

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

October 24, 1994

**The Chairperson:** — Gentlemen, and Ms. Crofford, welcome here. I hope that summer has been a pleasant time for you, and I hope that our deliberations here this week will be productive.

To begin with, I would like to present the items on an agenda that I have proposed. I did not put down exactly when they would come into place except a couple of them, because of the way the matters came to our attention. And item 4 will be held on Thursday; that's the consideration of the report of the task force on roles and responsibilities and duties of the auditor. And on Friday, the consideration of accountability issues in respect to the Regina Health District Board and the Pipestone District Health Board.

I would also like to note that I suggested to the Clerk's office that the Department of Health be included in that discussion period, so that all of us could talk together about how to proceed or how they were proceeding with their audit and accountability.

That leaves matters to be discussed for an agenda: item 1 (1) consideration of government's response to the sixth report of the Public Accounts Committee; that's item no. 1; presence of Crown corporations officials during the consideration of chapter 8 of the Provincial Auditor's report for the year ended March 31, 1993.

**Mr. Cline:** — Mr. Chairman, just before we get into that consideration of what you've got on the agenda, with respect to these health boards, what is it precisely that you propose to go into with the Department of Health and the health boards on Friday?

**The Chairperson:** — I'd like to review with them what has happened as it relates to the issues of how the audits are being done, how they're being conducted, how the auditor is involved in the health boards, and whether there is going to be a continuation of that for the future. Just more or less the general aspects of accounting, not specifics to these individual boards but overall what the health boards have found out and what the Department of Health have found out since we visited with them the last time — and what the Provincial Auditor has also.

**Mr. Cline:** — Okay. In other words, we propose to talk to them about principles surrounding accountability as discussed by the Provincial Auditor.

**The Chairperson:** — Right.

**Mr. Cline:** — Okay. And my second question is: do we expect the chairs of those health boards to be present with us all day on Friday?

**The Chairperson:** — Well I'm not sure just how long it's going to take. If we start at 9 and we're finished at 1, then I'd say that's fine. I'm not going to push it any further than what there are questions.

**Mr. Cline:** — Okay, because I haven't spoken to these people but if we can, for their convenience, keep them to a shorter period of time than 9 to 3, then I hope we'll try to accommodate them in that fashion.

**The Chairperson:** — We plan on it.

**Mr. Cline:** — Thank you.

**The Chairperson:** — If you plan on it; if all of you agree to that.

**Mr. Cline:** — Right.

**The Chairperson:** — Item no. 2 is the report of the 16th annual conference of Canadian Council of Public Accounts Committees. And I think those are all the items that we have on the agenda for this week.

Would it be ... I'm going to make the suggestion that we do item 2 first and that we do the item no. (ii) for no. 2 and then go into item no. 3.

**Mr. Cline:** — Excuse me, Mr. Chairman. Did you propose to have a discussion of item 1(ii)?

**The Chairperson:** — Well I suppose we could, yes.

**Mr. Cline:** — Did you want to do that at this point in time in relation to the agenda?

**The Chairperson:** — Yes, we can do that.

**Mr. Cline:** — Okay. I don't have strong feelings

about this but the thought did cross my mind that one of the things we've talked about in the past is the role of this committee vis-a-vis the Crown Corporations Committee. And I'm glad to see . . . we've seen in the media that the Crown Corporations Committee is taking rather a proactive role, if I can put it that way, in terms of trying to deal with what the Crowns are doing.

What I was wondering is, since we have a responsibility with respect to the Crown corporations and their accountability — spending and so on — and there's an overlap as we all know with respect to what the Crown Corporations Committee does, and I wonder if we should be having the CIC (Crown Investments Corporation of Saskatchewan) officials here to discuss the contents of the Provincial Auditor's report.

And I hasten to add, if somebody wants to have them here, then certainly they're entitled to have them here. There's no problem with that. But I wondered if we should be having them here or if we should be recommending that the Crown Corporations Committee take the main responsibility for dealing with CIC and going over chapter 8 of the Provincial Auditor's report.

**The Chairperson:** — My contribution to the discussion is this: that the transfer of the responsibility to look at the *Public Accounts* was given by the Legislative Assembly to this committee. It wasn't given to the Crown Corporations Committee.

So in dealing with it for this time — that's why I raised the question — in dealing with it for this time we perhaps should deal with it as a part of our *Public Accounts*.

And then maybe at the conclusion of this week we could raise it as a part of a recommendation that the Legislative Assembly assign the responsibility of dealing with those CIC accounts in the *Public Accounts* document and the Auditor's report to Crown Corporations where they then would be dealt with, because I don't want to have it fall through the cracks here.

**Mr. Cline:** — Right.

**The Chairperson:** — And I think that that's the reason why I wanted to have it here for

discussion, so that it becomes a part of what we continue to do.

**Mr. Cline:** — So are you proposing then that we should have somebody from CIC speak to us this week?

**The Chairperson:** — Yes, when chapter 8 comes up.

**Mr. Cline:** — Okay. So should we be having the Clerk speak to somebody at CIC with respect to when we might expect to have them over here?

**The Chairperson:** — Yes, I think that would be a good idea. Thanks, Greg.

I understand that Crown Corporations is going on this week, and I don't know how many days they will be, and we don't want to interfere with that. So having said that, maybe it could be done on Thursday in the morning, prior to the task force people coming.

**Mr. Cline:** — Sure.

**The Chairperson:** — That seems to be in agreement with the members? Do I have consensus on that?

Okay, then from 9 o'clock on Thursday morning, if they're available, to 11:30.

Then we have . . . item no. 2 on your list of agenda items is going to be no. 1. I'm going to draw a conclusion here. Item 1 i) is consideration of government's response to the sixth report of the Public Accounts Committee. And item no. 3 will follow that. And then item no. 1 ii) will be on Thursday in the morning. The task force of roles and responsibilities will be from 11:30 and on and then the health boards on Friday morning. Do I have general agreement? Agreed.

Okay, thank you for your time. If I forget something, don't hesitate to bring it forward or call my attention to it.

This past summer, it was my not only responsibility but pleasure to attend the public accounts meetings in Prince Edward Island. And along with Mr. Cline and myself, we went there, and we did enjoy the lobster although we hardly ate any. The pictures that Mr. Cline has of himself eating that will tell the tale.

**Mr. Cline:** — I have pictures of you on your second lobster, Mr. Chairman.

**The Chairperson:** — The first one wasn't good, so I had to check the second one out.

The discussion took place in the Prince Edward Hotel, just off the shore of the . . . I guess it's the bay; is it the Bay of Fundy? And it was interesting there. The discussion took place as a part of some of the suggestions we made to the committee, and we talked to them at considerable length about pensions and the liabilities.

The second . . . or the third session was on the acknowledgement of the partisanship which interferes with the working of Public Accounts. And there was a considerable amount of discussion there, and I think that the general consensus was that even though we wanted it to be as non-partisan as possible, it was still a partisan group of people dealing with the issues. And I think that that was the consensus that was reached, that if you began to make it too non-partisan it would be of less and less value in the long run, as long as it didn't get foolish in its discussion and argument.

Then we went on to talk about the role that parliament has on dealing with debts and deficits. And that was a overview by Mr. Belisle with the Auditor General's report and recommendations about how those things should be handled.

The fifth session dealt with the topic of accountability of publicly funded entities, and British Columbia did a lot of work with that.

The sixth session was dealing with recommendations of the operations of the public accounts committees, and there are a number of . . . There's 11 different recommendations that were put to the committee. And they were voted on and those were the ones that were accepted. There were quite a number of them that were rejected. There was a broad base of discussion on each one of those proposals, took a considerable length of time. I think British Columbia did the majority of work on those issues there.

The part that probably prompted generally the most information and also the most interest was the discussion that related around the federal transfer payments and how they work.

And the three of them that were discussed were equalization, established program financing, and the Canada Assistance Plan, and each one of them were presented by individuals who were in the business or they had responsibility for those areas in the government.

And then the eighth and final session was to consider all of the amendments to the constitutions and the recommendations, and that was passed.

The session next year will be changed from July to be in September when parliament is again in session. And it was at the request of the Canadian parliament that it be moved to September, and it will likely be held during that period of time. And their reason was that it would cost less because they had translators and all of the machinery in place from parliament that they could use and they wouldn't have to get them in over the summer period of time. So by far the majority of delegates agreed to that.

Those are the overall general views. I ask Mr. Cline if he would want to give his interpretation of them as well and then he can maybe move the adoption of this report.

**Mr. Cline:** — I really don't have anything to add, Mr. Chairman. I think that this is a comprehensive report — and I agree with your comments — other than to say I did think that the sessions were quite worthwhile and informative. And there will be a transcript prepared in due course — I don't think it's ready yet — of the proceedings. And there is a transcript of every conference that we have. When we receive that, if any of the members want a copy of the transcript, I'm sure that can be arranged through the Clerk's office.

With that, I'll move adoption of the report, Mr. Chairman.

**Ms. Crofford:** — Mr. Chair, when would that be ready, that transcript?

**The Chairperson:** — It came today.

**Ms. Crofford:** — Oh it came today. Okay, well I'll just record then that I'd like copy of that. Thanks.

**The Chairperson:** — Okay.

**Mr. Koenker:** — I just had a question relative to the eighth session and the referral of Mr. Cline's suggestion that the unfunded pension liability question be referred to the executive, and there's no time line attached to that study. Not being familiar with the work of the council, how does this study take place? What time line was attached to the study of the unfunded pension liabilities? When might we expect a report?

**Mr. Cline:** — I don't think that was entirely clear. I think that if my recollection serves me right — when we were preparing this report, I wasn't quite sure what the motion said because I didn't have the transcript at that time — my recollection is that the executive was asked to study it and report back. And I suppose they would report back at the next conference which would be in September 1995. And they may report that there's an answer to the problem which they've come across — the Provincial Auditor looks sceptical about that, about there being an answer, I think — or they may report that there's a need for further study or perhaps they'll have a session on it in 1995.

**The Chairperson:** — There were a number of things that were laid out, and I think the inconsistency between jurisdictions about what is reported and what isn't reported in pensions needs to be dealt with, and then that consistency passed along through all of the . . . not only the Government of Canada but also the different provinces. And that needs to be addressed.

And I'm not sure whether it will come as a recommendation as you've said, Mr. Cline, in the next session, but I would suspect that it probably could. And if that happens, then it will be not only our responsibility to measure what is consensus among the provinces and Canada, but also what the auditors are looking at in relation to that. And I think they have to work in tandem in order to get their accounting . . . not necessarily the principles but the methods used in establishing those principles of accounting. And I think that that's necessary.

And I will just raise it from a number of perspectives where there's differences. In some places they only include the pensions to be paid to government employees, i.e., departments, none of the Crown corporations.

Some of them do not include liabilities as it relates to . . . and this goes beyond pensions only, but in Ontario they have a serious problem of workers' compensation. They have that whole dynamic. And then if you want to have a comprehensive audit report that is consistent across Canada, you have to have some consistency in what those principles that are followed and where they come . . . What does the Government of Canada do in relation to the Canada Pension Plan and its relationship to the overall debt?

As far as I've been able to understand, it isn't calculated as a part of their liabilities. And so those dynamics have to be addressed as to the consistency of the provincial governments and the consistency of the federal government. And I think that we need to move forward in this. And we're not going to get any progress in this discussion if we deal only with the principles and methods and then don't proceed on our own. I think this has to be done in tandem or alongside. And you can't wait till the last province comes forward with how they're going to deal with the issue because it is a considerable liability.

**Mr. Cline:** — That's right, Mr. Chairman. The other aspect of it is, I would say, actuarial methodology as distinct from the accounting function. In the sense that there seemed to be a consensus amongst the delegates — and there's some literature about this that was referred to — that as long as you have a divergence in actuarial method in terms of the assumptions that you're using to calculate what is essentially a liability that accrues in the future, then you're going to be talking about apples and oranges. Because you can have wild variations depending upon what assumptions you use.

And one of the chairs of one of the Public Accounts Committee, British Columbia, is Mr. Gingell who is a chartered accountant. And he was very cognizant of the problem, as were several other of the provinces including Quebec. Both the PQ (Parti Québécois) and the Liberal thought that it had to be dealt with.

I thought that it was interesting that there seemed to be a high level of understanding of the problem and consensus with respect to the need to do something about it.

**The Chairperson:** — Any other comments in

relation to this? We have a mover of the report as distributed. And are we in favour of that?

**Mr. Koenker:** — Agreed.

**The Chairperson:** — Agreed. Okay, thank you.

The second item is consideration of the government's response to the sixth report of the Public Accounts Committee.

The Clerk has advised me that this has not been done before. However, in the principles and practices set out for the operation of the Public Accounts Committee, item 40 says:

There shall be a systematic review by the Committee of government action and formal responses to the Committee's recommendations in order to complete the accountability cycle; this could be done partly through a reporting mechanism by the Comptroller or through other means. Such follow-ups should be performed in the spirit of maintaining a constructive relationship with the government.

And that was some of the background for this. I personally took the time to write to the Minister of Finance and suggest to her that some of the things that she agreed with and some of the things that she stated were perhaps somewhat overstated. And I don't think I've had a response to that yet.

But I did, for example, think that she overstated her involvement with recommendations of the Gass Commission that said that government has resolved virtually all of the issues raised by the Gass Commission. And that was her response. And I felt that was not quite accurate and therefore I challenged her on that. I haven't had a response from her on that.

And there are a number of them through the report that I thought that should be dealt with. And I'm not trying to be partisan here; I just think that we need some time perhaps to discuss some of those items. If there are some questions as it relates to that, the floor is open for that discussion.

**Mr. Koenker:** — I'd just like to clarify, before we begin that discussion, if a response like this

is or has been standard operating procedure.

**The Chairperson:** — Yes, this response is standard operating procedure.

**Mr. Koenker:** — I'm new to the committee so I wasn't aware of that.

**The Chairperson:** — No problem.

**Mr. Serby:** — Just a question, Mr. Chairman.

You had indicated that you've written and in response to the letter that's come back to you as the chairman of the standing committee. Your request, or your challenge of some of the issues maybe might be a better word — has that gone on behalf of the committee or is that your personal request?

**The Chairperson:** — I did that personally because I didn't have the authority of the committee to deal with that, and so I went and did it on a personal basis.

**Mr. Serby:** — Okay, so would it be fair then to assume that as we go through this, that if there are questions that we have in respect to the response, that we might have an opportunity to discuss them and then as a committee decide what kind of response we might wish to receive from the minister? Is that how you view that?

**The Chairperson:** — I'm not sure that I understood you.

**Mr. Serby:** — Well this is the committee's report that the minister has responded to. So if we're reviewing the response, would it be fair to assume that we would have some discussion around the issues that she responds to?

**The Chairperson:** — Right.

**Mr. Serby:** — And that we would then decide as a committee as to the type of response that we would like to present back to the minister? Would that be a fair . . .

**The Chairperson:** — Sure. That would be fair.

I did not make this public, this letter. I haven't made it public to anyone. So it's just a matter of my personal interest in the issue and that's all. It's not a matter for large-scale public

debate. So I just wanted to make you aware that I had done that.

**Mr. Serby:** — Okay. Thank you.

**Ms. Crofford:** — No, that was fine. I was really just commenting to Mr. Serby.

**The Chairperson:** — Okay. The Minister of Finance responded to paragraph 3. What I'm going to do is go through these items. And we'll go through each one and if there is individual comments individuals want to make, feel free to do that. And we will review it and then deal with it as the committee sees fit. Paragraph 3, the highlighted part:

The Committee recommends that the Government should move towards disclosing, in the summary financial statements, information on its infrastructure investment.

The Government is currently reviewing the issue of disclosing information on its investment in infrastructure. The Public Sector Accounting and Auditing Board . . . does not provide significant guidance on this issue.

Is there some discussion on that? First of all our recommendation and then the government . . . Minister of Finance's response.

**Mr. Cline:** — Well just a comment. We've discussed this in the committee before and I think it's fair to say that the information that we've received, both from the Provincial Auditor and the Provincial Comptroller is that this is a rather controversial area in terms of how exactly . . . well (a) whether you should try to put dollar value on all of your infrastructure because with respect to some of it it wouldn't be appropriate; and (b) If you wanted to, how you would do it? And my recollection is that there really is no agreed way to do it.

So when the minister says the government is currently reviewing the issue of disclosing information on its investment in infrastructure, I say, well bully for the minister and bully for the government and good that they're reviewing it. I'm not sure what else they could do at this time, so I think it's about as responsive a response as one could expect.

**Ms. Crofford:** — Yes, Mr. Chair, I wouldn't

mind hearing from the Provincial Auditor whether there has been any progress on that front as far as guidelines being provided on that issue of infrastructure reporting.

**Mr. Strelloff:** — Mr. Chair, members, there is a task force that's working under the auspices of the Canadian Institute of Chartered Accountants, studying how best to report on what they call physical assets or capital assets. And that task force is churning out draft statements of principles and moving around the country for comment by people like me and the comptroller and all sorts of other interested people. I'm not sure how long it will take before they get agreement.

There's a couple main concerns. One is that if you . . . The infrastructure includes our road systems, so some people argue that people need to know the value of our road systems and also whether that value is changing over time, which might indicate that they're deteriorating or they're building up.

The issue that accountants and auditors argue about very vociferously is should, if you agree to record the value in the financial statements, should you actually place it on the statement of assets and liabilities and therefore show that the accumulated deficit is different than what it is now.

Some people argue very strongly that you should because it signals the total resources that the government is managing. Other people say you shouldn't because right now the accumulated deficit gives an indicator of how much resources we have to come up with to pay off our debts. You can't use our highway systems to pay off those debts. You can . . . the assets that are recorded now on the financial statements of the province are . . . in general it's revenue-producing assets, like the infrastructure in SaskPower, SaskTel and all the loans that we have outstanding, that they actually can contribute to paying off our deficit in a very revenue-producing way whereas infrastructure can't get it in a very direct way.

So that discussion has been going on for certainly longer than I've been around, probably longer than I've been around period. And it's back at the table at the Canadian Institute of Chartered Accountants, and I think more specific guidance will be coming out soon.

**Ms. Crofford:** — Not to carry this on too long but I probably have major simplistic view of accounting, but it seems to me that something that has no liquidity or no sort of immediate resale possibility couldn't be considered on the same statements as your debt, because I mean you have no way of recovering those amounts. So I'm a bit surprised that's been some of the hold-up. But anyway, I guess we'll just have to wait for the exciting next chapter and see what comes up.

**The Chairperson:** — It's been brought to my attention by Mr. Hunt that this paragraph and a number of others are included in the auditor's report. And rather than dealing with overlapping them, I'd like to have Mr. Hunt suggest to us and the committee that we deal with only those that are not, and then we could deal with those that are in here and as well as in the auditor's report. Then we could facilitate some of the operations here.

**Mr. Cline:** — Pertinent suggestion.

**The Chairperson:** — Okay. Mr. Hunt, would you go through them for us?

**Mr. Hunt:** — Mr. Chairman, we've identified a number of the recommendations, and the sixth report dealt with our recommendations coming out of the March '92 report. So paragraph 3, the subject matter is again dealt with under chapter 3, paragraph .23 in the '93 report. Paragraph 4 in chapter 3, paragraph .29. And the second part of that in paragraph .31, chapter 3; that's at the top of page 3.

Carrying on to paragraph 7, that's dealt with in chapter 5, paragraph .05; paragraph 9 is dealt with in chapter 2, paragraph .11. On the next page, paragraph 12 is dealt with in chapter 3, paragraph .33. There was a previous ... I'm not sure ... I have some other notes on that but I think it's largely comparable to that in any case.

Paragraph 14, the substance of that is found ... You'll recall we had a status report of Public Accounts Committee recommendations for the first, second, and third reports and that was in appendix V of this document. And so in appendix V, page 8, you can see the subject matter of paragraph 14 dealt with. And the next bullet on page 5, all government departments etc., that's also on appendix V, the 8th page. And the next bullet the same, Roman V - 8.

Now paragraph 15, I have that reference to the Financial Management Review Commission and you'll note that in our '93 report we gave just a very capsulized version of progress and looked forward to bringing forward a status report at another time. So there's nothing specifically on that matter in our '93 report, and you may wish to consider those issues more substantively when you review this report.

Paragraph 19, the same; that's a Financial Management Review Commission matter. That's not dealt with again at this time in '93. Paragraph 20 is in chapter 8, paragraph .66. Paragraph 24 is in appendix V, the first page. I'm talking there about the history of the responses to the first, second, and third reports. They're dealt with in the first paragraph of that page.

Paragraph 25 was a new recommendation in our '92 report, and it hasn't been repeated. Our Public Accounts chapter is somewhat abbreviated. We didn't repeat a lot of material that was in the '92 report.

Paragraph 28 is again appendix V, page 4. Paragraph 30 was again a new recommendation in the '92 report which wasn't repeated in the chapter of the '93 report. And similarly, with paragraph 31 at the top of page 9, and paragraph 32. Paragraph 33 is in appendix V, the eighth page. Paragraph 35 is in chapter 7, paragraphs .03 to .05; paragraph 36, chapter 7, paragraph .03; paragraph 37 is in chapter 7, paragraph .03.

And I think paragraph 38 didn't arise directly out of our report. I think it was something that was the result of discussions committee members initiated themselves — Ms. Haverstock, Mr. Cline, I believe here.

And paragraph 55 would relate to chapter 13, paragraphs .15 to .19; and paragraph 18 relates to chapter 24, paragraph .07.

**Ms. Crofford:** — Mr. Chair, I don't know if it matters, but you said 18 and you probably meant 81. And just because it's on the record, you might want to just mention it.

**Mr. Hunt:** — Oh, I'm sorry — did I say that? — '81, I'm sorry. Thank you.

**The Chairperson:** — Thank you, Mr. Hunt. That, from my notes, leads me to go through to

paragraph 15 as the first one that does not appear in the auditor's report for the 1993 auditor's report:

The Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by a Government to a new project or program without the specific prior approval of the Legislative Assembly.

The Crown Corporations Act, 1993 addresses this issue for Part II Crown corporations by requiring all CIC subsidiary Crown corporations to obtain an Order-In-Council to purchase shares and provide loans subject to certain exemptions as specified in the Regulations. In addition, The Crown Corporations Act, 1993 strictly defines reporting requirements to ensure more timely information is presented to the Assembly and addresses Directors' and Officers' duty of care and conflicts of interest. It is anticipated that this legislation addresses the concerns raised by the Provincial Auditor and the GASS Commission.

Beyond the provisions made through The Crown Corporations Act, 1993, the government is not currently in a position to proceed with implementation of this recommendation. However the Government believes the issue is worthy of study.

Is there any discussion of this? On the one hand, the Finance minister says:

It is anticipated that this legislation addresses the concerns raised by the Provincial Auditor and the GASS Commission.

Beyond the provisions . . . (of) The Crown Corporations Act, 1993, the government is not currently in a position to proceed . . .

Which I take it then would be that any implementation of any program during the year is not a part of this discussion, and it would be, in my opinion, that then any new venture taken by the government through a department or an

agency, board, or whatever of the government would fall outside . . . I know it falls outside The Crown Corporations Act and therefore would not be within the directive that we as the Public Accounts Committee suggested.

Do we have an observation from anybody of the committee or from . . . Mr. Strelieff.

**Mr. Strelieff:** — Mr. Chair, members, what you said is correct as far as I know, that these kinds of transactions within the part II Crown corporation community would be brought to your attention through order in councils. Okay, and those transactions that are in organizations outside that community and at the time when the Assembly is not meeting would not be or wouldn't have to be brought to your attention. And I think that's what you said.

**The Chairperson:** — Right. It's the committee's suggestion that the government committing itself to a new project should be doing that, and the Minister of Finance has indicated the government's position.

**Mr. Cline:** — Mr. Chairman, aside from the . . . as I recall the reason for the major concern was what was happening on the Crown side more so than the government side originally; is that correct?

**Mr. Strelieff:** — Mr. Chair, members, I'm going back into the Gass Commission's report for what I'm saying, so it's a little bit of memory. There were transactions within the Crown Corporations Committee that the Gass Commission — and I agree — felt should have been brought to the Assembly's attention before going ahead, in terms of proper scrutiny and accountability.

I think there were also several transactions in the Treasury Board corporation area and in the departments that involved new spending programs, I think primarily related to agriculture programs, perhaps new loan programs or grant programs that were put in place through perhaps a special warrant mechanism outside . . . when the Assembly wasn't sitting and that the Gass Commission felt that was not appropriate to commit large amounts of public money without having to first propose that, present that to the Assembly. That part is still missing a bit in this.

**Mr. Cline:** — But in the normal course of



events, isn't it correct to say that once you get outside of the problem that there was in Crown sector and you're dealing within the government that the process of spending money on projects, including new projects, is going to be subject to normal kind of budgetary scrutiny? That in a normal course of events you need to have a budget approved by the legislature, you know, that is going to allocate a certain amount of money to a department? And the only way that they can get around that, I think, is if they . . . they can transfer money within a department; I forget the technical term.

**Mr. Streliaff:** — Virements.

**Mr. Cline:** — Pardon me?

**Mr. Streliaff:** — Virements, I think.

**Mr. Cline:** — Virements. But in terms of the overall amount of money available to that department, I mean assuming that you have a government that presents a budget to the legislature, which we now have, then you would deal with that in the budgetary process, would you not?

**Mr. Streliaff:** — Mr. Chairman, members, Mr. Cline, in most cases you're right. I think there have been circumstances in the past where new programs or loans were introduced after perhaps the budget had been presented. And the funding for those programs or loans would have been provided by a special warrant from an order in council. And then when the next session of the legislature comes about and you're debating the estimates or receiving the estimates for the next year, the government then presents what is called a supplementary estimate to retroactively approve what they agreed to do through a special warrant.

So there is a mechanism to make sure that that comes to your attention. But in the special warrant circumstance it's an after-the-fact case. And I think from my memory of the Gass Commission discussions, there were some of those transactions that they were particularly focused on.

**Mr. Cline:** — I'd like to hear some comments from the Provincial Comptroller with respect to this issue.

**Mr. Kraus:** — Well I think, Mr. Chairman, Mr.

Cline stated it fairly well, that for the most part if initiatives are being undertaken between budgets — and I'm not sure whether you were talking about between budgets — but certainly things can come up this time of the year, for example. And I don't know, maybe the legislature will be reconvened before December or before Christmas, but assuming that it isn't, it's possible that a government can decide to undertake activities now — it's in the best interest to do it — but it does go through a review at Treasury Board. Whether it's what we might call the budgetary items or whether they're loans items that we would call non-budgetary, that they do go through due process.

And I mean I don't want to necessarily give you my own personal thoughts on this, but it would seem to me there are going to be situations that arise when the House isn't in session, which you want to proceed with, and which you're not going to wish to call the legislature in.

And one can debate whether that is a good thing or a bad thing, but that's more or less the way it works. And I think it's fair to characterize it as though in the way that spending is subjected to due process, whether it's a budgetary expenditure that wasn't anticipated or a loan which should be a non-budgetary expenditure.

**Ms. Crofford:** — You know, in this whole issue the Crown corporations and some of the things referred to by the Gass Commission, I think what disturbed me in a lot of those deals wasn't necessarily that there was a deal or the amount of money, it was the nature of the deal and the very insufficient number of guarantees to the public regarding what should happen if there was some profitability involved in that arrangement, or issues over cost of borrowing, issues over ownership upon profitability. I mean there was a number of issues in there that really didn't have to do so much with the quantity of money, but the appropriateness of the use of public money for certain kinds of activities.

And if we really were going to delve into that area, the area that interests me more than setting some arbitrary figures on amounts would be the kind of deals governments can enter into with people with public money and what some guarantees should be on that kind

of expenditure. Because it seems to me that one of the problems we got into was a lot of unsecured debt and a lot of debt over which we had very little managerial or other control. And those were much more substantive issues, I think, although the amount hurts. But it was the way in which the deals were engaged in that was really the problem, I think, more than the other.

**Mr. Kraus:** — I just wanted to point out that the adoption of more appropriate accounting policies can change the way expenditures are viewed. And before we had accrual accounting and the notion that loan losses, for example, would be budgetary expenses. And for those people who may not be fully aware, it wasn't that long ago and it was common across Canada that you could make a loan for \$20 million to some particular party or whatever, all very legitimately — it might be to a stabilization plan, for example, of some sort — but a year or so later, you find you're not going to collect that \$20 million; under the old methods of accounting that \$20 million did not show up as a bad-debt expense — as it would in anybody's business accounts — it was simply added to the accumulated deficit, thereby bypassing budgetary expense. It never really was added to the annual deficit, but jumped right over. It still got to the accumulated deficit, but it went a roundabout way.

But when you know that loans that you make may go bad, and that those bad . . . the expense associated with the loan loss is going to affect your budgetary deficit, you scrutinize them much more carefully. That's been one of the big advantages of this new accounting system. It makes the decision makers look at it a little more carefully. And I think the auditor would agree that that's one of the advantages of it. That's been introduced, I guess, for the last couple of years now.

**Mr. Streliaff:** — Mr. Chair, members, almost all the improvements in accounting aren't just for accounting purposes; they're almost always related to management and the information management has to make decisions, and the information you have as being responsible for what government does to scrutinize and challenge it. It's not just accounting for accounting's sake by a long shot. And that's just one good example.

**Ms. Crofford:** — Let me just push this a little further though. Would you, in a situation like that, know from the accounts what some of the specific financial arrangements were in the deal?

**Mr. Streliaff:** — Could you just be a little bit more specific?

**Ms. Crofford:** — Well let's say, for example, we invested in a private company where we insured that if they were not profitable we would make up the difference, but if they were profitable they could keep it all. Not a very good deal for the public, but that wouldn't be reflected in the financial statement, that that kind of a deal was there, would it?

**Mr. Streliaff:** — Most likely not. You'd have to ask the government officials. You've just entered into a loan to corporation X or an investment in corporation X. Could you please describe us the terms and conditions of that loan? The financial statements do provide in some cases, some large transactions, some of the nature of the terms and conditions of the deal but they'll be fairly summarized and really have to bring in government officials and ask them in a more specific sense.

**Ms. Crofford:** — Okay, so that's how you would get at that. Okay. Thank you.

**The Chairperson:** — I just want to raise as an example, changes to the feed grain assistance program would have been one that would have fallen into this category where you have a program change without the specific approval of the Legislative Assembly. And then some of the Crown corporations that aren't covered under the section as outlined in part II Crown, those would have the same impact.

**Mr. Streliaff:** — And just in a general way when I think of the Gass Commission, I think of the general perception or conclusion that they reached was that if the government transactions are discussed in public prior to them happening there's usually far more rigour. And at the end of the day I think they observe that the more public the discussion was, the better the transaction ended up being. And that was just their general tone and sense of their report. And this is something that's similar to that or related to it.

**The Chairperson:** — The opening that the Minister of Finance leaves is however the government believes the issue is worthy of study. Maybe we should give them this committee's encouragement to look into that to see what impact it would have on the various Crowns that aren't under The Crown Corporations Act, part II, and then deal with those departments that would be doing this as well. And is that a worthwhile suggestion, Mr. Koenker?

**Mr. Koenker:** — I just have a question perhaps of the auditor I guess. Are there other jurisdictions that would have provision to deal with public expenditure that's not related to the Crown sector, departmental expenditure set in? Is there a model for this type of legislation or would this be a new initiative to Saskatchewan if we were to proceed in this regard?

**Mr. Streliaff:** — My best guess would be it would be leading the way. I'm not intimately familiar with . . . that similar practice is across the country. My general feeling is that it would be leading the way.

**Mr. Koenker:** — So it would require study then by the government to come up with a mechanism to implement in legislation?

**Mr. Streliaff:** — Yes.

**Mr. Cline:** — Several people have identified, you know, a potential problem in terms of the flexibility that the government might have in mid-stream if they want to do something.

The recommendation of this committee said, that we recommended that the government give consideration to the advisability of introducing legislation, you know, and then the minister says that the government has dealt with the issue with respect to the Crown corporations covered by the Crown Corporations Act, 1993. And beyond that, the government believes the issue is worthy of study. In other words, the government is doing what we recommended the government do, and that is consider the advisability of such a measure.

But obviously there are some problems, trying to draw a hard and fast rule, that have been identified. And I think, to bring this matter to a close, we should simply note at an appropriate

place in our report that the government is continuing to study the advisability of the recommendation we made in paragraph 15.

**The Chairperson:** — Well I think, and I don't want to argue with you . . . It says: however, the government believes this issue is worthy of study. I would say that we should encourage them to proceed. Not that they . . . We have brought this to their attention. Now they have said we've done it in Crown corporations, part II, and CIC; then let's push them to the next step and say: are you prepared to review some of the things that are outside of those Crown corporations? Because the logic for doing it in government departments is just as important and as pragmatic, I would say, as those logic used to get it into the Crown corporations.

**Mr. Cline:** — Yes, I don't have any disagreement with that. I think we should note that we recommended the government consider the advisability of doing it. The government has gone some of the way. The government has indicated that it believes the issue is worthy of study, and we encourage further study of the issue.

**The Chairperson:** — Okay. I'd go along with that.

**Mr. Cline:** — Okay.

**The Chairperson:** — Do we have a consensus on that then? Okay. Agreed.

Item no. 19, paragraph 19 states:

The Committee recommends that the Government provide mandate statements to the Legislative Assembly for each government organization and those statements be referred to a standing committee for regular review.

The government has made progress in this area. In March, 1994 the Government formally approved guidelines for departments to follow in preparing annual reports. Included in these guidelines is the requirement for a "mission statement" which covers the department's reason for existing and future plans for the department.

The Government believes it is appropriate to provide the mandate

statements to the Standing Committee on Public Accounts for their use. However, we feel that expanding the Standing Committee's role to include the regular review of mandate statements would disrupt their focus.

CIC and its subsidiary (Crowns) are created pursuant to enabling legislation. The legislation defines the powers and purpose of each corporation and generally includes its corporate mandate, its powers and its duties (i.e. why the corporation was established). Each Crown corporation refers to their enabling legislation in their individual annual reports and gives a description of their activities for the past year. The annual reports are tabled in the Assembly and are subject to scrutiny by the Crown Corporations Committee. This Committee can ask for clarification or expansion of the information provided.

We believe the level of information presently provided by departments and Crown corporations is appropriate and is an evolving process that adjusts itself to the changing information requirements of the public.

My recollection of this paragraph was that it was a part not of Crown corporations as much as it was of mandates and statements, mission statements, of Crown corporations . . . I'm sorry, of departments of government.

**Ms. Crofford:** — Yes, I can't recollect that, but just to comment on it. If we were to be looking at mandate statements of departments, I hope it would be only to get that ability to focus more on whether the expenditures make sense in terms of the mandate, not to be questioning the mandate, because I still think that's the role of the legislature, and I wouldn't want to get involved in a big entanglement here in trying to define government through the Public Accounts Committee. I think it's really just a check on the expenditures.

**The Chairperson:** — The question I have is, does the expenditure do what the mandate says?

**Ms. Crofford:** — Yes, is it connected . . .

**The Chairperson:** — And that's the role of this committee, I would say, to see whether the money was spent in the way that it was said by the legislature it was going to be spent.

**Mr. Cline:** — Well it seems to me, Mr. Chairman, that the response of the minister is I think an appropriate one. I think that we could usefully note in our report that in response to the recommendation in paragraph 19 that the government has made progress, and note what the minister says in the first paragraph, her response. I think it's quite appropriate.

**The Chairperson:** — Okay. Do we have agreement with that?

**A Member:** — Agreed.

**The Chairperson:** — The next paragraph that is not included is paragraph 25 on page 7.

The Committee recommends that the Legislative Assembly consider providing research assistance to the Committee as a priority, when resources permit, to help the Committee achieve greater effectiveness.

The Government believes the Legislative Assembly should forward this issue to the Board of Internal Economy since the Board is in the best position to deal with the topic.

In other words, if there's not enough money, just leave it go the way it is.

**Mr. Cline:** — Well I agree with that. I mean it would be nice to have research assistance.

But so long as we have a deficit in the province and a debt in the province, research assistance for us as members of the legislature, as opposed to, you know, doing a lot of the research ourselves is something that I think we have to forego.

**Mr. Sonntag:** — Is there anybody here that could answer whether the Board of Internal Economy has looked at this at all?

**The Chairperson:** — I don't think that the Public Accounts Committee has ever approached them to do anything like that, so they probably have never dealt with it.

**Mr. Putz:** — Mr. Sonntag, members of the committee, I believe the board did review a proposal for a researcher, not necessarily specifically for this committee although it might have. But I know that a proposal went forward that the library be given a budget to hire a researcher for use by all the committees, and it was deemed, as Mr. Cline suggested, that the resources weren't available and the idea was abandoned. But in the last few years, no other proposal specifically for this committee I don't think has gone forward.

**Mr. Upshall:** — What was behind this proposal, and what would you perceive the role of the researcher to be? I don't quite understand this, or I don't know who I'd direct that question to either, sorry.

**The Chairperson:** — Well you can direct it to the committee, if the committee wants to answer. I think some of the discussion that we had during the period of time this was up for the committee to deal with was that there are times when the background information available to the committee for a specific issue for research . . . there was not time available for the members, or they didn't know where to look for any of the material in relation to the point under review, and therefore somebody suggested that this perhaps be a way to balance that out.

**Mr. Koenker:** — It seems to me that we're sort of in a very awkward position to act on this at the present time, given the fact that resources don't permit the addition of such a research person which isn't to say that there aren't resources available in individual caucuses or in the Legislative Library. So I think that we ought to dispose of this, noting that resources don't permit it at the present time but that there are resources available. Members will simply have to rely not on their own resources, but they will rely on caucus resources and Legislative Library. And I think that they can always turn to the Provincial Auditor's office for some assistance. So we make do with a situation we find ourselves in.

**The Chairperson:** — Do we have agreement there?

**Mr. Upshall:** — What are we agreeing on, 25?

**The Chairperson:** — No, no, to agree with Mr. Koenker. This is already done. We agree with

the statement Mr. Koenker made regarding going to the resources that are already available in this legislature through library and caucus research to deal with this matter rather than specifically research for the Public Accounts Committee.

**Mr. Upshall:** — Agreed.

**Mr. Koenker:** — Just a point of clarification. I presume that any member of the committee at any time can go to the Provincial Auditor and seek clarification or further information. I'm new to the committee, so . . .

**Mr. Streliaff:** — Mr. Chair, members, yes, I'm called an officer of the Legislative Assembly. I work for you.

**Mr. Koenker:** — You're at our service, public service and our service.

**Mr. Serby:** — I just have a question. If I recall some of the discussion around this when we had it, we were talking about more things like the role of the Public Accounts Committee — what its mandate was — early in my term as we sat around this table. And part of the recommendation, I think, came from us having a sort of a broader and more expansive understanding of what public accounts committees are doing across the piece in helping us mould some of the direction that we wanted this committee to be. And I think some of our thinking there was then if we had somebody that was assigned specifically to do research on behalf of our committee, we could make this a much more in-depth working committee in comparison to what's happening across the country.

The question that's just raised of Mr. Streliaff is of course he is available to us, and we appreciate the fact that that's there. But is he in a position to provide us with the kind of detail that we might need that addresses itself specifically to the work of a public accounts committee?

**The Chairperson:** — He can respond to that. I just wanted to say that both I and myself received information before going to the committee meeting in Prince Edward Island last July, and it was almost so much that you couldn't carry it, and we got that from the library. And if you really are serious, I believe, about going for this information, just make

yourself available to the library on a regular basis and they will provide you with the information that you're asking. And I think it'll probably . . . if you ask a lot, you won't be able to carry it out of the library.

So having said that, they are very accommodating and do a good job, and are familiar with many of the topics that — well I would say the majority of topics — that we would talk about in this committee.

**Mr. Strelloff:** — Thank you, members. What we would try to help you with is understanding what's in our reports. We wouldn't want to get too far outside that because it's just never ending, but if there's something in our reports that you want further information on or just can't understand, that's where we would try to help you.

**The Chairperson:** — Okay, I think we have dealt with this in a forthright manner.

The next item is paragraph 30, and I just say that I think they're similar. It deals with . . . rather than read it all, it deals with the Treasury Board accounting and reporting manuals. That's paragraph 30; 31 also deals with the Treasury Board manual, and 32 also:

The committee recommends that the government examine what measures . . .

No, I don't believe that . . . Just 30 and 31 are similar.

It should be noted that the very nature of CIC and its subsidiary Crown corporations differentiate this sector from other government entities. Accordingly, not all of the Committee's recommendations necessarily apply to the commercial Crown corporations.

And the dealing with some lack of reporting in the manuals, I believe that that was what was discussed in the auditor's report, and that is dealt with under these recommendations.

And paragraph 30 at the bottom of page 8 says:

Currently a manual is not maintained to document any other types of recommendations.

And those two items are very similar. If the auditor would like to respond to those two, then he can. And Mr. Kraus too, for that matter.

**Mr. Strelloff:** — Could Mr. Kraus start this one off, please.

**Mr. Kraus:** — I would start this by saying there is a very clear distinction between the Crown Investments Corporation and its Crowns, and Treasury Board and its departments and Crowns. And the Treasury Board manual is used to provide direction mainly to departments and of course to some of the corporations and agencies that are accountable to it.

But I think this thing is implying . . . This recommendation is implying that somehow that Treasury Board should also be giving direction on these things to the Crown Investments Corporation board and SaskPower and so on. And that isn't the way it works.

CIC and its Crowns manage their own administrative affairs. They have policies that are appropriate for, in many cases, quasi-commercial corporations. And so . . . and I can think of a good example of that, where I think this committee has already decided that someone else should take a look at the issue. And that's how we report payments to suppliers, employees' salaries, and so on. Definitely Treasury Board is going to give direction to departments and some of the agencies that are accountable to them on that issue. But they're not going to give that kind of direction to the Crown side under CIC.

And I think you have recommended here, if I'm not mistaken, that the Crown Corporations Committee . . . either that or our response says that. You would want to have the Crown Corporations Committee to decide that, discuss that with CIC and its Crowns.

And I think that's what I see is the problem here. It isn't recognizing that these are two distinct groups. Now have I got the problem properly stated, Mr. Auditor?

**Mr. Strelloff:** — I was just trying to remember, members and Chair, where this came from and Mr. Wendel pointed out that a couple of years ago we did a special study on behalf of this Public Accounts Committee, to examine

practices where government organizations were making payments for services provided to other organizations.

And during the discussion you made a series of recommendations and then wanted to make sure that those recommendations were communicated to all the organizations involved, and some of those organizations were part II Crown corporations and Treasury Board agencies and departments. And during the discussion we thought, well there must be a simpler mechanism that the government could use to make sure that where you do issue recommendations that apply to one segment of government or the whole government that the government has a manual or some mechanism to move those recommendations and directives right across so that each government organization knows that they're expected to follow your recommendations. And so out came the idea that Finance . . . the Department of Finance maintains a Treasury Board manual and that perhaps that is the mechanism for communicating.

**Mr. Kraus:** — Yes, and I'm just going to say that that doesn't work very well.

Another specific example, and I think maybe I will mention it, it's donations.

Departments don't provide donations to organizations normally. It's grants not donations. And so if we without thinking say, well it's been decided that donations will not be given and Treasury Board tries to apply that to the Crown sector, they run smack dab into something and that is that some of the Crowns do participate in community affairs and do provide some assistance or support to some of the community activities. I think the Riders would be an example. I think one of the Crowns is involved in that. You would not expect to see that coming from the Department of Health or Department of Finance, but it might very well be a good policy in the Crown sector to do some of those things.

And that's why it just won't work, where Treasury Board cannot apply policies, that make good sense for departments, without thinking, to the Crowns. The Crowns must think about that themselves and they have and they do. They do think those things through but it's not Treasury Board.

**Mr. Cline:** — The problem I think is quite simple and that is that Treasury Board doesn't control the CIC Crowns so it doesn't make sense to put something in the Treasury Board manual that, you know, applies to the CIC Crowns, it seems to me. But I thought this was relatively straightforward actually. I read this as saying that the Treasury has an accounting and reporting policy manual which:

. . . documents accounting and reporting policy-related recommendations as they apply to departments and certain Crown corporations, agencies and boards.

Those Crown Corporations being the Treasury Board Crowns.

Then in the next paragraph it goes on to say:

To the extent that Committee recommendations apply to CIC and its subsidiary Crown corporations, CIC and each Crown corporation are responsible for ensuring the accepted recommendation is added to establish policies and procedures.

So obviously with respect to the CIC Crowns the recommendation would not go into the Treasury Board manual. It simply would have no place there. But it would go into the established policies and procedures for CIC and the Crown corporation concerned.

So as far as I'm concerned, it adequately addresses the situation that the committee sought to address and is perfectly satisfactory.

**The Chairperson:** — I have a question for Mr. Kraus and Mr. Strelloff. If the Crown corporations must go to the Treasury Board for some recommendations that deal with expenditures on their part, shouldn't it also follow then that the rules and procedures of Treasury Board should be established to give them direction? And that the manuals and documentation be required by those Crown corporations in order to deliver that, because they have to go to Treasury Board as well?

**Mr. Kraus:** — Mr. Chair, for instance if SaskPower Corporation wanted to undertake some activities . . . you know I'm not that familiar with the process but I suspect that senior management would take that up through to their board of directors. And then at

one of the CIC meetings — if it was a significant issue — I suspect it would also be presented to the board at CIC. Normally I don't believe it would come across the Treasury Board. It just doesn't normally come across.

So I think I can say then, that the administrative policies sometimes are the same, but probably for the most part are not. They are tailored to a different environment. It's just like trying to compare salaries, compensation, pension benefits, all of those things. You will not find similarities . . . Well you find similarities, but there's going to be big differences between SaskPower, I suppose, and departmental employees. And they're operating in a different environment and I don't think there's any attempt to keep them absolutely similar. And it would be the same on these other administrative issues.

**The Chairperson:** — What are we going to do with 30 and 31 then, at the committee's discretion.

**Mr. Koenker:** — It seems to me, Mr. Chair, that the minister's answers are adequate.

**The Chairperson:** — Okay.

**Mr. Koenker:** — That we should accept them as given.

**The Chairperson:** — Okay, noted by the Clerk. And:

Paragraph 32 - The Committee recommends that the Government examine what measures are required to ensure compliance with policies intended to apply to all government organizations.

The compliance with policies and procedures is generally subject to regular scrutiny by the Provincial Auditor's Office and appointed auditors.

Mr. Auditor, does that answer, do you feel, adequate in your mind to deal with the issue?

**Mr. Strelloff:** — Mr. Chair, members, the response is correct. We do examine compliance with your committee's recommendations.

**The Chairperson:** — Do you want to make an

observation, Mr. Hunt?

**Mr. Hunt:** — I think the feature of our recommendations in paragraphs 30 and 31 was that if the Executive Council wanted some consistent policy, and not similarity across the board, but one or two consistent policies across the piece for part II Crown corporations as well as all other departments, and Treasury Board Crowns, and so on, they have the ability through the authority given to Treasury Board in the Treasury Board manual to say, with respect to these issues, part II Crown corporations are also subject to this particular proscription or whatever.

And if the committee is to agree with the minister's response and Mr. Kraus's arguments, then it would appear there wouldn't be any policies of that type that would appear in the Treasury Board manual. There wouldn't be any cross-government policies for us to examine compliance with. I think that would be the effect on paragraph 32.

We're talking about policies that tend to apply to all government organizations. I think the committee has discussed this subject and felt that there are no such policies that the Executive Council would ever care to prescribe or proscribe that would affect all government organizations.

**Mr. Koenker:** — So it's disposed of, by virtue of our . . .

**Mr. Hunt:** — If that's the meaning of the discussion on paragraphs 30 and 31. There would never be any situation which the Executive Council would want any one policy to apply to all government organizations. In that case, 32 would have . . . there wouldn't ever be a situation in which cross-government compliance would have to be examined, because there wouldn't be any such policy.

**Mr. Cline:** — Well, Mr. Chairman, except I think what this says is that they all are similar in one respect, and that is they all have to be audited, which I think the minister is saying is the crucial measure required to ensure compliance — it's the audit function.

And we're going to be talking about this later but obviously a great deal of work has been done with respect to trying to look . . . you know, have rules that apply to the audit regime



both in the departments and in the Crowns, where they're appointed auditors, and some kind of protocol between the Provincial Auditor and the appointed auditors.

I won't get into that now but I mean . . . And the more you deal with that situation, so that you're trying to have some kind of rules that have to be complied with, the more you're bringing in some consistency with respect to the audit function properly taking place on both sides.

I mean maybe our recommendation is a bit . . . well it's a bit vague in itself in terms of suggesting something better than the audit function, because we said, we recommend "... that the Government examine what measures are required to ensure compliance ..." We didn't say that we had any brilliant ideas about what measures were required. I mean we did have a lot of brilliant ideas that covered the specific recommendations that we made; but I mean beyond those and beyond the audit function, I don't know what it is that we're searching for.

**The Chairperson:** — You might have touched on the one issue that we will be talking about later with the special task force as it relates to the roles of the Provincial Auditor and appointed auditors outside of the Provincial Auditor. Like I don't recollect the discussion and that would mean something different than what Mr. Hunt was talking about, I think. And therefore maybe we just may need to just agree with this at this point, and if there are some other things that come along that we can point to and say this has to have a consistency across the board as it relates to various government organizations, then maybe we need to have that brought to our attention.

**Mr. Cline:** — Yes, by the way I don't disagree with what Mr. Hunt said either.

**The Chairperson:** — I don't either.

**Mr. Cline:** — But I'm just really adding to what he said in the sense that he's saying well if you take the approach you're taking on the other paragraphs then, you know, maybe you're not going further and recommending something consistent between the departments and the CIC Crowns. But I'm just making the point that, well, the most important thing you can do is get some kind of consistency with respect to how

the audit function is performed, it seems to me. And I think some progress is being made in that regard.

**The Chairperson:** — I'd like to have the committee's response to that then, more formalized so that we can put it down in the notes.

**Mr. Cline:** — Perhaps we should say that with respect to ensuring compliance with policies intended to apply to all government organizations, the committee will have some observations to make with respect to the task force on the role of appointed auditors vis-a-vis the Provincial Auditor.

**The Chairperson:** — Do we have agreement then? On that read? Okay. That concludes . . .

**Mr. Koenker:** — I'm a little bit unclear as to whether we're disposing of this recommendation then or whether we're leaving the door open. What is the judgement of the chair?

**The Chairperson:** — I think the judgement of the chair is that it's being left open.

**Mr. Koenker:** — I guess I heard otherwise. I just heard Mr. Cline's motion more as a footnote that the terms of the recommendation itself that was basically dealt with. We wouldn't need to be coming back to it *per se*; we would be dealing with it indirectly in another venue. It's okay as long as we understand whether we are going to come back to it or not. That's . . .

**The Chairperson:** — We won't come back to it in this format. We'll come back to it in the special report that will be dealt with as it relates to the role of the Provincial Auditor and appointed auditors.

**Mr. Koenker:** — As long as we understand that. That wasn't clear.

**The Chairperson:** — Okay. I don't have any other paragraphs that weren't addressed, except to say that under 38, if I have it assessed accurately, that we did make this as a part of the Assembly's discussion in the last session. And it was approved by the Assembly that the role of the Provincial Auditor and his statements, as it relates to the statements that he makes in relation to an audit or functions of the audit, can be tabled anytime with a Crown

corporation. Unless I'm reading this wrong, that's what was done in the last session.

**Mr. Cline:** — I'm not sure about that, Mr. Chairman. The reason I say that is because this must not deal with the legislation we dealt with in May of this year because this is dated July 8, '94.

**The Chairperson:** — Right.

**Mr. Cline:** — This must deal with . . . We dealt with Crown corporation annual reports in The Crown Corporations Act. We dealt with the Provincial Auditor's reports in amendments to The Provincial Auditor Act we made this spring. This paragraph, I take it, deals with reports by other public bodies that are not under The Crown Corporations Act. That would be annual reports of agencies other than CIC Crown corporations, departments. And I take it that you would need an amendment to . . . Would it be The Financial Administration Act or do you know?

**Mr. Kraus:** — The Tabling of Documents Act

**Mr. Cline:** — The Tabling of Documents Act. And I guess, being consistent with The Crown Corporations Act and The Provincial Auditor Act, that we should reiterate that, you know, we feel that the appropriate amendment should be made to The Tabling of Documents Act so that any report could be released to the public prior to being tabled in the legislature if the legislature is not sitting.

**Mr. Kraus:** — I just want to say that it is fair to say, I think, that it's under active consideration as well. It is being considered quite seriously but, you know, whether amendments make their way to any session you can never predict, but it is being considered.

**The Chairperson:** — Okay. If it is being considered, then would it be possible for this committee to — I don't know how to word this — not visit the people that are responsible for that but also to in some way encourage them to get it done. I know that it probably wasn't the best way to do it, the way we did the changing the tabling of the auditor's reports on a more timely basis by doing it intersessionally; however, if we encouraged the government, then maybe we could do that as a part of this committee's mandate to move that forward. If they're seriously considering it that, then

maybe we could deal with that and be a part of the people that promote it or bring it forward or whatever. I want to be an asset in this case, not a restrictive agent.

**Mr. Cline:** — Well if I can make a suggestion, Mr. Chairman. I would suggest that perhaps we should approach the Minister of Finance through you on behalf of the committee — and I'd be pleased to participate in that and I'm sure Ms. Haverstock also would — and indicate to her that we feel that the approach to the government in The Crown Corporations Act and The Provincial Auditor's Act is appropriate and we feel that the same approach should be extended in The Tabling of Documents Act, which really would complete a policy change with respect to tabling of documents but it just hasn't been brought to fruition in that one piece of legislation.

**The Chairperson:** — Okay, would you want me to write a letter and ask her for that, or should I verbally speak with her, or what's the committee's recommendation?

**Mr. Cline:** — I think both.

**The Chairperson:** — Okay. Then I'll do that. Okay, that deals with the items in the sixth report. The other items will be dealt with as we come across them. And I encourage you to use your notes that you received from Mr. Hunt to help us.

It's been brought to my attention that under normal circumstances we don't review appendixes. Not being in the medical profession, we don't go through appendixes. There are a number of appendixes, references made to the various paragraphs here. And would you want to do that now or do you want to do that at some other point? There's paragraph 14 deals with an appendix. Paragraph 24 deals with an appendix, and 28, and 33. I believe that's it, unless I've missed one.

**Mr. Strelloff:** — Mr. Chair, members, I think all the references to the appendices relates to the Financial Management Review Commission. There's some recommendations . . . (inaudible interjection) . . . I stand corrected.

**The Chairperson:** — I could make a suggestion that we leave them to the end of the discussion this week sometime, at the end

of chapter 8. Then we could go into them and then conclude, because we're going to have dealt with the majority of the rest of them during that period of time, and then we may have in fact dealt with some of them as a part of the overall discussion. Conclude with it that way. And since Mr. Hunt is fairly familiar with these, I'd like to have him keep track of them for us. Is that a possibility?

**Mr. Hunt:** — I'll do my best, Mr. Chairman.

**The Chairperson:** — Thank you. I appreciate that. Is that in agreement with the committee? Okay.

Then let's go to deal with the auditor's report. And I asked Mr. Strelieff to go back to chapter 1 and . . . I know we did this earlier, but it will put us all into a single frame of reference after a summer of doing a whole lot of other things. If you don't mind.

**Mr. Cline:** — Mr. Chairman, would this be an appropriate time to take a short break?

**The Chairperson:** — It sure would be. Thank you.

**Mr. Koenker:** — For how long?

**The Chairperson:** — 3 o'clock.

**The committee recessed for a period of time.**

**The Chairperson:** — I'll ask Mr. Strelieff to go through his observations in chapter 1, and then we'll deal with some of them if it's necessary, and then we'll go to chapter 2 after that.

**Mr. Strelieff:** — Thank you, Mr. Chair and members. As the chair stated earlier, we did discuss chapter 1 in April and May. And what I do in chapter 1 is give my overview observations. The first four paragraphs deal with the importance of a complete accounting in the summary financial statements. And I note in paragraph .04 that the full annual cost of pension benefits and the unfunded pension liability of 3 billion were not recorded in the March 31, 1993 summary financial statements.

I do note though that for the March 31, 1994 financial statements that were issued September 30, a month ago, the pension costs

and pension liability was recorded in the summary financial statement for the first time.

The second matter that's discussed in chapter 1 relates to a complete financial plan. And in the paragraphs .05 to .08, I argue that I think a complete financial plan should be presented to the Assembly that puts all the pieces of government financial activities on the table in one place, so you can better assess and understand the decisions that are presented to you. Paragraphs .05 to .08 addresses that.

In paragraphs .09 and .10, I note that this committee discussed the need for complete financial plans and reports and that in a previous report of yours you recommended that the government prepare an interim financial report comparing the plan and actual results for the government as a whole. An interim report would be for the first — say — for the first six months. And I certainly think that was a very good recommendation and encourage the government to do that.

The next section deals with information, investments and commitments, needed where in this report and previous reports and also in the work of the Financial Management Review Commission we stress the need to provide some information on each of the significant investments and commitments that are being managed by the government.

And the information framework would be in the context of, in paragraph .12, what the specific and clearly defined objectives for each of the investments or commitments and the criteria to determine if those objectives were achieved, and the financial impacts of them that are expected in the future and at present. And I note that the Public Accounts Committee, in paragraph .14 and .15, discussed the need for that and continue to encourage that kind of framework to be provided to the Assembly.

In paragraphs .16 to .23 I note where, in our view, practices have been moving forward during the year of this report. And in the first paragraph I note that to me a lot of the changes were really moved forward by elected officials in this committee, in the Crown Corporations Committee, and elsewhere. And then I list a number of the more significant steps forward where management and accountability practices we think were or are moving forward.

Paragraph .17 relates to annual reports and that the government has prepared and issued guidelines that should improve the contents of department annual reports.

I note that the Crown Investments Corporation has been improving some of their practices, particularly the way they proactively provide advice, information to the Crown Corporations Committee and moving forward on improving their budget information that they provide to their board.

Paragraph .19 notes the Department of Finance introducing more rigorous and useful accounting principles, similar to what Mr. Kraus was discussing earlier, that are good.

Department of Health, in its efforts to establish an accountability framework for the new district health boards . . . I think last year in November we had a one day session with this committee and the Department of Health discussing that framework for their new district health boards that they were implementing.

Department of Justice, the audit committee that will help in their work in managing a decentralized, revenue raising and spending programs; the Department of Highways moving forward. And then in .23, some other organizations that are examining some of their practices in more depth.

The paragraph .24 and .25 talks about the task force that was established. And you will be meeting with the task force on Thursday; .26 to .31 talks about our office's plan to try to be more useful to you in providing more timely reports and more useful reports. Noting in our earlier discussion today that last spring legislation was changed in our Act to deal with when we do issue a report and the Assembly is not in session . . . that our reports are automatically referred to this committee and our public at that point.

And then in appendix I of this report, we describe the operations of our office in that appendix in terms of our role and those we serve and what we do.

So that's the overview of chapter 1. I know we left off, back in May, on the following spring report idea, and that was quickly moved forward by members of this committee and then through the Legislative Assembly.

**The Chairperson:** — Any discussion from the observations of the auditor?

I have a couple of questions. On item no. .18, CIC is improving its practices. Can you give us some examples of how that's working.

**Mr. Strelloff:** — Yes, Mr. Chair, members, the first rubric that says:

officials of CIC are now proactive in providing information to the Standing Committees on Crown Corporations and Public Accounts.

And it's, in our view — in observing for example the Crown Corporations Committee meeting last week and taking place right now — that the corporation is coming to the table trying to explain their activities and operations and being very proactive in providing you information about what they do and the status of their corporations and investments, whereas in the past it seemed like when you went to that committee, the members would have to ask questions to get information and then ask, I suppose. Well just instead of the corporation coming in and saying, here's what we're all about, the members would be having to try to sort it out.

And that just seemed to be a far easier way for members to have their starting point in terms of understanding what the Crown corporation does and then be able to ask questions on some of the key performance indicators and policies of the Crown corporations. And I think that that is an improvement in practice and certainly helps the members hold the government accountable.

In the second rubric in this report or chapter 8 of this report or in last year's report, we referred that CIC was not providing a budget to their board in a timely way. I think we noted that the budget for one of the years wasn't provided to the corporation until maybe October or November of the year that the corporation was dealing with. And we noted that that was improving; that the timeliness of some of the budgets that were provided to CIC were improving. So we thought that is improving its practices.

The third rubric deals with working with my office and examining the systems and practices CIC uses to manage its significant

investments. Now we've held discussions on how that work is proceeding and it's important that it does proceed.

Is your question just pertaining to CIC or does it go further?

**The Chairperson:** — It was pertaining to CIC. I wanted to move beyond what you had stated in your report here giving us some examples on how CIC is working, because you're now beginning to audit them. You're examining the systems and practices in relation to the various Crowns that are in CIC. You reported that the budgets are now being introduced earlier. Are there systems being changed or adjusted? Or is it required to have changes in the systems and their budgets in order to be able to manage their investments better?

**Mr. Strelieff:** — You're dealing primarily with the third rubric. As you know, we're coming out with a fall report that we hope to have made available to you in the week of November 14 or November 21. We're still going through some hoops on it. And that report deals with, one of the things it deals with, is the results of our examination of CIC for the year ended December 31, '93. And it provides you an update on that and I just would prefer to leave it until that information is public and then be able to speak to it.

**The Chairperson:** — Okay. No problem.

I'm going to ask more questions about the second point you made on CIC, and its budgets in chapter 8. I'll do that then. And then CIC will likely be here to respond as well.

Another question I have: are Crown Corporations Committee now receiving information as it relates to their budget proposals? Like in the session last spring, we talked about the role of Crown Corporations Committee being more proactive. Are they receiving information on major acquisitions or expenditure of funds? Have they received any? Is there a way that you are involved with that or in dealing with their management of their investments? Have they had any of them? And have they brought any of them forward to the Crown Corporations Committee?

**Mr. Strelieff:** — Mr. Chair, members. I think today, tomorrow, and Wednesday, I think, the

Crown Corporations Committee has asked CIC to come in and explain their significant investments and commitments. Last week they didn't get that far. They focused on understanding their three sets of financial statements and the transfers that occur from one statement to another statement, and on the overview of the Crown corporations, the part II Crown corporations, and didn't get to the investments and commitments. So my understanding is that they changed their agenda to allow more time for CIC to come back and talk about their investments.

Brian Atkinson from my office — you might remember Brian; he's one of our senior people — he's attending that meeting for our office. You ask me: are they receiving that information? My understanding is it's happening as we speak. But I don't know the nature of the information that's being provided.

**The Chairperson:** — Okay. On page 4 of the report, it talks about the General Revenue Fund in item no. .07. General revenues for the General Revenue Fund were 4.3 billion and expenditures were 4.9, and yet the total revenues were 8.08 and the total expenditures were 8.8.

If you'd take that and measure that, that means that the Crown corporations delivered a considerable amount of input into the expenditures. And so far, no government has had the courage to allow that to come to the place where members of the Assembly talk about it. And I think it's, going on from what I was talking about earlier, that it's time that the public, I believe, are interested in dealing with the expenditures of the Crown corporations and also where the revenues are. And those are two observations that you make in .07 that I think are significant.

And I wrote down, in a different place, the volume of expenditures in relation to the government and Crown corporations. The government spends a significant amount of Crown corporations' assets, and they do that in the context that the Crown corporations are an entity of government, but the Legislative Assembly don't have access to that information. So that's why I raise that as a part of, I guess, encouraging not only the committee but government members of the committee to move in that direction so that we have better reporting of all of those

expenditures that are made on behalf of the people of Saskatchewan and for the people of Saskatchewan.

The other things in this first chapter have been addressed earlier on, and so I'm not going to talk about them except to say that I want to acknowledge the work of Mr. Cline and other members in moving the .26 to the end of the chapter through the Legislative Assembly last spring.

I think that was a noble effort on all of our part to deal with the change to the auditor's Act in the way that we did. And I think probably that's the first time a member of the opposition has ever brought forward a piece of legislation that passed through the House. And so . . . well I stand corrected; Mr. Boyd did one that dealt with the Scotsmen and tartans and stuff like that, so that would be . . .

**Mr. Putz:** — Mr. Hagel did one too.

**The Chairperson:** — Mr. Hagel did one too. So it is a unique sort of venture, I guess you could say, and that's . . . just to make a comment to that effect.

**Mr. Cline:** — I was going to make a similar comment, Mr. Chairman, except I was going to compliment you on your work. Because it wasn't very long after the committee discussed the desirability of amending The Provincial Auditor Act that you got the Legislative Counsel and Law Clerk to draft the legislation, and got the agreement of all the parties in the House and the House Leader to proceed with it.

And I thought it was quite a remarkable exercise, really, that within a matter of days we actually had changed the legislation to accommodate what the committee wanted. And of course the Provincial Auditor was fully in agreement with the change as well. So I think you should be complimented. And as I've said before, it's one of the reasons why I hope that you're the chair of this committee for a long time to come.

**The Chairperson:** — Well we can adjourn on that benevolent note.

Is there anything else that anyone would like to say on chapter 1? Okay, chapter 2.

I will say one thing about this committee's work. I've been on this committee before when I was on the government side, and I have seen some haggling over, straining at very little and swallowing a whole lot. And so I say that the committee has worked well together and in that context we want to keep on doing that — not saying that we have to agree, but we can agree to disagree as well.

Chapter 2 deals with the government's summary financial statements.

**Mr. Strelieff:** — Thank you, Mr. Chair, members. With me is Rodd Jersak. Rodd Jersak is a chartered accountant in our office, who is responsible for carrying out the work on the summary financial statements and the General Revenue Fund financial statements.

And Rodd is going to lead us through our comments on the government's summary financial statements for the year ended March 31, '93. Our fall report will address our views on the financial statements for the year ended March 31, '94. Rodd's been involved in both those and he's actually been involved in the summary financial statements since they were first prepared a few years ago. So Rodd Jersak, please take it away.

**Mr. Jersak:** — Thank you. Mr. Chair, members, the purpose of chapter 2 is to express the importance of the summary financial statements. The summary financial statements should not be confused with the financial statements of the General Revenue Fund. And please note, as I'm sure most of you are aware, the General Revenue Fund is what the Consolidated Fund was for the 1993 year.

The General Revenue Fund statements show the financial position and the results of operations of the General Revenue Fund only, not the results of the government as a whole. The summary financial statements should be used as a key financial decision-making and accountability document. They are the government as a whole. They do have the financial position and results of operations of the government as a whole in them. They provide essential information for understanding our province's finances.

In our auditor's report on March 31, 1993 summary financial statements, we say that

those financial statements are reliable except for two reasons. And the first of those is that the pension costs and pension liabilities are not recorded. The second is that the government hasn't accounted for all of its losses in NewGrade Energy Inc. If these items had been properly accounted for or reported in the summary financial statements, those summary financial statements would be different.

First of all, pension liabilities of about \$3 billion would be recorded, loss for the year would increase by about \$107 million, and the accumulated deficit would increase by \$3 billion.

Now I'd like to speak first about the unrecorded pension costs and liabilities. The government's financial statements provide incomplete measures of program costs and liabilities. The unrecorded annual pension cost for 1993 was \$82 million. This pension cost was not presented to the Assembly as part of the annual debate of planned program spending. In total over time, \$3 billion of pension-related costs have not been presented to the Assembly for debate. The Assembly needs complete information to assess resource allocation decisions.

In paragraph .11 of chapter 2, we recommend that the government should record its full pension costs and liabilities in its summary financial statements. In the Public Accounts Committee's sixth report, they agree with the recommendation and recommend that the government record the liability for pension obligations but that the government do so at an appropriate time. And I'd like to say that, as I'm sure many of you are aware, in the 1994 summary financial statements which were released in September, the government has recorded its pension costs and liabilities.

The cash required to pay the \$3 billion pension liability and the accumulated interest on it will need to be raised through future taxation. To assess and understand resource alternatives and decisions, the Assembly and the public need to know in which years the cash will be needed to pay the unfunded pension benefits.

In paragraph .16 of chapter 2, we recommend the government should provide the Assembly with forecasts of the cash required to meet its existing pension liabilities. The forecast should

be included in the summary financial statements.

We feel this is an important issue because of the size of the liability and because there are uneven cash flows related to it, making it more important that we understand those cash flows and that we plan for them. The Canadian Institute of Chartered Accountants suggests such forecasts include amounts required in each of the next five years, the subsequent five years, and in the long term.

I'd like to now move to the unrecorded losses of NewGrade Energy Inc. As you are aware, the government has reduced the recorded value of its \$234 million investment in NewGrade to zero. Since the government guarantees NewGrade's debts up to \$360 million, we recommend in paragraph .20 of chapter 2 that the government should record its share of losses in New Grade Energy Inc. On March 31, 1993, the government should have recorded another \$25 million in losses to reflect its share of NewGrade's losses of \$259 million.

And I'd also like to point out at this time that in the 1994 summary financial statements the government has recorded its share of NewGrade's losses. And the remainder of chapter 2 includes a copy of our auditor's report on those 1993 summary financial statements. Thank you.

**Mr. Strelloff:** — Thank you, Rodd. Mr. Chair.

**The Chairperson:** — Any questions?

**Mr. Sonntag:** — Just on a point of clarification for the record, you said that the government did record the losses on NewGrade in '94. You meant the interim to September 30, or March 31, '94?

**Mr. Jersak:** — That was to March 31.

**Mr. Strelloff:** — When we said the unfunded pension liability was recorded, that also refers to the financial statements issued for the year ended March 31, '94. They were issued on the date of September 30.

**The Chairperson:** — When you . . . I'm sorry. Any more questions? No.

When you, on item .5 in chapter 2, when you

dealt with the losses of \$107 million — the increase — could you explain to us where this occurred and why it would have happened, or why it should have been included?

**Mr. Jersak:** — \$82 million of that \$107 million amount relates to the pension expense that wasn't recorded. The additional 25 million relates to NewGrade.

**The Chairperson:** — Okay. In dealing with the 82 million for the teachers, was that what was budgeted or what reason did you have for having 82 million there?

**Mr. Jersak:** — That amount was determined through actuarial reports and work done by the Department of Finance that indicated expense was \$82 million for that year.

**Mr. Streliaff:** — My understanding of that is that the government has recorded an annual pension cost equivalent to the cash contributions to pension plans and the cash contributions to individual retirees. When you compare that cash contribution to the total value of the pension benefits earned, it was \$82 million less. And so the unrecorded annual pension cost was \$82 million. The total annual pension cost . . .

**Mr. Jersak:** — Probably 150 million, 200 million, something like that. I'm not sure of the exact number.

**Mr. Kraus:** — It would be closer to 250, Mr. Chairman.

**The Chairperson:** — 250 million?

**Mr. Kraus:** — Yes, in total, yes. Now we're talking about '93-4. '93-4 was around 250. Yes, it's about 250 plus or minus a million dollars for both years — for '92-3 and '93-4. It's around 250 plus or minus a million or two.

**The Chairperson:** — So the recorded pension costs were 250 about, minus the 82? Okay.

**Mr. Kraus:** — Yes.

**The Chairperson:** — And why was that left out? Or what was the . . .

**Mr. Kraus:** — Well the government's policy and accounting for pension costs has not changed for many years and they've been

simply accounting for the cash cost each year, not taking into account, as Jersak was talking about, the increase that's occurring because the plans aren't fully funded. And that's information you get in part from the actuaries and then some additional accounting calculations that we do.

**The Chairperson:** — In other words, the government paid out in the neighbourhood of 250 million and only budgeted for 82?

**Mr. Kraus:** — It would have paid out 250 less the 82. So . . .

**The Chairperson:** — Oh I see.

**Mr. Kraus:** — Yes, our cash costs would have been minus the \$82 million. About 170, in that neighbourhood, cash. Yes.

**The Chairperson:** — Okay. Then, so that I understand this, then you . . . the liability wasn't recorded. You didn't actually have that kind of a loss because it was never paid out. Is that . . . Do I understand it correctly?

**Mr. Kraus:** — At the time the statements that are under consideration in this audit report did not book the unfunded pension liability; there was no need to take into account — correct me if I'm wrong but — no need to take into account the fact that liability is growing.

And as I say, all we had to deal with is how much cash have we paid to superannuates or where there is these money purchase plans, how much have we paid out to match the employee contributions? But we haven't had to worry; we haven't had to account for the increases that are also occurring because the employees are continuing to work in these older plans, but there is insufficient monies in the plan and therefore the unfunded liability is rising.

**The Chairperson:** — So the 82 million was a future anticipated requirement of the pension, and I'm not too sure whether I would say in the next five years or eight years; this was calculated by the actuary to ought to have been included or is that . . .

**Mr. Kraus:** — It takes you to the point where you can say, as of a certain point in time you need whatever number it is in the financial statements — 3 billion or whatever — to meet



the future pension obligations based on the work that's been done by these employees to date.

**The Chairperson:** — Okay now I'm going to put it in my words so that . . . you required \$170 million to meet the cash requirements of the pensions, and the 82 is to supplement any future requirements that might be occurring within those plans in the next 20 years or whatever.

**Mr. Kraus:** — I wouldn't say supplement. Supplement isn't quite the right term to use, Mr. Chairman, because . . . I'll let Terry see if he can explain it to you.

**Mr. Paton:** — Mr. Chairman, if I can try and put it into your terms?

**The Chairperson:** — Okay, you do that.

**Mr. Paton:** — Under the old method of accounting the only expenditure that was recorded under any government probably in Canada were the cash payments. They didn't take into consideration what benefits were actually being earned.

What we have here now is we've changed methods of accounting, and what we're doing is we're actually ignoring the cash payments from an expense perspective. What we're doing is we're going out and saying: how much benefits have been earned during the year by employees? And there's one other major component which is: how much interest is there on the benefits that we haven't funded?

So if you take those two main components, which is what employees have earned and the interest on what we haven't funded, and then you compare it to what the cash payments are, the difference is \$82 million. But it's not really, as Mr. Kraus was pointing out, it's not a supplement. It's two entirely different bases of accounting for it.

**Mr. Kraus:** — And if I could just add, and that's what I was thinking about, I'd like to talk about some of the private sector examples because you may or may not follow it. But in the United States with their health care for retired workers, companies like General Motors and other companies have been allowed to go on a pay-as-you-go basis.

In other words when the people retire, if they have to pay for some of the medical costs as under their collective bargaining agreement, they record that cost. But what accounting says is that while these people are working and maybe they're only 40 years old, there is a certain cost associated with the fact that that person has worked for you this year. We can calculate that on average you're going to have to spend so much for health care for this person, and therefore there is a cost that you should be charging to your operations and your car this year regardless of cash flow. Cash flow might be 25, 30 years down the road — and as you may be aware some of these corporations have had to set up staggering sums. I mean General Motors set up something like \$20 billion in the last 24 months and would be continuing to incorporate large costs in their operating expenses to reflect that these employees are earning benefits now, based on the work they're doing even though they won't get the cash until the future.

And I think, if I read correctly in the financial papers, that I think that maybe that's now going to be applied on some other benefit programs to Canadian companies that are not always recognizing these types of costs. And it has a real impact. You set up a liability; it eats into your retained earnings; makes the balance sheet look a little less attractive.

But I think they estimated that perhaps a trillion dollars or double that would be set up on the corporation's balance sheets as liabilities, and would reduce the retained earnings accordingly in the U.S. (United States) when this accounting standard was fully implemented.

But there's a difference between incurring costs and cash flow. It's the accrual accounting again.

**Mr. Sonntag:** — Could it be maybe a simple way to put it — unless I'm interpreting it wrong — would be something like depreciating an asset out to zero? I suppose the zero being the date of death.

**Mr. Kraus:** — Only it's reversed. In a case of depreciation you put your cash out first, then you recognize the cost as you use it up. But in this case you recognize the cost before you pay the cash out.

**Mr. Sonntag:** — A quick question just on the 250 million and I know it's just a guess, but that includes Crowns, of course? The annual pension? No, it doesn't.

**Mr. Kraus:** — No, I don't believe so, no.

**The Chairperson:** — This only includes teachers and government employees.

**Mr. Kraus:** — And a few others. The list, I think, is right in the volume 1 there. I think MLAs (Member of the Legislative Assembly) would be included, judges. Page 44 will show you. Public service superannuation plan, teachers' old plan, MLAs, judges, anti-TB (tuberculosis) league employees, STC (Saskatchewan Transportation Corporation) company employees, and of course the contributory annuity fund which ... a few dollars there.

**Mr. Sonntag:** — Okay, thank you.

**The Chairperson:** — Any other questions on the pension?

**Mr. Cline:** — Mr. Chairman, are you intending that we should deal with these recommendations as we go along? It might be easier.

**The Chairperson:** — Yes, it is easier. Much easier.

**Mr. Cline:** — Okay. Are we then at the point where we deal with recommendation .11?

**The Chairperson:** — I think we are.

**Mr. Cline:** — Okay. Well I would suggest in view of what we've heard that we note that we made recommendation previously in our sixth report, I think recommendation 10. And we also note that for the first time the government has recorded pension costs and liabilities in the summary of financial statements for the year ended March 31, 1994.

**The Chairperson:** — Do we have agreement to that? Agreed. Okay. That takes care of item no. .11.

Going on to item no. .16:

The Government should provide the Assembly with forecasts of the cash

required to meet its existing pension liabilities. The forecast should be included in the Summary Financial Statements.

First, before I recognize Mr. Sonntag, Mr. Auditor, is the 1994 summary financial statements ... do they include item no. .16?

**Mr. Strelieff:** — Mr. Chair, members, no they do not.

**Mr. Sonntag:** — My first question is then, I just ... would you explain the exact difference between the ... how the forecast would be included and what was included in the March 31, '94?

**Mr. Strelieff:** — What was recorded in the March 31, '94 financial statements was the unfunded pension liability of \$3 billion. Now that is a present value calculation, so the difference between including that and your cash forecast is, given we have a pension liability and we know we have that, when will we have to raise the cash to pay it out?

And one of the reasons we've put this in is normally debts ... normal borrowings ... and this is a borrowing; it's only internal borrowing from employees versus external borrowing from the market. Normally borrowings, you know when the cash is going to be required; it's very set out in the debt agreement, and the summary financial statements do show when external borrowings are coming due, and therefore you can get a sense of when the cash demands are coming.

Pension liabilities, the cash demands will be uneven; perhaps most of the cash will be required in years 5 to 15 from now. Maybe. I don't know, but it could be. And if that's the case, I think it's very important for readers of the financial position of the province and people who have to understand what the finances are like get that picture, that perhaps if \$3 billion is the amount, that the present value — perhaps most of it — is going to be paid out in years 5 to 15 and that's when a lot of demand on the borrowings is going to take place. And so to understand what's going on, that's an important piece of information. So we recommended that. Did I ...

**Mr. Sonntag:** — Yes, I think it's a good explanation. Mr. Kraus, what would your

comments on the recommendation be?

**Mr. Kraus:** — Well I think the best answer I can give on that, Mr. Chairman, is that the government has indicated that it is going to study the whole matter of pensions in general, and this would certainly be one of the elements that it would be looking at at that time.

**The Chairperson:** — Would this be available if the actuary gave you the numbers that he goes through to reach the conclusion that \$3 billion is the total value of the liability?

**Mr. Kraus:** — He doesn't normally provide information like this unless he's asked to do a forecast.

**The Chairperson:** — He has to go through this in order to come to the conclusion, doesn't he?

**Mr. Kraus:** — I don't think so. I think that he will do his actuarial, the forecasts of the unfunded liability, and then this is a separate task. I mean I'm not that familiar with the work that they do, but this . . . he wouldn't necessarily have this. The best to my understanding is no, he wouldn't; he has to do another, separate calculation to determine what the cash flows would look like, say expressed in 1994 dollars, over the next four years. He'd have to do a separate calculation for that.

**Mr. Sonntag:** — Then in light of what Mr. Kraus has said, I would suggest that we note that the government is going to study this issue.

**Mr. Streliaff:** — Members, Mr. Chair, my understanding is that the actuary would have to know the cash flow pattern because, remember, it's a present value calculation. So if you're paying out all the cash in year 5 versus spreading it out, it would have an impact on your calculation of what the unfunded liability is equal to. So they would have to go through that kind of calculation. They may not have it in a ready form or report that they could easily hand off to the government, but it would be an important part of what the actuary does in terms of providing advice to the government.

The cash flow information also would be a very important piece of information just for

managing, managing your cash flow requirements.

**Mr. Paton:** — I think I disagree slightly with that comment. I think the actuarial liability is based on your earned benefits to date. And when you're looking at your cash flows, they're impacted by benefits that are earned in the subsequent years, so that when the actuary is actually doing his work he has to do some prediction of benefits earned in the future to get the cash flow requirements.

So I think they are different things; they're related, but it isn't simply a present value of the cash flows because there are future benefits.

**Mr. Streliaff:** — That's correct. The component that I didn't add was that to get all the complete cash flow requirements, you'd also have to incorporate the benefits that are being earned on an ongoing basis and therefore require more cash that add to the liability. And I was just focusing on the benefits that have been earned to the accounting date, March 31, '94 and what are its cash flow demands. You'd have to add another component on to it to get the cash flow demands over the next 10, 15, 20, 30 years.

**Mr. Cline:** — I want to ask a question for clarification. When you say, Mr. Streliaff, the government should provide the Assembly with forecasts of the cash required to meet its existing pension liabilities, by cash required to meet existing pension liabilities in those five, say a five-year period, you're not talking about putting aside cash to get rid of the unfunded liability; you're talking about simply meeting the liabilities on a year-to-year basis.

**Mr. Streliaff:** — Yes.

**Mr. Cline:** — This is not any confusion on your part; it's confusion on my part. I was thinking of the issue of whether you tried to make an effort to put money aside in a reserve to meet the unfunded liability. You're not even dealing with that issue in this recommendation.

**Mr. Streliaff:** — No, I haven't.

**Mr. Cline:** — Okay. And I think we talked about that once before, and it's a very controversial subject, I think, if you're in a deficit position. Okay, so it's just . . . What you're talking about is putting in a statement

how much we need this year and in each of the subsequent five years.

**Mr. Streliaff:** — And the main reason . . . and it's important, but it's also the unevenness of it, that it's not sort of an equal \$100 every year; it could be 5, 10, 150, 300, and then come down. And that unevenness at some point is going to be an important borrowing requirement for the government, and therefore that information should be on the table to understand that borrowing requirement.

It's also a good signpost then. If you plan future plan amendments sometime in the future that change the promises, then you can also see what the impact of those changes would have on the cash demands as well, and it's good management and accountability information.

**Mr. Cline:** — Although in this case the benefits would be largely set — would they not? — in the sense that the unfunded liabilities relate to the old plans, you know, the defined benefit plans, whereas presently when we change the benefits, we're changing money purchase plans — are we not? — because we've gone from old plans to new plans. And the unfunded liabilities relate to the old plans; do they not?

**Mr. Streliaff:** — Mr. Chair, members, any plan can be changed. I know that periodically . . . For example, last year you approved an ad hoc increase to — say — the old plans of 1 per cent. So what you did was adjust the benefits.

**Mr. Cline:** — Okay. Yes, I take your point. So you could actually be changing the benefits of the old plans even at the present time. Okay, yes. Thank you.

**The Chairperson:** — And some of them are indexed too, so you don't know exactly what you're dealing with either.

**Mr. Cline:** — Okay.

**Mr. Sonntag:** — Well I guess I'll go back to my original suggestion unless there's some others who have some questions.

**The Chairperson:** — I have some more questions. Okay. So if you had in this five-year plan that you would forecast the volumes of dollars that were required because you knew that there were certain teachers coming on to

the plan or government employees coming on to the plan, that increase and decrease on the forecast would still be in the context of the \$3 billion.

**Mr. Streliaff:** — That's what we've recommended, yes.

**The Chairperson:** — So that the accumulated value, given that there's no changes of 1 per cent or changes in the indexing, that volume of dollars still at the conclusion of the payment of all the pensions would be 3 billion.

**Mr. Streliaff:** — No, at least I think no, according to what you've asked. Remember that the \$3 billion is a present-value calculation. So say the whole amount wasn't payable to retirees. Maybe there was only one retiree and a \$3 billion unfunded pension liability. Say that amount wasn't due until year 2000. Well in the year 2000 — I think the interest is about 8 per cent or 7 per cent — the actual cash that would be due in year 2000 might be \$5 billion and still relate to the \$3 billion unfunded pension liability now. But it's not due until year 2000; it's a present-value calculation, so therefore it's growing, and so the actual total cash of \$5 billion is related to the \$3 billion, and they're not equal.

**The Chairperson:** — Yes, I understand that because the 3 billion has changed itself. That number has changed itself over the last 10 years, and it has moved down, and then it has moved up. And so that . . .

**Mr. Streliaff:** — It's moved down, but it's moved up.

**The Chairperson:** — I can recollect in the early '80s when we first started talking about this that there was about a \$5 billion liability, and it was discussed in this Public Accounts Committee meeting I think at that . . .

**Mr. Kraus:** — I recall that vaguely, but I think some numbers were being used there that weren't quite correct, and I think it was . . . one of the witnesses used that number, and I don't recall why he did, but it just wasn't . . . it didn't relate to this particular number we're talking about, and it may even have been him thinking what it was going to cost in the future in future dollars.

But certainly the unfunded liability wasn't 5

billion at the time, but he . . . Someone did use that number, but it wasn't the unfunded liability total.

**Mr. Hunt:** — My recollection, similar to Mr. Kraus, I think there were some future benefits as well as benefits to the accounting date that were being factored in at that time.

**Mr. Kraus:** — The future, rather than just cutting it off at this point, saying here's what it is today.

**Mr. Hunt:** — I think it was a former member of this committee, wasn't it, that . . .

**Mr. Kraus:** — Could have been.

**Mr. Hunt:** — Well he may have brought a witness forward.

**Mr. Sonntag:** — I would just simply go back to the suggestion, noting that this is a part of the larger pension issue. And I think that while the recommendation is a good one and needs to be dealt with, I think we should just simply note that the government is dealing with this issue at this time — or is studying this issue, I should say.

**The Chairperson:** — Do we know that they are?

**Mr. Sonntag:** — Yes, that's what I understood Mr. Kraus to say.

**Mr. Kraus:** — I think it's fair to say that the issue is under review.

**The Chairperson:** — When could a report of this review . . . I know you're not the person to ask; that's why I raise the question. Is that kind of a question, should that be put to the people who run the pension and the Minister of Finance, rather than the comptroller? And would it be better to say that we just agree with the statement here and then allow it to develop on its own, whether in fact it is happening or whether it isn't happening?

**Mr. Sonntag:** — Obviously then that we recommend that the government review the matter.

**The Chairperson:** — Okay, I'd agree with that. The government review the providing of the information as it's stated there. Okay?

**A Member:** — Agreed.

**The Chairperson:** — Go along with that. Now item no. .20 says that the government should record its share of losses in NewGrade Inc. in the summary financial statements. You indicated that they had for 1994. Is that correct?

**Mr. Strelloff:** — Yes.

**The Chairperson:** — What was the reason for that loss of \$25 million?

**Mr. Jersak:** — NewGrade had lost, I believe the number was \$259 million, by year end. And because CIC has the investment in NewGrade, they had written their investment down to nil. And there was no need for them to write down any more than that since they had no investment left.

The General Revenue Fund had guarantees related to NewGrade and therefore we felt it was necessary that because the government as a whole was still at risk, that they record their share of the continuing losses of NewGrade.

**The Chairperson:** — So then the total guarantee was 360 and they had written off 234, but they still had outstanding liabilities because of the guarantee.

**Mr. Jersak:** — Outstanding guarantees that could become . . .

**The Chairperson:** — Could become liabilities, right?

**Mr. Jersak:** — Yes.

**The Chairperson:** — Have they become liabilities?

**Mr. Jersak:** — No.

**Mr. Strelloff:** — Just a point of clarification. To become a liability in the context that you said, the guarantees would have to be paid?

**The Chairperson:** — Right.

**Mr. Strelloff:** — And that hasn't been necessary yet and therefore it is just a prudent accounting matter to recognize that there is some exposure, and the \$25 million is the

extent of the exposure as of March 31, '93. I think I probably . . . didn't clarify it. I think I should move it to you, Rodd, next time.

**The Chairperson:** — \$25 million in losses, no, no; \$25 million in guarantee and they haven't recorded any losses or they haven't had anybody call the guarantee.

**Mr. Strelloff:** — That's right.

**The Chairperson:** — So 25 million hasn't really been lost but it's been recorded in the book as a loss because of the guarantee factor.

**Mr. Strelloff:** — Yes.

**Mr. Upshall:** — But it's not lost until it's lost, and it hasn't been lost. It's just been a guarantee that has not been lost. Is that correct?

**Mr. Jersak:** — Actually NewGrade had incurred losses, \$259 million amount, but because CIC had written down their investment to nil there was no need for them to write down any further losses. But in the summary statements, there is both an investment and guarantees so we felt it was necessary that the government, in the summary financial statements, record the losses or their share of their losses to account for the additional losses over the amount that the investment had been written down to, which is the difference between 234 million and 259 million.

**Mr. Upshall:** — Right. But just for clarification, it was a loss to NewGrade and a loss to the government until it became zero. And the 25 million was rolled over as a guarantee from government but not necessarily a loss from government because at some time that could be repaid. Is that . . . Am I wrong on that?

**Mr. Jersak:** — The loss wasn't rolled over as a guarantee. The guarantees existed before that and still do. It's just that NewGrade had lost money to the extent of 259 million and the government's share of that wasn't fully accounted for to the extent of 25 million.

**Mr. Upshall:** — So it was picked up in the guarantee?

**Mr. Jersak:** — The guarantees don't get

recorded as a liability or an expense though. They were just disclosed in the notes to the financial statements.

**The Chairperson:** — So really what you're saying is that they have \$1 million of guarantee left to pay out.

**Mr. Jersak:** — I'm sorry. I missed what you said.

**The Chairperson:** — They have guaranteed \$360 million to whoever and they have had a loss of 259. They didn't record \$25 million, moving it from 234 to 259. Is that right?

**Mr. Jersak:** — That's right.

**The Chairperson:** — So they did have that loss; they just didn't record it.

**Mr. Jersak:** — That's right.

**The Chairperson:** — So they have \$1 million worth of guarantee left to cover for the difference between the 259 and 360.

**Mr. Strelloff:** — No. I'll try it once and then maybe Gerry and Terry can help us as well. The starting point is the government put in \$234 million into the investment in NewGrade which is a separate . . . it's out there, \$234 million. Over the years NewGrade lost \$234 million. So the government was writing down their investment from 234 all the way down to zero. Then NewGrade lost an additional \$25 million.

Now we've already written down our investment to zero; now we're getting into negative amounts. And we asked the government to write its investment down below zero, down to negative 25, because the government was exposed to a \$360 million loan guarantee that also relates to this NewGrade. So we said, you have to write it down more because our exposure is more than just the original \$234 million investment. We have an additional exposure of \$360 million that we've guaranteed on loans to, that relate to, the NewGrade.

So we said, what we said in paragraph .19, that you should record that additional \$25 million. The government disagreed with us. And then for March 31, '94, they decided to record the additional \$25 million. And then

there was an additional loss of — I can't remember what it is — but it's more than 25 now. Now does that help, or does it make it more confusing?

**Mr. Kraus:** — I just would explain maybe for the committee that accounting standards err on the side of the being ultra-conservative. And sometimes you might be in a strong position to say, gee, we might get some money maybe if conditions turn out right. But until you get it into your hand, accounting principles generally don't like you to record it, even though you might be quite certain you're going to get it.

In this case, the government may very well have to put in . . . will lose money above and beyond their original investment. But on the other hand, they very well may not. We're quite confident they won't and they'll get their money back.

But because there is this risk and other reasons, the accounting standards are saying, you should record this now because it might happen. Even though you might think it won't, in fact it goes so far as to say, and in fact in these situations if this company starts to earn money and you think it's going to earn money, and in fact there're are going to be profits or reductions of these losses, that that should further encourage you to record this loss.

Because they're trying to get the person that has . . . the company that has invested the money to reflect as accurately as possible whether there are losses or not.

And I think maybe I've made it worse, but the point here is that this is very conservative. It's a fairly recent recommendation. I wouldn't say it's more than a couple of years old at best.

And I think it's in response in part to some of the things that have happened in the last 10 or 15 years in the businesses investing in various situations and losing, and there will be big surprises for shareholders. And I think it's a little on the conservative side, but they're saying where this situation exists, even though you feel that you may get the money back, you should take a conservative approach and record this additional loss.

Now if NewGrade starts to make some of that back, you can take it in as profits. And I think

the auditor would agree with what I've said there.

**The Chairperson:** — That leads me to an observation as how do you record the profits when you've dealt with the losses in relation to this? Do the profits come in a different file?

**Ms. Crofford:** — You mean 25 million, is that minus 25? Is that what you mean?

**The Chairperson:** — Yes.

**Mr. Strelloff:** — That's correct. You would have an investment gain. If NewGrade, for example, said we made \$25 million this year, then that \$25 million becomes an increase in investment earnings for the year, for the government in its summary financial statements.

**Mr. Kraus:** — Keeping in mind we're talking summary right now; we're not talking General Revenue Fund, by any means.

**Mr. Strelloff:** — Because . . .

**Mr. Upshall:** — Because of the agreements that have been worked out on loss, loss sharing. I mean because of the deals that have been worked out on loss sharing, its potential is that any profits would be . . . would show up in the summary financial statements but does go in through CIC, into NewGrade as a profit. Whereas this, because of the agreement to share losses, comes in directly from involvement in government. Correct?

**Mr. Kraus:** — Yes, well I think eventually this would be backed out on the summary financial statement if they're as profitable as everyone hopes they'll be. And then . . . but at some point in time once we've got that off our books, well we would have to account for any reversal of fortune here where we're starting to come back.

But at the same time your point is correct, that profits, cash flows, whatever, are going to be seen by CIC itself as the . . . if we might call them the parent company I guess. Both of us are accounting for it.

**Mr. Strelloff:** — Just an observation. These kind of transactions really point towards the — at least in my view — the usefulness of the summary financial statements because it's all

in there. When you try to focus on what is in CIC's financial statements there'll be a portion of this transaction there. There'll be another portion of it in the General Revenue Fund financial statements and it's very difficult, at least from my view, to figure out what has happened, why it's just portions. But when you move to the summary we try to make sure that all the pieces are on the table. And you can see through the transfers amount. And this is a good example of that.

**Mr. Upshall:** — The only question I would have and I get bogged down as to . . . it's an acceptable procedure to write down to zero as you have stated here at the . . . (inaudible) . . . and that's the acceptable practice. It's not signed off on one accounting measure.

It's acceptable to have the 360 million guarantee in another process, but when it comes to then the summary of financial statements, then it's wrong.

So I'm saying it's right here and it's right here, but it's wrong at the end of the day in summary. And I don't know how . . . maybe you could explain how these two correct procedures result in a wrong procedure. And therefore is the summary an accurate representation? I may be out of my league here, but . . .

**Mr. Strelieff:** — You said there was two sets of financial statements that are both right. Which sets are those?

**Mr. Upshall:** — When you have the practice on the books of \$234 million of investment been written down because there was 250 million loss, okay? Then you write that down to zero and that's an acceptable practice. You don't . . . agreed? I mean that's the standard procedure.

**Mr. Strelieff:** — You're writing it down, 234 in CIC's financial statements?

**Mr. Upshall:** — Right.

**Mr. Strelieff:** — That's acceptable because for some reason the loan guarantee related to NewGrade is not managed or held by CIC; it's managed or held by the Department of Finance. And I'm not sure why that's the case, but so therefore when you're reporting the results of CIC you're not dealing with the loan

guarantee which the Department of Finance is managing.

But when you bring it together to see what the government is doing in terms of the whole NewGrade transaction you have to go to the summary financial statements, which pulls together what's happening in the Department of Finance with the \$360 million loan guarantee, with what's happening to CIC in its \$234 million investment. And then you bring it together and then show it.

**Mr. Upshall:** — And I'm not arguing whether or not whether it should be in Finance or CIC. I'm saying in CIC's statement it's reduced to zero; in Finance it's a \$360 million guarantee. Then when it comes to the summary financial statement to bring it together, then there's something missing you're saying, and that is the 25 million, or loss or a potential profit.

**Mr. Strelieff:** — Well there was in this year. I mean you bring it together. The NewGrade had lost more than CIC's \$234 million investment. They had lost an additional \$25 million. And the only way the province is on the hook for that \$25 million loss in addition to the investment, relates to the loan guarantee that's held over at Department of Finance. So you move the loan guarantee in from Finance and then put it together in the summary to get the total picture of what's . . .

**Mr. Upshall:** — And that's what they did this year.

**Mr. Strelieff:** — Yes.

**Mr. Upshall:** — For March 31, '94.

**Mr. Strelieff:** — Yes.

**Mr. Kraus:** — I just want to say, that while this has been handled correctly from an accounting perspective, I think Mr. Upshall's observation is a good one. I think, just from a common sense perspective, you question the whole thing.

I mean we've accounted for it correctly. There's no question about that. But still when you look at it, it doesn't seem to make sense to an ordinary, everyday person. I agree with you there; it is tough to follow. But it technically, from an accounting perspective, it's absolutely correct what we've ultimately done here at the end of '93-94 anyway.



**Mr. Serby:** — Just a question. If NewGrade were to show then a surplus of 25 million this year . . .

**Mr. Strelieff:** — So if it made \$25 million this year?

**Mr. Serby:** — Right. Does that reduce the loan guarantee by that amount?

**Mr. Strelieff:** — No, the loan guarantee still is \$360 million. But it would . . . When you bring it together in the summary financial statements, the \$25 million loss that was recorded last year would be reversed.

**Mr. Serby:** — Right.

**Mr. Strelieff:** — And that would be shown as a gain, an investment gain for the province.

**Mr. Serby:** — Against the initial investment, of the two-third net?

**Mr. Strelieff:** — In a general way, yes.

**Mr. Serby:** — Okay. That doesn't affect the loan guarantee then.

**Mr. Strelieff:** — No. The loan guarantee is just an agreement that the government has that we will guarantee the loans up to \$360 million. Regardless of what happens, we've agreed to do that. And you have to negotiate that to change that.

**The Chairperson:** — I'm just going to add this. This discussion is significant in that it takes place as we talk about entities that are Crown corporations that deal with earning money and have an asset value.

When you turn this around and deal with investments made by departments of government, they . . . as soon as their investments are made, they almost reduce them to zero because of . . . or zero value because they're an investment made and the department made them and the taxpayer made them and we won't get any return on that investment. And because it's infrastructure; it's roads; it's hospitals; it's highways; it's schools and all those things; and so how do you measure that?

You've got something that determines value on NewGrade. But you have nothing that

determines value on the infrastructure that you have. And so it's mixing apples and oranges, in my view, to a large extent as well. Because you can't determine profit from a hospital. You can't determine profit from a school. And yet on the other hand, we're asking you to determine profit on NewGrade.

And there's two separate entities; in comparing social benefit to have a positive impact of X amount of dollars in your community is very subjective in its analysis. And so you're doing two different things.

Going back to the item, number .20, the government should record its share of losses in NewGrade Energy Inc. in the summary financial statements. An observation.

**Mr. Cline:** — Was it stated that the government had done this, this latest year?

**A Member:** — Yes.

**Mr. Cline:** — Then why don't we just note that the government has . . .

**The Chairperson:** — Has agreed to the recommendation. Okay. Has agreed with the recommendation in 1994.

Okay, that concludes chapter 3, or chapter 2, I'm sorry. Might I make this observation — that we begin chapter 3 tomorrow? And deal with it tomorrow and then go through chapter 4. I think there's some other people coming from the department of, or from the auditor's office, to talk about the pensions on chapter 4. And so we could begin tomorrow's session with chapter 3. Do I have agreement?

Okay, we will conclude then. A motion to adjourn? It's Mr. Sonntag. Thank you. Tomorrow at 9 and starting with Chapter 3.

The committee adjourned at 4:30 p.m.