

STANDING COMMITTEE ON PUBLIC ACCOUNTS

March 13, 2001

MINUTE NO. 11

9:00 a.m. - Room 10

1. **PRESENT:** Mr. Krawetz in the Chair and Members Draude*, Harper*, Higgins, Kasperski*, Kwiatkowski, Stewart, Wakefield, Wartman and Yates*.

Substituting Members

Ms. Draude substituting for Mr. Gantefer

Mr. Harper substituting for Ms. Jones

Mr. Kasperski substituting for Mr. Trew

Mr. Yates substituting for Ms. Lorjé

Provincial Auditor's Office

Fred Wendel, Acting Provincial Auditor

Brian Atkinson, Acting Assistant Provincial Auditor

Mike Heffernan, Executive Director

Ed Montgomery, Executive Director

Rod Grabarczyk, Principal

Jane Knox, Principal

Andrew Martens, Principal

Kelly Deis, Acting Principal

Rodd Jersak, Manager

Leslie Wendel, Manager

Kami Lahti, Acting Manager

Charlene Paul, Auditor

Provincial Comptroller's Office

Terry Paton, Provincial Comptroller

Chris Bayda, Executive Director, Financial Management Branch

Jane Borland, Manager

Lori Taylor, Manager

Tamara Stocker, Analyst

2. With the appointment of the Vice-chair, Ms. Lorjé, to cabinet, it was agreed that Mr. Wartman would serve as Acting Vice-chair in her absence.
3. The Committee proceeded to consider Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* and Chapter 11 (Finance) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. Mr. Montgomery of the Office of the Provincial Auditor provided an overview of the chapter.

The following Department of Finance officials appeared before the Committee and answered questions:

Witnesses

Paul Boothe, Deputy Minister

Brian Smith, Executive Director, Public Employees Benefits Agency

Dennis Polowyk, Assistant Deputy Minister, Treasury and Debt Management Division

Naomi Mellor, Executive Director, Budget Analysis Division

4. The Committee disagreed with recommendation 8-1 made at page 233 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)*, that the Department of Finance properly account for pension costs in the General Revenue Fund financial statements. The Committee noted that there are other “proper” methods of accounting in addition to the standards of the Canadian Institute of Chartered Accountants advocated by the Office of the Provincial Auditor and that the Department was accounting for the pension costs in accordance with these other standards.
5. The Committee next considered recommendation 8-2 made at page 234 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)*. It was moved by Mr. Wartman that:

In consideration of the recommendation, PAC notes that the Department of Finance has accounted for the Agricultural Income Disaster Assistance (AIDA) program in accordance with accounting rules that governments follow. PAC also notes that this issue will no longer exist in the 2000-2001 financial statements.

The question being put and a debate arising, the motion was agreed to.

6. The Committee disagreed with recommendation 8-3 made at page 235 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that the Department of Finance include the GRF's total pension costs for the year in the Estimates.
7. The Committee recessed from 10:30 a.m. until 11:12 a.m.
8. In light of the current discussion regarding pensions, it was agreed that the Committee would proceed to hear the presentation on pensions of Mr. Booth, Deputy Minister of the Department of Finance, which was scheduled for later this day.

Mr. Booth tabled the following document during the course of his presentation:

PAC 12/24 – Department of Finance: Report on Addressing Unfunded Pension Liabilities, dated March 12, 2001

The Department of Finance officials then answered questions from Committee Members.

9. The Committee recessed from 11:51 a.m. until 1:30 p.m.
10. The Committee concurred with recommendation 8-4 made at page 235 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that the Department should report important accountability information about its performance. The Committee noted that the Department has complied with the recommendation.
11. The Committee disagreed with recommendation 8-5 made at page 236 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that the Government should table SaskPen's and SP Two's financial statements in the Legislative Assembly. The Committee noted that it had previously considered this recommendation and, on the advice received at the time, had decided to consider the matter closed in its Second Report of the 23rd Legislature.
12. The Committee disagreed with recommendation 8-6 made at page 237 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that SaskPen and SP Two allow the Office of the Provincial Auditor to audit their accounts.

13. The Committee concurred with recommendation 8-7 made at page 240 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that the Department should pay allowances to surviving spouses as required by *The Members of the Legislative Assembly Superannuation Act, 1979* or seek changes to Act to allow for these payments.
14. The Committee concurred with recommendation 8-8 made at page 240 of Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* that the Department should seek changes to the law to provide direction for the handling of profits or losses from underwriting annuities.
15. The Committee noted that the recommendations contained in Chapter 11 of the *Fall 2000 Report of the Provincial Auditor (Volume 3)* were a repetition of those contained in Chapter 8 (Finance) of the *Fall 1999 Report of the Provincial Auditor (Volume 2)* and would not be addressed.
16. The Committee proceeded to consider Chapter 1 (Improving Accountability for Results) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. Ms. Knox of the Office of the Provincial Auditor provided an overview of the chapter.
17. The Committee next proceeded to consider Chapter 1 (Towards a Better Public Accountability System) of the *Spring 2000 Report of the Provincial Auditor*. Mr. Heffernan of the Office of the Provincial Auditor provided an overview of the chapter.
18. Mr. Boothe provided an overview of the Department of Finance's position on these chapters. The officials from the Department of Finance and the Provincial Auditor's Office then answered questions.
19. The Committee disagreed with recommendation 1-1 made at page 8 of Chapter 1 (Towards a Better Public Accountability System) of the *Spring 2000 Report of the Provincial Auditor* that the Government propose to the Assembly legislation establishing a sound public accountability system that includes:
 - agreed upon plans for the Government as a whole, for key sectors and for individual agencies that are clear as to responsibilities, authority, performance expectations, and resources needed,
 - reliable and timely reports on performance for the Government as a whole, for key sectors and for individual agencies, and,
 - reasonable reviews of performance by committees of the Assembly.
20. The Committee proceeded to consider Chapter 1A (Challenges to moving to accountability for results) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. Mr. Heffernan of the Office of the Provincial Auditor provided an overview of the chapter.

The officials of the Department of Finance noted earlier answered questions.

21. The Committee disagreed with recommendation 1A-1 made at page 14 of Chapter 1A (Challenges to moving to accountability for results) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)* that the Government propose to the Assembly legislation establishing a sound public accountability system that requires:
 - agreed-upon plans for the Government as a whole, for key sectors and for individual agencies that are clear as to responsibilities, authorities, performance expectations, and resources needed;

- reliable and timely reports on performance for the Government as a whole, for key sectors and for individual agencies; and
- reasonable reviews of performance by committees of the Assembly.

22. The Committee next considered recommendation 1A-2 made at page 16 of Chapter 1A (Challenges to moving to accountability for results) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. It was moved by Mr. Wartman:

In consideration of the recommendation, the information presented is received by PAC and PAC notes the progress achieved thus far between the Department of Finance and the implementation of the recommendation contained in the Auditor's Report.

The question being put and a debate arising, the motion was agreed to.

23. The Committee disagreed with recommendation 1A-3 made at page 23 of Chapter 1A (Challenges to moving to accountability for results) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)* that until current legislation is changed, we recommend that the Assembly consider amending its rules to automatically refer all annual reports it receives to its standing committees for review.
24. The Committee proceeded to consider Chapter 1B (Elements of sound public plans) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. Mr. Heffernan of the Office of the Provincial Auditor provided an overview of the chapter.

The officials of the Department of Finance noted earlier answered questions.

25. The Committee next considered recommendation 1B-1 made at page 37 of Chapter 1B (Elements of sound public plans) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)* that each year, the Government should give to the Legislative Assembly public plans for the Government as a whole, for key sectors of government, and for individual agencies containing useful information on:
- legal mandate (including responsibilities and authorities);
 - overall direction and key risks;
 - strategies to achieve the overall direction;
 - resources required to carry out strategies; and
 - key targets and performance measures.

Mr. Kwiatkowski moved:

That the recommendation be concurred in.

The question being put and a debate arising, the motion was defeated. It was then moved by Mr. Wartman:

That the recommendation not be concurred in.

The question being put and a debate arising, the motion was agreed to.

26. The Committee proceeded to consider Chapter 1D (Government sector financial statements) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)*. Mr. Martens of the Office of the Provincial Auditor provided an overview of the chapter.

The officials of the Department of Finance noted earlier answered questions.

27. The Committee next considered recommendation 1D-1 made at page 65 of Chapter 1D (Elements of sound public plans) of the *Fall 2000 Report of the Provincial Auditor (Volume 3)* that the Government study the merits of preparing government sector financial statements. It was moved by Ms. Draude:

That the recommendation be concurred in.

The question being put and a debate arising, the motion was defeated.

It was then moved by Mr. Wartman:

In consideration of the recommendation, PAC notes that the Province currently provides financial accountability to the public through the Estimates, Public Accounts and the Mid-Year Report.

The Province recently completed a study regarding performance management and accountability reporting. Based on the results and recommendations of this study, an accountability project has been established to make improvements to accountability and performance management. The project team is currently working with government departments to develop goals, objectives and achievement targets of the Provincial Government departments.

PAC also notes the Public Sector Accounting Board (PSAB) may report on this issue.

The question being put and a debate arising, the motion was agreed to.

28. The Committee recessed from 3:28 p.m. until 3:46 p.m.
29. The Committee resumed consideration of Chapter 12 (Pensions) of the *Spring 1999 Report of the Provincial Auditor (Volume 3)* and Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*. Mr. Deis of the Office of the Provincial Auditor provided an overview of the chapter.

The following Department of Finance officials appeared before the Committee and answered questions:

Witnesses

Paul Boothe, Deputy Minister

Brian Smith, Executive Director, Public Employees Benefits Agency

Dennis Polowyk, Assistant Deputy Minister, Treasury and Debt Management Division

Naomi Mellor, Executive Director, Budget Analysis Division

Kathy Strutt, General Manager, Saskatchewan Pension Plan

Jeff Stepan, James P. Marshall pension consulting firm.

30. The Committee noted that the recommendations contained in Chapter 12 of the *Spring 1999 Report (Volume 3)* were repeated in Chapter 8 of the *Spring 2000 Report*. It was then agreed that the Committee would consider the recommendations contained in Chapter 8 only.

31. The Committee concurred with recommendation 8-1 made at page 119 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that all pension plans should document their process for selecting investment managers.
32. The Committee concurred with recommendation 8-2 made at page 127 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that the Saskatchewan Pension Plan's *statement of investment objectives* should clearly set out and state the risk level acceptable to its plan members and the Government; and that the pension plan's investment objectives should be based on the risk level acceptable to plan members and the Government.
33. The Committee disagreed with recommendation 8-3 made at page 127 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that the Government should ensure the Saskatchewan Pension Plan allocates all investment earnings to its members.
34. The Committee next considered recommendation 8-4 made at page 128 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*. It was moved by Mr. Yates that:

PAC agrees in principle with the recommendation and notes that the Government should work towards the adoption of consistent estimates of inflation by all Government pension plans.

The question being put and a debate arising, the motion was agreed to.

35. The Committee disagreed with recommendation 8-5 made at page 129 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that the Government should establish a task force to study the many issues related to pension plans.
36. The Committee concurred with recommendation 8-6 made at page 131 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that the Department of Finance provide a report to the Standing Committee on Public Accounts showing how the Government plans to address its future cash requirements for the pensions promised. The Committee noted that the Department has complied with this recommendation.
37. The Committee concurred with recommendation 8-7 made at page 133 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*, that pension plans verify investment managers' compliance reports.
38. The Committee next considered recommendation 8-8 made at page 135 of Chapter 8 (Pensions) of the *Spring 2000 Report of the Provincial Auditor*. It was moved by Mr. Harper that:

PAC concurs in the recommendation 8-8.

The question being put and a debate arising, the motion was defeated. It was then moved by Mr. Yates that:

PAC notes that there is no accounting requirement to include this information in pension plan financial statements to the exclusion of other reporting mechanisms.

The question being put and a debate arising, the motion was agreed to.

39. The Committee adjourned at 4:51 p.m. until Wednesday, March 14, 2001 at 9:00 a.m.

Margaret A. Woods
Committee Clerk

Ken Krawetz
Committee Chair