chair, Mr. Osika, I'll give this answer with the greatest respect. The statements are the government's financial statements. They're not the statements of the Department of Finance and therefore the government tables them. It's really an issue of government policy.

But having said that, I want to stress — I believe the Provincial Auditor has just said that — this is not an issue of disclosure. The information is there. It's more an issue of how the government chooses to organize.

So again, I'm not trying to evade the question here, but I'm trying to make the point that this is essentially the government's prerogative, any government's prerogative, to organize its affairs and so forth, whether it's pensions or Crown corporations or not to have Crown corporations. And so it's an issue of how we record or how we organize.

Mr. Gantefer: — Question to the Provincial Auditor. As I read that section on page 195, .09, that in addition to the liabilities not being stated on the balance sheet, if you like, there

was in addition to that \$102 million of pension operational expenses that aren't recorded in the General Revenue Fund. Is that correct?

Mr. Strelieff: — That's correct. Remember when you don't record an expense and you don't . . . and pensions, the expense just accumulates because you haven't paid the cash out until people retire. Well I guess what I'm trying to say is that the annual expense accumulates into a liability. So the total of \$3.5 billion of liabilities were actually expenses that were not recorded during past years.

Mr. Gantefer: — So I believe that was for the fiscal year ending March 31, '97.

Mr. Strelieff: — Yes.

Mr. Gantefer: — If we just took that forward then, in fiscal year ending March 31, '98, we would have the 3.5 billion plus then the \$102 million would add onto the long-term liability and then in addition to whatever the 1998 amount would be. So that is the explanation of why the liability continues to grow?

Mr. Strelieff: — Yes.

Mr. Gantefer: — So it's going up. So if we had covered the current expense, the 102 million, then the outstanding liability would remain constant?

Mr. Strelieff: — If you would, yes.

Mr. Martens: — Well, the 102 million relates to the increase from '96 to '97 in the liability. It used to be 3.4. Now it's 3.5. And the difference is the amount that would've been expensed in the year, and it'll be a different amount every year. And so the 102 million does not appear in the estimates as an expense for the year.

Mr. Gantefer: — Now is your concern . . . You know it could be argued, I suppose, that if you put the 102 in with the General Revenue Fund, then the surplus was overstated by \$102 million if you'd covered that operational expense.

But by categorizing it as a separate cost centre, if you like, you then can just roll it forward into an increased liability rather than dealing with it on an operational sense of saying in the General Revenue Fund, which should record the current year's transactions. If you put the \$102 million in the General Revenue Fund — I don't know what it was, \$550 million surplus in 1997 or fiscal '97 — that it could be argued that that surplus was actually overstated by \$102 million if you combine them. Is that fair?

Mr. Martens: — Yes, that's our report.

Mr. Gantefer: — So part of the rationale of why you want it combined . . . We now have sort of three major cost centres: the Crowns, the pensions, and the General Revenue Fund. By combining the pension liability and operational expense in with the General Revenue Fund, at least you're down two cost centres or two main focuses of fiscal activity in the government — in the General Revenue Fund and the Crowns.

Mr. Strelloff: — Yes, Madam Chair. The unrecorded pension liability and then thus the unrecorded cost further complicates the understanding of how the finances of the province work. But also as we discussed earlier this morning, focusing on the General Revenue Fund, with these other kinds of funds like the Liquor and Gaming Authority or the unrecorded pension liabilities or Crown corporation activity further complicates it. And bringing it all together in one summary plan and one summary report, as far as I can see and most experts in my world say, is the better basis of making decisions and assessing results.

What we've gone through doesn't have to happen, in other words. Our discussion, it should have been, in my view, just right in the financial statements and be dealt with as the annual decision-making process of the government.

Now on the other side . . . No, I'll just go that way.

Mr. Gantefer: — I think the point can be made that this information is there somewhere, and I'm not suggesting that it isn't. I mean, it's looked at as a different cost centre and that argument goes on.

But I do think in terms of setting a standard of making the process as understandable as possible that the fewer things you exclude and make exceptions to, the easier it is to understand. If you want clarity for people, not only ourselves but also for citizens to understand it in one cost centre, is a lot easier than a multiple of cost centres that you can selectively choose to accentuate or ignore.

And it strikes me is that this is a most sensible thing to put it into one cost centre. You could say, well now in reality instead of talking about a \$500 million operational surplus in that fiscal year, it really only was a \$400 million surplus. And that would be more accurate in terms of the overall picture.

What we've chosen to do is to say our surplus is \$500 million but we add it to our liabilities on the pension side by a hundred million dollars. So you can selectively, you know, make those arguments. And I think that the fewer of those arguments that you can make, the better it is.

Mr. Thomson: — I want to make sure I understand this \$102 million. Is the auditor in fact saying then that the surplus of Saskatchewan — of the Saskatchewan budget — has been overstated by \$102 million?

Mr. Strelloff: — Madam Chair, members, in our auditor's report on the General Revenue Fund's financial statements, which shows the financial results as portrayed in the budget, we say in our auditor's report that the total . . . that the accumulated deficit would increase by \$3.5 billion if the pension liability was recorded and that the expenses would increase, and the surplus for the year would decrease by \$102 million if the full pension cost was recorded. So in our auditor's report we say that the General Revenue Fund's financial statements are misstated.

Mr. Thomson: — I'd be interested in knowing what the deputy's response is to that.

Mr. Jones: — Madam Chair, Mr. Thomson, I think the issue as I have explained it is one that the government . . . Well let me try and go through this.

First of all, the government fully pays all of its current pension costs and budget for them and they are paid, and this is not an issue that somehow there are currently costs that the government is not honouring and so forth. Within our four-year financial plan, we have budgeted for all of those cash payments. And so I want to make this very clear that those receiving pension benefits should not be alarmed at all about the issue of whether they're going to receive their pension benefits or not.

Point two, this is an issue, if you like, of how we write down in these books and so forth, what the bottom line is for different government organizations. With respect to the summary statements that we put together, in the summary statements the pension obligations of the government, both cash and change in unfunded liability and the overall unfunded liability, are recorded here.

In the General Revenue Fund the cash payments are included in the General Revenue Fund. What is not included is the unfunded liability as per the description the Provincial Auditor has just made. The reason for that, that is the government's choice as to how they organize things.

Now let me just step back for a second. The General Revenue Fund is more or less — there's been a few minor changes here and there — but the General Revenue Fund is essentially the same fund that this government of successive administrations has used over the many years I've been in the Department of Finance, and before that.

So the issue isn't one of change, if you like. The change has been to try and provide more information about this issue. So, Madam Chair, I don't know if I've answered the member's question, but I suppose that's how I . . .

Ms. Stanger: — So that 102 is reported in the General Revenue Fund expenses every year.

Mr. Thomson: — Well, if I can just conclude my comments. I find the argument persuasive that the budgeting and the accounting for meeting our current liabilities, our current commitments, are dealt with on an annual basis through the budget process. In fact I remember there's a separate vote, it seems to me, in terms of what our cost is to manage those pension obligations. In that regard, I feel that we have the opportunity already through estimates to have the debate about what those liabilities are, to have the debate about how we're managing them, and how we're meeting those needs.

I am inclined to support our previous position and I guess our current position as a public accounts committee on this issue. I am not sure that this change would really do anything to enhance what the process already is. And so as such I guess that's my position.

Mr. Osika: — Would it be detrimental to change it, Madam Chair?

Mr. Thomson: — That's probably a question we should ask.

The Chair: — Are you addressing it to the minister, deputy minister?

Mr. Osika: — Yes. Madam Chair, would it be detrimental to change? Would it raise some implications? Would it make it more complicated? We're kicking it around here and nobody seems to really understand what's happening. What more complicated . . .

Mr. Jones: — Madam Chair, Mr. Osika. Again, that question is really a policy issue — how the government will react and how they manage and so forth. But let me throw out a couple of hypothetical situations.

And these are more practicalities again, my personal viewpoints. First, I personally do not think it would be in the public's interest to introduce a new set of numbers at this point. Maybe at an appropriate time down the road that may be appropriate. I think, again from my personal point of view, the public have enough time dealing with the summary, the General Revenue Fund and so forth. So we should be careful about introducing a new sort of set of numbers, if I can use that.

Point two, in general what we are talking about here really boils down to the decision that previous governments, including this one, but previous governments over the last 71 years have seen fit not to fund or set aside monies for these pension obligations. In other words, as they were earned they would set aside a specific amount of money, and that has taken place over the last 71 years.

I would point out that in, I believe it was, in 1978 the government of the day did make an important change where it changed many of the public sector, public service pension funds to one of defined contribution from a defined benefit.

So in other words we went from, if you like, the money purchase program where the employee put a certain amount in, the employer put a certain amount in, and that was set aside and actually put into an investment fund and that was the employee's money, from one of saying, well when you retire there is a promise of a pension out there.

So in '78 that was a major change that began to cap or put a limit on this unfunded liability problem that had been brewing for many years.

Now we're into a situation, do we borrow \$3.5 billion — that's how we could fix this — borrow \$3.5 billion and set it aside in a separate fund, and that would address the funding issue. Well in terms of recording that, another separate issue is the accounting, the recording issue, the Provincial Auditor is concerned about. He says, well let's record this on your books as an expense of roughly a hundred million dollars a year. Now probably in 10 years or so it may go the other way, so that it could be, there could be a hundred million dollar gain, if you like, to the government — could flip over.

But we're really talking notional dollars here, not setting aside any money. That's one option. Another option just to record it so that if you . . . and really what, as the Provincial Auditor indicated really the issue is, the interest on that money is really what we're talking about each year. It's not operational if you

like, it's the interest on the money that we didn't set aside.

So if you do that, and at the same time say you're going to balance the budget, then does that mean there's less money for tax reduction, less money for health care, less money for education, and you can go through the list.

Having said that, I don't want to leave the impression that the government is not dealing with this issue. I think the issue of pensions and so forth is being dealt with. And as the Provincial Auditor has indicated a number of times, the overall financial situation of the province is improving. And I would suggest that that in itself should give us reason to believe that we're addressing all of the obligations of the government.

Now again my final point is we're talking here about singling out one particular entity, and that entity is the unfunded liability, and the unfunded liability is pensions. Yes, it's 3.5. But those aren't due, some for 30 years, 50 years down the road.

Now perhaps what we should do is maybe take that model and do it for highways, let's do it for the education system. And take all of those expenses that we can think of that are going to happen down the road, and put them into our budget this year.

A Member: — That's ridiculous.

Mr. Thomson: — But analogous, but it's analogous. Whether it's ridiculous or not, it's analogous.

The Chair: — Just a note to the members that we do have seven recommendations to go through. It doesn't really matter how long we sit here to me, but we'll go through them. Is there further comments?

We still have to decide how we're going to deal with this recommendation. The .12:

Treasury Board should record the General Revenue Fund's pension costs and liabilities in its financial statements.

Mr. Shillington: — I have a motion which I might move if the discussion has been . . .

The Chair: — Is there any other comments before a motion is brought forward? Okay.

Mr. Shillington: —

That this committee reiterate its comments in its report for the fall of 1996 wherein it was noted that the information is readily available and reported in summary financial statements.

I so move.

The Chair: — We have a motion brought forward by Mr. Shillington. Hands up for those who are in agreement with that motion. Those who are opposed. The motion is carried.

The next motion is on page 196, .15:

The Department should ensure its agencies provide their annual reports and financial statements to the Assembly by the date required by law.

Agreed? Does this mean that you are adopting this recommendation? Okay.

On 197, recommendation .24:

The Department should pay allowances to surviving spouses as required by the Act or seek changes to the Act to allow these payments.

If there's any comments by department officials or if any members have any questions?

Mr. Smith: — Madam Chair, I think that we've agreed that we have to seek changes to the legislation. I think that when you disagree with the Provincial Auditor that what we're doing today is wrong. I think the legislation is ambiguous, and I agree that we have to seek a change in the legislation.

The Chair: — Well then you're agreeing . . . concurring? Okay, 198, the recommendation .30:

The Department should seek changes to the law to provide direction for the handling of profits or losses from annuity underwriting.

Comments from department officials or from members?

Mr. Smith: — Madam Chair, we agree the legislation is again silent and needs to be clarified and seek changes through legislation.

A Member: — We agree.

The Chair: — Page 200, recommendation .40:

The Department should follow its established rules and procedures for paying claims.

We concur? Okay. And recommendation .45:

The Department should prepare and approve a budget for the Fund before the fiscal year begins.

Comments?

A Member: — Yes, I concur.

The Chair: —

The Fund's annual financial statements should present a comparison of actual results with planned results.

Comments?

Mr. Shillington: — I'd like to hear a comment on this from Mike.

Mr. Smith: — Madam Chair, I guess we concur. There should be a budget or a plan in the financial statements for the dental

plan. It's going to be very difficult for us to estimate how often people are going to go to the dentist, including yourselves, over the next year. I think that we can guarantee that the budget will be based on a trend line. It will probably be wrong because we don't know what you are going to do in terms of consumers, but we can project on the basis of a trend line what will happen.

The Chair: — I note that .47:

(The) Management told us the department will now prepare an annual budget for comparison and review. Also, they will include this budget in the Fund's financial statements.

Concur?

A Member: — Concur.

The Chair: — Is there any further comments from any members?

I'd like to thank the officials. I appreciate your time, and your interest and help, and look forward to seeing you again.

Mr. Jones: — Thank you, Madam Chair, and all members of the committee.

The Chair: — We need a motion to adjourn. Agreed? Is anybody not agreed with adjourning?

The committee adjourned at 4:50 p.m.