

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
September 29, 2005

MINUTE NO. 23
10:00 a.m. – Room 8

1. **Present:** Mr. Addley in the Chair and Members D'Autremont, Eagles, Harpauer*, Heppner*, Iwanchuk, McCall and Wartman.

Substituting Members

Mr. Heppner for Mr. Kerpan (10:00 a.m. – 2:55 p.m. only)

Ms. Harpauer for Mr. Kerpan (2:55 p.m. – 3:44 p.m. only)

Provincial Auditor's Office

Fred Wendel, Provincial Auditor

Mobashar Ahmad, Deputy Provincial Auditor

Mike Heffernan, Deputy Provincial Auditor

Ed Montgomery, Deputy Provincial Auditor

Andrew Martens, Principal

2. The following documents were tabled:

CCA 135/25 Saskatchewan Water Corporation: Written responses to questions regarding the evaluation of waterworks systems in Rama and Wishart raised by Ms. Draude during the April 21, 2005 committee meeting.

CCA 136/25 Saskatchewan Government Insurance: Injection of capital from SGI Canada Insurance Ltd. (SCISL) into Coachman Insurance Company (significant transaction).

CCA 137/25 Investment Saskatchewan: Purchase of outstanding Crown Investments Corporation/Investment Saskatchewan guaranteed term debt of Meadow Lake Pulp Limited Partnership (significant transaction).

CCA 138/25 Information Services Corporation: Written responses to questions regarding the cadastral mapping system raised by Ms. Eagles during the May 12, 2005 committee meeting.

CCA 139/25 Investment Saskatchewan: Documents related to transactions undertaken by Investment Saskatchewan Inc. related to the Meadow Lake Pulp Limited Partnership (MLPLP) (significant transaction).

CCA 140/25 Investment Saskatchewan: Notice of incorporation by Investment Saskatchewan Inc. of 101069101 Saskatchewan Ltd. (significant transaction).

CCA 141/25 Saskatchewan Liquor and Gaming Authority: Response to questions raised during the May 17, 2005 committee meeting by Mr. D'Autremont regarding *The Alcohol and Gaming Regulation Amendment Act, 2004*.

CCA 142/25 SaskEnergy Incorporated: Incremental equity injections in Heritage Gas Limited (significant transactions).

CCA 143/25 Saskatchewan Property Management: Annual Report and Supplementary Information for the year ended March 31, 2005.

CCA 144/25 SaskTel's Sask911: Annual Report and Financial Statements for the year ended March 31, 2005.

CCA 145/25 Crown Investments Corporation: 2004 payee disclosure report.

3. The committee considered *The Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information* (October 2004) with an opening statement made by Hon. Pat Atkinson and an overview of the report by Mr. Montgomery, Deputy Provincial Auditor.
4. The following Crown Management Board Minister and Crown Investments Corporation officials appeared before the committee and answered questions:

Witnesses

Hon. Pat Atkinson, Minister

Tom Waller, President and CEO

Blair Swystun, Vice President and Chief Financial Officer

John Amundson, Corporate Controller

Karen Schmidt, Executive Director, Communications

Kathie Maher-Wolbaum, Special Advisor, Government Relations

5. The committee considered recommendation no. 1 made on page 6 of *The Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information* (October 2004).
6. It was moved by Mr. Yates:

That for the purpose of the payee disclosure policy, employee remuneration includes the following payments for salaries, wages, bonuses, payments in lieu of notice, vacation payouts and other taxable benefits paid to employees;

And further, that the disclosure of out of province travel expenses for executive and senior management meets the committee's requirement/definition for disclosure of other expenses.

7. A debate arising, it was moved by Mr. D'Autremont in amendment thereto:

That all the words after the word "employees" be deleted and that the following be added:

"that all other expenses accrued by an employee be reported broken down into out of province and in province expenses."

8. The debate continuing on the motion and the amendment, the question being put on the amendment, it was negatived on the following Recorded Division:

YEAS – 3

D'Autremont Heppner Eagles

NAYS – 4

Addley Yates Iwanchuk McCall

9. The question being put on the motion, it was agreed to, on Division.
10. The committee considered recommendation no. 2 made on page 7 of *The Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information* (October 2004).
11. It was moved by Mr. Yates:

That the payee disclosure policy does not apply to the following:

Payments made to or on behalf of SGI claimants

Payments made to SGI reinsurers or reinsurance brokers

Payments made pursuant to SaskPower power purchase contracts or power agreements

Payments made pursuant to SaskEnergy gas supply contracts; and payments made pursuant to arrangements with SGI brokers, SaskTel dealers and SaskEnergy network partners;

And that, the Crown Corporations assemble appropriate sufficient documentation to support individual payee exemptions.

12. The committee recessed from 12:01 p.m. until 1:04 p.m.
13. The committee resumed its consideration of recommendation no. 2 made on page 7 of *The Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information* (October 2004).
14. It was moved by Mr. D'Autremont in amendment thereto:

That the following words be deleted:

“and SaskEnergy Network partners”

15. The question being put on the amendment, it was agreed to.
16. The debate continuing on the motion as amended, the question being put, it was agreed to.

17. The committee considered exhibit – Crown Corporations Payee Disclosure Policy on page 12 of *The Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information* (October 2004).

18. It was moved by Mr. Iwanchuk:

That the clause “Payment to Consultants” be deleted;

And that, the following words be added after the words “goods and services” in the clause “Suppliers and Other Payments”:

“including consulting services”

19. The question being put, it was agreed to.

20. The committee considered Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)*. Mr. Montgomery, Deputy Provincial Auditor, provided an overview of the chapter.

21. The committee concurred with recommendation no. 1 made on page 323 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskPower document the prior approval of board members to attend business or social functions on behalf of the corporation. The committee noted that SaskPower has complied with the recommendation.

22. The committee concurred with recommendation no. 2 made on page 324 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy’s board approve all executive pay and benefits policies. The committee noted that SaskEnergy is making progress towards complying with the recommendation.

23. The committee concurred with recommendation no. 3 made on page 325 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy’s board receive adequate reports about executive pay, benefits, and expenses so it can effectively oversee these costs. The committee noted that SaskEnergy is making progress towards complying with the recommendation.

24. The committee concurred with recommendation no. 4 made on page 325 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy improve its processes to ensure it has proper support for all expense payments, including documentation that they are for business purposes. The committee noted that SaskEnergy is making progress towards complying with the recommendation.

25. The committee concurred with recommendation no. 5 made on page 329 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy should document who is authorized to approve sponsorships and promotion activities and for what amounts and communicates that to its staff. The committee noted that SaskEnergy is making progress towards complying with the recommendation.

26. The committee concurred with recommendation no. 6 made on page 330 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy require its staff to keep records of who received event tickets and why. The committee noted that SaskEnergy is making progress towards complying with the recommendation.
27. The committee concurred with recommendation no. 7 made on page 330 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy establish written guidelines or allowable entertainment expenses and communicate those guidelines to staff. The committee noted that SaskEnergy is making progress towards complying with the recommendation.
28. The committee concurred with recommendation no. 8 made on page 330 of Chapter 19 (Crown Investments Corporation of Saskatchewan) of the *2004 Report of the Provincial Auditor (Volume 3)* that SaskEnergy review its policies for sponsored events and other charitable activities, and update them where applicable. The committee noted that SaskEnergy is making progress towards complying with the recommendation.
29. The committee considered Chapter 12 (Crown Investments Corporation of Saskatchewan) of the *2005 Report of the Provincial Auditor (Volume 1)*. Mr. Martens, Principal, Provincial Auditor's office, provided an overview of the chapter.
30. The committee concurred with the recommendation made on page 188 and 189 of Chapter 12 (Crown Investments Corporation of Saskatchewan) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Capital Pension Plan Board (a) develop and implement strategic plans that include the goals and objectives of the Plan, a summary of the risks faced by the Plan and its members, and key strategies to manage those risks (b) clearly set out the specific responsibilities of the Board including a clear delegation of authority and an education plan for board members and management (c) define and communicate the financial and operational information that the Board needs to oversee the Plan (d) develop and implement written communication plans (e) establish policies for periodic governance self-assessment. The committee noted that Capital Pension Plan Board is making progress towards complying with the recommendation.
31. The committee recessed from 2:34 p.m. until 2:55 p.m.
32. The committee considered Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)*. Mr. Martens, Principal, Provincial Auditor's office, provided an overview of the chapter.
33. The committee reviewed the outstanding recommendations made on page 211 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)*.
34. The committee concurred with outstanding recommendation no. 11.1 made on page 211 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that the Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary. The committee noted that CIC is making progress towards complying with the recommendation.

35. The following document was tabled:

CCA 146/25 Crown Investments Corporation of Saskatchewan: Policy for purchase or disposition or real property.

36. The committee concurred with recommendation no. 11.4 made on page 211 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that the government should change current laws to require subsidiaries of crown corporations to obtain an Order in Council before purchasing shares and require crown corporations and their subsidiaries to report the sales of shares to the Crown Corporations Committee within 90 days of the transaction date. The committee noted that CIC is making progress towards complying with the recommendation.
37. The committee concurred with recommendation no. 1.2 made on page 212 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that SaskPower should establish policies to support a long-term continuous process improvement plan that includes training and support plans for its employees. The committee noted that SaskPower is making progress towards complying with the recommendation.
38. The committee concurred with recommendation no. 1.3 made on page 212 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that SaskPower should provide its board of directors with independent advice on benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports. The committee noted that SaskPower has complied with the recommendation.
39. The committee accepted the verbal report from CIC with regards to recommendation no. 1 made on page 212 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that the provincial government consider the recommendation on page 35 of the Dillon Consulting Ltd. Report to the Saskatchewan Rate Review Panel. (Dillon suggested that SaskPower consider treating SaskPower International (SPI) as a fully cost-accounted, non-regulated company. Otherwise SaskPower ratepayers will be on risk to cover the potential costs of SPI's investments, due to SPI's forecasted losses.)
40. The committee accepted the verbal report from CIC with regards to recommendation no. 2 made on page 212 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that SaskPower undertake a careful and thoughtful analysis of the rapidly changing electrical utility regulatory regimes of other North American jurisdictions, their applicability to SaskPower, its subsidiaries, and its activities in order to minimize risks to SaskPower ratepayers and remove the potential of investment losses by SPI (SaskPower International) therefore putting upward pressure on the rates of SaskPower customers.
41. The committee accepted the verbal report with regards to recommendation no. 3 made on page 213 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that the provincial government update the fair wages clause included in crown corporation tenders per Order in Council No. 301/44, March 23, 1944.

42. The committee concurred with recommendation no. 7.1 made on page 213 of Chapter 15 (Standing Committee on Crown and Central Agencies) of the *2005 Report of the Provincial Auditor (Volume 1)* that CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate. The committee noted that CIC is making progress towards complying with the recommendation.
43. The committee resumed consideration of the 2004 annual report and related documents of Crown Investments Corporation of Saskatchewan.
44. The following Crown Management Board Minister and Crown Investments Corporation of Saskatchewan officials appeared before the committee and provided a presentation on the Crown Investments Corporation of Saskatchewan 2004 annual report.

Witnesses

Hon. Pat Atkinson, Minister
Tom Waller, President and CEO
Blair Swystun, Vice President and Chief Financial Officer
John Amundson, Corporate Controller
Karen Schmidt, Executive Director, Communications
Kathie Maher-Wolbaum, Special Advisor, Government Relations

45. The following document was tabled:

CCA 147/25 Crown Investments Corporation of Saskatchewan: PowerPoint presentation on the 2004 Annual Report.

46. It was moved by Mr. Yates:

That this committee do now adjourn.

The question being put, it was agreed to.

47. The committee adjourned at 3:44 p.m. to Wednesday, October 5, 2005 at 10 a.m.

Iris Lang
Committee Clerk

Graham Addley
Committee Chair