

# STANDING COMMITTEE ON PUBLIC ACCOUNTS

January 4<sup>th</sup>, 1999

MINUTE NO. 43

12:00 p.m. — Room 10

1. **PRESENT:** Ms. Draude in the Chair and Members, Gantefoer, Hillson, Koenker, Shillington, Stanger and Whitmore.

## Provincial Auditor's Office

Wayne Strelloff, Provincial Auditor  
Fred Wendel, Assistant Provincial Auditor  
Ed Montgomery, Executive Director  
Brian Atkinson, Executive Director  
Bob Black, Principal  
Dale Markewich, Principal  
Corrine Rybchuk, Manager  
John Kodas, Auditor

## Provincial Comptroller's Office

Terry Paton, Provincial Comptroller  
Chris Bayda, Director, Financial Management Branch  
Jim Fallows, Manager, Financial Management Branch  
Lorie Taylor, Manager, Financial Management Branch  
Dan Dufour, Analyst, Financial Management Branch

2. The following documents were received since the last meeting of the committee and tabled:

**PAC 42/23 – Department of Agriculture:** Written response to questions raised at the November 24<sup>th</sup>, 1998 meeting. (distributed to committee Members on December 11<sup>th</sup>, 1998)

**PAC 43/23 – Mr. Jack Goohsen:** Surface Rights Board of Arbitration Hearing 1552, between Dome Petroleum Ltd. and Jacob Francis Goohsen (*tabled in support of line of matters raised during the November 25<sup>th</sup>, 1998 committee meeting*) (distributed to committee Members on January 4<sup>th</sup>, 1999)

3. The Committee considered a proposed business agenda for its meetings of the week January 4<sup>th</sup>, 1999 through January 7<sup>th</sup>, 1999. It was moved by Mr. Shillington:

That the draft agenda of the Standing Committee on Public Accounts, for meetings to be held Monday, January 4<sup>th</sup> through Thursday, January 7<sup>th</sup>, 1999 be adopted.

The question being put, the motion was agreed to.

4. The Committee proceeded to consider Chapter 13 (Department of Agriculture and Food) of the *Fall 1998 Report of the Provincial Auditor (Volume 2)* Ms. Rybchuk of the Office of the Provincial Auditor provided an overview of the chapter.

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

**Witnesses**

Terry Scott, Deputy Minister

Jack Zepp, Director, Administrative Services Branch

Laurier Donais, Senior Manager, Administrative Services Branch

Ken Petruic, Manager, Financial Services, Administrative Services Branch

Hal Cushon, Director, Policy and Program Development Branch

5. The following document was tabled by the Provincial Auditor and distributed:

**PAC 44/23 – Office of the Provincial Auditor:** Schedule showing Total Spending on Agriculture by the Government of Saskatchewan, 1991 to 1998.

6. The Committee concurred with recommendation 13-1, that the Department should continue its work on developing a system to estimate bad debt. It was noted that the Department continues to make progress towards compliance.
7. The Committee concurred with recommendation 13-2, that the Department should complete and test its written contingency plan for loss or destruction of its computer systems or records. It was noted that the Department continues to make progress towards compliance.
8. The Committee concurred with recommendations 13-3 and 13-4, that the Department should prepare accounting policies and procedures manuals for the entities it administers and then have the boards of the entities approve the policies and procedures as they are completed. It was noted that the Department has taken steps to comply with this recommendation.
9. The Committee concurred with recommendation 13-5, that the directors of SPI Marketing Group should document their governance policies. The Committee noted that progress towards compliance has been made since it last reviewed this matter on February 16<sup>th</sup>, 1998.
10. The Committee concurred with recommendation 13-6, that the Prairie Agricultural Machinery Institute (PAMI) should complete and test its written contingency plan for loss or destruction of its computer systems or records. The Committee noted that PAMI has made progress towards compliance with this recommendation.
11. The Committee concurred with recommendation 13-7, that the directors of the Milk Control Board receive complete interim financial reports on the Board's activities. The Committee noted that the Board intends to comply with this recommendation.
12. The Committee concurred with recommendation 13-8, that the directors of the Milk Control Board develop written policies and procedures for preparing accurate financial information. The Committee noted that the Board intends to comply with this recommendation.

13. The Committee concurred with recommendation 13-9, that the directors of the Milk Control Board should prepare and test a written contingency plan for loss or destruction of its computer systems or records. The Committee noted that the Board has made progress towards compliance with this recommendation.
14. The Committee recessed at 2:35 p.m. until 2:45 p.m.
15. The Committee proceeded to consider Chapter 16 (Saskatchewan Government Growth Fund Management Corporation) of the *Fall 1998 Report of the Provincial Auditor (Volume 2)*. Mr. Markewich of the Office of the Provincial Auditor provided an overview of the chapter.

The following Saskatchewan Government Growth Fund Management Corporation (SGGF) official appeared before the Committee and answered questions:

**Witness**

Mike Merth, Controller

16. The Committee concurred with recommendation 16-1, that SGGF should obtain an Order-in-Council before borrowing money. The Committee noted that SGGF has complied with the recommendation.
17. In consideration of the recommendations 16-2 and 16-3, the Committee reiterated its recommendations of November 26, 1998, that the matter of the inclusion of comparisons of planned to actual results in its own annual report and in the annual reports of funds, and list of persons who receive public money and the amounts, be referred by the Assembly to the Standing Committee on Crown Corporations for its review and consideration.
18. The Committee proceeded to consider Chapter 7 (Department of Justice) of the *Fall 1998 Report of the Provincial Auditor (Volume 2)*. Mr. Markewich of the Office of the Provincial Auditor provided an overview of the chapter.

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

**Witnesses**

John D. Whyte, Deputy Minister

Doug Moen, Executive Director, Public Law and Community Justice

Keith Laxdal, Associate Deputy Minister, Finance & Administration

Ron Hewitt, Assistance Deputy Minister, Registry Services

Barb Hookenson, Executive Director, Court Services

John Baker, Executive Director, Law Enforcement Services

Elizabeth Smith, Director, Administrative Services

Stella LaRocque, Assistance Director, Administrative Services

19. The Committee concurred with recommendation 7-1, that the Department should improve its procedures for ensuring the accuracy and integrity of its court information system. It was noted that the Department is working towards developing a system by which it will comply with the recommendation.

20. In consideration of recommendation 7-2, that the Department should review its procedures for collecting fines, it was moved by Mr. Hillson:

That procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.

The question being put, the motion was agreed to.

21. The Committee concurred with recommendation 7-3, that the Department should record its bad debt expense in the year it occurs.

22. The Committee proceeded to consider Chapter 21 (Saskatchewan Power Corporation) of the *Fall 1998 Report of the Provincial Auditor (Volume 2)*; Chapter 1 of the *1998 Spring Report of the Provincial Auditor*; and Chapter 5 of the *1997 Fall Report (Volume 2) of the Provincial Auditor*. Mr. Montgomery of the Office of the Provincial Auditor provided an overview of the pertinent recommendations contained in the various chapters.

23. The Committee concurred with the recommendations made at paragraph 5.25 (Fall 1997) and 1.42 (Spring 1998), that Cabinet should direct SaskPower to record the “reconstruction charge” as revenue; record the revenue from the “reconstruction charge” in the year customers are charged; and amend and re-issue its 1996 financial statements, accordingly. It was noted that SaskPower is working towards compliance with the recommendation.

24. In consideration of the recommendation made at paragraph 5.38, that SaskPower should ensure its subsidiaries have rules and procedures to safeguard and control their assets, the Committee noted that this recommendation has been superseded by subsequent recommendations of the Provincial Auditor.

25. The Committee concurred with the recommendation made at paragraph 5.45, that SaskPower should obtain Cabinet approval before its subsidiaries purchase shares in any body corporate. It was noted that the Committee had previously considered and concurred in this recommendation at its November 24, 1998 meeting. The Committee again noted that SaskPower is working to comply with this recommendation.

26. In consideration of the recommendations made at paragraphs 1.49 and 1.52, that SaskPower ensure its annual reports, its subsidiaries and pension plans include comparisons of planned to actual results; together with lists of persons who receive public money and the amounts, the Committee agreed to recommend that the Assembly refer these matters to the Standing Committee on Crown Corporations for its review and consideration.

27. The Committee concurred with recommendation 21-1 as follows: SaskPower Board of Directors should review SaskPower's existing policies and procedures to ensure the Board's direction is fully and appropriately documented; receive periodic audit reports directly from SaskPower's internal auditor on whether management is operating in compliance with the Board's direction and policies; provide clear direction on the role and responsibilities of its Audit and Finance Committee; provide clear direction on the roles and responsibilities of the boards of its subsidiary corporations; ensure Board members receive regular training to enhance board governance; challenge management proposals and recommendations and ask sufficient questions to fully understand the risks facing SaskPower and management's plan to deal with those risks; and embrace and promote a corporate culture for SaskPower that provides a more appropriate level of public accountability consistent with its public ownership and the public policy role of SaskPower.
28. The Committee concurred with recommendation 21-2, that SaskPower internal audit group should report directly to the SaskPower Board of Directors and its plans and reports should be referred to the Audit and Finance Committee.
29. The Committee concurred with recommendation 21-3, that SaskPower should adopt a policy requiring that the sale of significant public assets, such as Channel Lake or the ten-year gas supply contract, be tendered unless such tendering will not ensure the best value; and when significant assets are to be sold without public tender the Board should require management to identify the advantages and the risks involved and provide a plan to manage those risks for Board approval.
30. The Committee concurred with recommendation 21-4, that SaskPower should adopt a policy requiring at least two representatives from SaskPower be involved in the negotiation of all key contracts.
31. The Committee concurred with recommendation 21-5, that SaskPower should adopt a policy requiring that management appropriately examine all significant contracts with the results of such examination to be documented and reviewed prior to the signing of contracts.
32. The Committee concurred with recommendation 21-6, that SaskPower should ensure there is proper segregation of duties among its staff.
33. The Committee concurred with recommendation 21-7, that the government should consider strengthening current laws governing the purchase and sale of shares to require Crown corporations to obtain an Order-in-Council when selling shares or securities of any corporation.
34. The Committee concurred with recommendation 21-8, that the government should table the financial statements of the Northern Enterprise Fund Inc. in the Legislative Assembly.
35. The Committee proceeded to consider Chapter 17 (Saskatchewan Research Council) of the *Fall 1998 Report of the Provincial Auditor (Volume 2)*. Ms. Rybchuk of the Office of the Provincial Auditor provided an overview of the chapter.

36. The Committee concurred with recommendation 17-1, that the Saskatchewan Research Council (SRC) should complete and test its written contingency plan for loss or destruction of its computer systems or records. It was noted that SRC is making progress towards compliance.
37. In consideration of recommendation 17-2, that SRC should table separate financial statements for its subsidiary in the Assembly, the Committee recommended that the Provincial Auditor work with SRC to come to some accommodation on this issue.
38. The Committee adjourned at 5:00 p.m. until Tuesday, January 5<sup>th</sup>, 1999 at 9:00 a.m.

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Gregory A. Putz  
Committee Clerk

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June Draude  
Committee Chair