

STANDING COMMITTEE ON PUBLIC ACCOUNTS

October 8, 1998

MINUTE NO. 38

9:00 a.m. — Room 10

1. **PRESENT:** Ms. Draude in the Chair and Members, Gantefer, Goochsen, Jess, Koenker, Osika, Shillington, Stanger, Thomson.

Provincial Auditor's Office

Wayne Strelloff, Provincial Auditor
Fred Wendel, Assistant Provincial Auditor
Mike Heffernan, Executive Director
Bob Black, Principal
Rod Grabarczyk, Principal
Dale Markewich, Principal
Karim Pradham, Principal
Corrine Maier, Manager
Dawn Watkins, Administrative Assistant
Amy Kinvig, Auditor
Mark Oldershaw, Auditor

Provincial Comptroller's Office

Terry Paton, Provincial Comptroller
Chris Bayda, Director, Financial Management Branch
Erich Finkeldey, Senior Analyst, Financial Management Branch
Jeannette Lowe, Senior Analyst, Financial Management Branch
Cindy Ogilvie, Senior Analyst, Financial Management Branch
Cindy Raedeke, Analyst, Financial Management Branch
Dan Dufour, Analyst, Financial Management Branch
Jane Borland, Manager, Financial Management Branch

2. The Committee proceeded to consider Chapter 10 (Saskatchewan Research Council) of the *Fall 1997 Report of the Provincial Auditor (Volume 2)*. Ms. Maier of the Office of the Provincial Auditor provided an overview of the chapter.

The following Saskatchewan Research Council (SRC) officials appeared before the Committee and answered questions:

Witnesses

Jim Hutchinson, President & CEO
Crystal Smudy, Chief Financial Officer

3. The Committee concurred with the recommendation made at paragraph 10.13, concerning continuation of the Saskatchewan Research Council (SRC) strategic planning process. The Committee noted that SRC is making progress towards compliance with the recommendation.

4. The Committee concurred with the recommendation made at paragraph 10.17, concerning the need for a comparison of planned results to actual results for the same time period. The Committee noted that SRC has complied with the recommendation.
5. The Committee concurred with the recommendation made at paragraph 10.19, concerning the need for SRC financial reports to the Board to show its financial position. The Committee noted that SRC has complied with the recommendation.
6. The Committee concurred with the recommendation made at paragraph 10.28, that the SRC should prepare a complete written contingency plan based on risk analysis, and test the plan, for its IT systems. The Committee noted that SRC is making progress towards compliance with the recommendation, especially with respect to the Year 2000 problem.
7. The Committee concurred with the recommendation made at paragraph 10.36, that the SRC should prepare and follow adequate written policies for computer system development. The Committee noted that SRC has complied with the recommendation.
8. The Committee recessed at 10:03 a.m. until 10:30 a.m.
9. The Committee proceeded to consider Chapter 21 (Department of Justice) of the *Fall 1997 Report of the Provincial Auditor (Volume 2)* and Chapter 11 (Department of Justice) of the *Spring 1998 Report of the Provincial Auditor*. Mr. Markewich of the Office of the Provincial Auditor provided an overview of the chapters.

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

Witnesses

John D. Whyte, Deputy Minister and Deputy Attorney General
Keith Laxdal, Associate Deputy minister, Finance & Administration
Ron Hewitt, Q.C., Assistant Deputy Minister, Registry Services
Don Head, Executive Director, Corrections
John Baker, Executive Director, Law Enforcement Services
Ron Kruzeniski, Q.C., Public Trustee
Marilyn Lustig-McEwen, Queen's Printer
Elizabeth Smith, Director, Administrative Services
Stella LaRocque, Assistant Director, Administrative Services

10. The Committee concurred with the recommendation made at paragraph 11.14, that the Correctional Facilities Industries Revolving Fund should include a comparison between planned and actual results in its quarterly financial reports. The Committee noted that the Department of Justice has complied with this recommendation.
11. The Committee concurred with the recommendation made at paragraph 11.22, that the Department of Justice should follow established rules and procedures for monitoring the costs of large contracts made through the Correctional Facilities Industries Revolving Fund. The Committee noted that the department has complied with this recommendation.

12. The Committee concurred with the recommendation made at paragraph 11.29, that the Department of Justice should document and consistently apply its rules and procedures to ensure all estimates and customer quotes for large contracts made through the Correctional Facilities Industries Revolving Fund are reviewed and approved by a second person. The Committee noted that the department has complied with this recommendation.
13. The Committee concurred with the recommendation made at paragraph 11.36, that the Public Trustee replace its computer system as soon as possible. The Committee noted that the department is making progress towards compliance with this recommendation.
14. The Committee concurred with the recommendation made at paragraph 11.43, that the Public Trustee should ensure that all staff regularly change their computer passwords. The Committee noted that the Public Trustee has complied with this recommendation.
15. The Committee concurred with the recommendation made at paragraph 11.49, that the Public Trustee should train staff so they understand and properly account for investments. The Committee noted that the Public Trustee has complied with this recommendation.
16. The Committee concurred with the recommendation made at paragraph 21.13, that the Department of Justice should continue to improve its internal financial reports to senior management. The Committee noted that the department has implemented new systems, which satisfies this recommendation.
17. The Committee concurred with the recommendations made at paragraph 21.21, 21.22 and 21.23, that the Department of Justice needs approved security policies and procedures for its Information Technology systems. The Committee noted that the department has taken steps to comply with these recommendations.
18. The Committee concurred with the recommendations made at paragraph 21.28 and 21.29, that the Department of Justice needs a written, tested and approved contingency plan for its Information Technology systems. The Committee noted that the department has complied with these recommendations.
19. The Committee concurred with the recommendation made at paragraph 21.36, that the Department of Justice should make timely claims to the Government of Canada for money due to it under the firearms financial agreement with Canada. The Committee noted that the department has complied with this recommendation.
20. The Committee concurred with the recommendation made at paragraph 21.41, that the Department of Justice should ensure it receives financial statements showing the disposition of program funds from all the First Nations Communities, as required by its community police service agreements. The Committee noted that the department has complied with this recommendation.
21. The Committee concurred with the recommendation made at paragraph 21.51, that the Department of Justice should improve the Queen's Printer Revolving Fund internal reports. The Committee noted that the Queen's Printer has complied with the various recommendations for improvement.

22. The Committee concurred with the recommendation made at paragraph 21.58, that the Department of Justice should maintain and review the Queen's Printer special order record to ensure it bills all completed orders. The Committee noted that the Queen's Printer has taken steps in order to comply with this recommendation.
23. The Committee concurred with the recommendation made at paragraph 21.61, that the Department of Justice should ensure that the Queen's Printer follow established policies and procedures to follow up and collect overdue accounts. The Committee noted that the Queen's Printer has complied with the recommendation.
24. The Committee concurred with the recommendation made at paragraph 21.64, that the Department of Justice should ensure that the Queen's Printer improve its system for checking prices charged for special orders. The Committee noted that the Queen's Printer has complied with this recommendation.
25. The Committee recessed at 12:15 p.m. until 1:30 p.m.
26. The Committee proceeded to consider Chapter 22 (Department of Social Services) of the *Fall 1997 Report of the Provincial Auditor (Volume 2)*. Mr. Heffernan of the Office of the Provincial Auditor provided an overview of the chapter.

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

Witnesses

Glenda Yeates, Deputy Minister
Bob Wihlidal, Executive Director, Financial Management Division
Marilyn Hedlund, Associate Executive Director, Income Support

27. The Committee concurred with the recommendation made at paragraph 22.24, that the Department of Social Services should promptly reconcile its bank account. The Committee noted that the department has complied with this recommendation.
28. The Committee concurred with the recommendation made at paragraph 22.48, that the Department of Social Services should include in its report to the Assembly a description how it manages the key issues it faces. The Committee noted that the department has made progress towards compliance with this recommendation.
29. In consideration of the recommendation made at paragraph 22.49, that the Department of Social Services should provide a summary of its financial and operational plans, performance targets, and actual results in its annual report, it was moved by Mr. Koenker:

That keeping in mind the difficulty in establishing measurable performance targets for Social Services within the framework of a single year, as noted by both the Auditor's office and the Department of Social Services, the Committee concurs and notes progress.

The question being put, the motion was agreed to.

30. The Committee discussed dates for its next series of meetings. It was agreed that meetings would be held the week of November 23rd through November 26th, 1998 and further meetings tentatively scheduled January 4th through January 8th, 1999.
31. The Committee recessed at 3:00 p.m. until 3:20 p.m.
32. The Committee proceeded to consider Chapter 10 (Department of Finance ~ Pensions) of the *Spring 1998 Report of the Provincial Auditor*. Mr. Grabarczyk 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

W. Davern Jones, Deputy Minister

Brian Smith, Executive Director, Public Employees Benefits Agency

Terry Paton, Provincial Comptroller

Chris Bayda, Director, Financial Management Branch, Comptroller's Division

Kathy Strutt, General Manager, Saskatchewan Pension Plan

33. The Committee concurred with the recommendation made at paragraph 10.29, that the statements of investment objectives for pension plans include a clear assessment of the risk level acceptable to plan members and the government, and secondly, that pension plan investment objectives should be based on the risk level acceptable to plan members and the government. The Committee noted that the department intends to comply so far as it is possible in a world which is increasingly difficult to assess investment risk.
34. The Committee concurred with the recommendation made at paragraph 10.40, that the government should table all of its pension plan annual reports in the Legislative Assembly. The Committee noted that all but four are presently tabled and recommends that the government look at what measures could be taken to ensure complete compliance.
35. The Committee concurred with the recommendation made at paragraph 10.63, that the government should continue to improve the content of pension plan annual reports. The Committee noted that progress is being made to comply with the Auditor's recommendations.
36. The Committee concurred with the recommendation made at paragraph 10.67, that the government study and decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. The Committee noted that the government is working towards compliance with this recommendation.
37. The Committee disagreed with the recommendation made at paragraph 10.78, that the Saskatchewan Pension Plan investment earnings allocation policy should be consistent with other defined contribution pensions plans. The Committee noted that the Saskatchewan Pension Plan contributions aren't compulsory and it's not based on an employee-employer relationship. For this reason the Committee found no reason for it to be consistent with other plans.

38. The Committee concurred with the recommendation made at paragraph 10.86, that the government should ensure that the Saskatchewan Telecommunications Superannuation Plan use an estimate for COLA (cost of living adjustment) increases which is consistent with the other defined benefit pension plans. The Committee noted that SaskTel will be establishing COLA increases so this has made the recommendation redundant.
39. The Committee concurred with the recommendation made at paragraph 10.92, that the government's defined benefit pension plans with unfunded liabilities should show future cash flow information in their financial statements. The Committee noted that the government is working towards compliance with this recommendation.
40. The Committee concurred with the recommendation made at paragraph 10.67, that the government study and decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. The Committee noted that the government is working towards compliance with this recommendation.
41. In consideration of the recommendation made at paragraph 10.99, that the government should establish a task force to study the many issues related to pension plans, it was moved by Mr. Shillington:

That the Public Accounts Committee does not concur with the Auditor's recommendation, but requests the Department of Finance return to the Committee during the 1st Session of the next Legislature with a report as to how the government plans to address its pension obligations.

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

The Committee noted that this position effectively supersedes Recommendation 11 of its First Report, made during the first session of the present Legislature.

42. It was moved by Mr. Gantefer:

That this committee do now adjourn.

The question being put, the motion was agreed to.

43. The Committee adjourned at 4:25 p.m. to the call of the chair.