

STANDING COMMITTEE ON PUBLIC ACCOUNTS

June 20, 2005

MINUTE NO. 23

10:00 a.m. - Room 8

1. **PRESENT:** Mr. Hermanson in the Chair and Members Borgerson, Cheveldayoff, Hagel, Hart*, Krawetz, Trew and Yates.

Substituting Member:

Mr. Hart for Mr. Krawetz (for consideration of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)*)

Mr. Hart for Mr. Cheveldayoff (for consideration of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)*)

Provincial Auditor's Office

Fred Wendel, Provincial Auditor

Bashar Ahmad, Deputy Provincial Auditor

Mike Heffernan, Deputy Provincial Auditor

Rod Grabarczyk, Principal

Andrew Martens, Principal

Carolyn O'Quinn, Principal

Kim Lowe, Manager

Angela Thorson, Manager

Provincial Comptroller's Office

Terry Paton, Provincial Comptroller

Chris Bayda, Executive Director, Financial Management Branch

2. The following documents were tabled:

PAC 20/25 – Department of Industry and Resources: Response to questions raised at the April 26, 2005 meeting of the committee, re: Agency Commission on Advertising, and Evaluation of Campaign Effectiveness, dated May 5, 2005.

PAC 21/25 – Department of Culture, Youth and Recreation: Response to questions raised at the May 10, 2005 meeting of the committee, re: film projects per year and average tax credit per project, dated May 25, 2005.

3. The committee considered its agenda. It was moved by Mr. Borgerson:

That chapter 17 of the 2004 Report of the Provincial Auditor (Volume 3) be withdrawn from the agenda and that the committee recommend that it be referred to the Board of Internal Economy.

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

4. The chair advised the committee that he had received a letter from Brenda Bakken-Lackey regarding a request she had made to the Provincial Auditor to conduct an investigation into the public money spent by the Saskatchewan Liquor and Gaming Authority on its mega bingo program, which ran from February 2000 until June 2001. A copy of the letter was tabled:

PAC 22/25 – Standing Committee on Public Accounts: Correspondence to Mr. Elwin Hermanson, Chair, from Ms. Brenda Bakken-Lackey, re: Request for the Provincial Auditor to investigate SLGA's mega bingo program, dated May 18, 2005.

A discussion ensued and it was agreed to defer a decision on this matter.

5. The committee proceeded to consider Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)*. Mr. Ahmad of the Office of the Provincial Auditor provided an overview of the chapter.

The following Department of Environment officials appeared before the committee and answered questions:

Witnesses

Lily Stonehouse, Deputy Minister

Donna Johnson, Director, Finance and Administration Branch, Corporate Services Division

Michele Arscott, Manager, Financial Management Section, Finance and Administration Branch,
Corporate Services Division

Hugh Hunt, Executive Director, Resource Stewardship Branch, Resource and Environmental
Stewardship Division

6. The following documents were tabled:

PAC 23/25 – Department of Justice: Correspondence from Doug Moen, Deputy Minister of Justice to Lon Borgerson, Deputy Chair, re: PAC review of chapters dealing with financial irregularities within the Departments of Environment and Community Resources and Employment under investigation by the RCMP, dated June 17, 2005.

PAC 24/25 – Department of Environment: Internal Audit Report and Recommendations, dated June 7, 2005.

7. The committee recessed from 11:53 a.m. until 1:00 p.m.
8. The committee concurred with recommendation 7-1 made at page 96 of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Environment should properly segregate the duties of the employees responsible for collection, receipt, disbursement, or expenditure of public money. The committee noted that the Department of Environment is making progress towards complying with the recommendation.
9. The committee concurred with recommendation 7-2 made at page 97 of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Environment should clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies. The committee noted that the Department of Environment is making progress towards complying with the recommendation.

10. The committee concurred with recommendation 7-3 made at page 97 of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Environment should train its employees to help establish a culture of fraud awareness. The committee noted that the Department of Environment is making progress towards complying with the recommendation.
11. The committee concurred with recommendation 7-4 made at page 101 of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Environment should assess if the Government's standard blanket fidelity bond (insurance) coverage reduces its risks of loss to an acceptable level. The committee noted that the Department of Environment is making progress towards complying with the recommendation.
12. The committee concurred with recommendation 7-5 made at page 101 of Chapter 7 (Environment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Environment should assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks). The committee noted that the Department of Environment is making progress towards complying with the recommendation.
13. The committee recessed from 1:22 p.m. until 1:30 p.m.
14. The committee proceeded to consider Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* and Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)*. Mr. Heffernan of the Office of the Provincial Auditor provided an overview of the chapters.

The following Department of Community Resources and Employment officials appeared before the committee and answered questions:

Witnesses

Wynne Young, Deputy Minister
Darrell Jones, Assistant Deputy Minister, Housing and Central Administration
Don Allen, Executive Director, Finance and Property Management Division
Marilyn Hedlund, Executive Director, Child and Family Services Division
Gord Tweed, Associate Executive Director, Operations and Delivery Support, Employment and Income Assistance

15. The committee concurred with recommendation 4-2 made at page 145 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should select additional performance measures that directly assess its progress in moving people from welfare to work. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
16. The committee concurred with recommendation 4-3 made at page 145 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should establish baseline results and targets for each measure. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.

17. The committee concurred with recommendation 4-4 made at page 145 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
18. The committee concurred with recommendation 4-5 made at page 147 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
19. The committee concurred with recommendation 4-6 made at page 148 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
20. The committee concurred with recommendation 4-7 made at page 149 of Chapter 4 (Community Resources and Employment) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Community Resources and Employment should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
21. The committee concurred with recommendation 6-1 made at page 79 of Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Community Resources and Employment should establish adequate security processes for its information systems that adequately segregate employees' duties to initiate, revise and approve payments. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
22. The committee concurred with recommendation 6-2 made at page 81 of Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Community Resources and Employment should clearly communicate to its employees the importance of its processes to safeguard public resources and ensure employees understand the intent of the processes. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
23. The committee concurred with recommendation 6-3 made at page 881 of Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Community Resources and Employment should train its employees to help establish a culture of fraud awareness. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.

24. The committee concurred with recommendation 6-4 made at page 84 of Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Community Resources and Employment should assess if the standard blanket fidelity bond (insurance) coverage reduces its risk of loss of public money to an acceptable level. The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
25. The committee concurred with recommendation 6-5 made at page 85 of Chapter 6 (Community Resources and Employment) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Department of Community Resources and Employment should assess the risk of loss of public money by employees in positions of trust (i.e. responsible for the collection, receipt, disbursement or expenditure of public money) and reduce the risk of an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks). The committee noted that the Department of Community Resources and Employment is making progress towards complying with the recommendation.
26. The committee recessed from 3:26 p.m. until 3:50 p.m.
27. The committee proceeded to consider Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)*. Mr. Grabarczyk of the Office of the Provincial Auditor provided an overview of the chapter.

The following Departments of Agriculture and Food officials appeared before the committee and answered questions:

Witnesses

Doug Matthies, Deputy Minister
Jack Zepp, Acting Assistant Deputy Minister
Stan Benjamin, General Manager, Saskatchewan Crop Insurance Corporation
Wilf Pyle, Manager, Crown Lands Services, Lands Branch
Maury Harvey, Senior Policy Analyst, Strategic Planning Unit, Policy Branch
Dave Boehm, Director, Financial Programs Branch
Karen Aulie, Director, Corporate Services Branch

28. The committee concurred with recommendation 13-1 made at page 272 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should set out the financial, operational, and compliance reports it needs to monitor the Saskatchewan Agricultural Stabilization Fund. The committee noted that the Department of Agriculture and Food is making progress towards complying with the recommendation.
29. The committee concurred with recommendation 13-2 made at page 273 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Board of Directors of Saskatchewan Crop Insurance Corporation should approve a work plan for its internal auditor based on a risk assessment of the Corporation's activities. The committee noted that the Saskatchewan Crop Insurance Corporation is making progress towards complying with the recommendation.

30. The committee concurred with recommendation 13-3 made at page 275 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should prepare a detailed budget for the Pastures Revolving Fund to support the estimates information before sending it to Treasury Board for approval. The committee noted that the Department of Agriculture and Food is making progress towards complying with the recommendation.
31. The committee concurred with recommendation 13-4 made at page 277 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should prepare the Pastures Revolving Fund's financial statements in accordance with Canadian generally accepted accounting principles. The committee noted that the Department of Agriculture and Food is making progress towards complying with the recommendation.
32. The committee concurred with recommendation 13-5 made at page 277 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should include guidance for financial reporting in the Pastures Revolving Fund's Policies and Procedures Manual. The committee noted that the Department of Agriculture and Food is making progress towards complying with the recommendation.
33. The committee concurred with recommendation 13-6 made at page 278 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should comply with *The Pastures Regulations* for the payment of outstanding pasture fees. The committee noted that the Department of Agriculture and Food has complied with the recommendation.
34. The committee concurred with recommendation 13-7 made at page 279 of Chapter 13 (Agriculture, Food and Rural Revitalization) of the *2004 Report of the Provincial Auditor (Volume 3)* that the Department of Agriculture and Food should establish rules and procedures to know whether the money it gives to research centres is safeguarded and used for authorized purposes. The committee noted that the Department of Agriculture and Food is making progress towards complying with the recommendation.
35. The committee adjourned at 4:52 p.m. until 9:00 a.m. on Tuesday, June 21st, 2005.

Margaret A. Woods
Committee Clerk

Elwin Hermanson
Committee Chair