

**The Chair:** — Ladies and gentlemen, we have a quorum and we have a pretty full agenda so I'd like very much to start. There are a couple of our members that are tied up in the accident scene in front of the legislature, that will be joining us shortly.

Before we begin I want to at this point just to raise the attention of the members that on Tuesday the 9th meeting, which will be after Easter — I don't know if there's been any decision; I'm not aware of one at this stage — but there would be I understand, at least a possibility that we would not sit on Monday. If that's the case and we're starting early on Tuesday, and I think members might be driving in, so perhaps for next week when we find out what the House has decided, we may want to consider waiving the meeting for that Tuesday. But we can make that motion next Tuesday; it gives us time to do that. So I just wanted to raise that to your attention at this time.

The way we're going to proceed today is that we're going to have Mr. Kraus make his presentation firstly, and then the Provincial Auditor. And he will, as part of his presentation, lead us into his recommendation that we discussed last week and I circulated, in terms of dealing with the matters that we have before us. So don't jump the gun; it'll come into that flow and then we will discuss it and ask him any questions and then be able to make a decision hopefully at the end of this session in terms of the direction we wish to proceed.

I wonder if we should do introductions again since I was remiss last time to do it. There's new people.

**Mr. Kraus:** — Well I'll introduce Chris Bayda who is with me today. Terry Paton is in Toronto on a Canadian Institute of Chartered Accountants business. And I just want to point out to the committee — I'm sure you know this anyway — but when we do work for the Canadian Institute of Chartered Accountants, working on their accounting recommendations and so on, they pick up all the travel costs, air fare, hotels and meals, and so on. So just to assure you we're not spending a lot of money.

As well I have a few people from my office; from time to time they will attend — Lori Taylor on my right and Dave Tulloch on my left.

**The Chair:** — Thank you very much, Gerry. Are there any other housekeeping things, Greg? If not, then I turn the floor over to you.

**Mr. Kraus:** — I have lots of material that I bring with me. I don't like to come with too little. I'd like to distribute first the material for the first presentation. And I would hope that I can get through the first presentation in 30 minutes, depending on the number of questions that you might ask. And then there'll be a second one that takes about 10 or 15 minutes. And these are the overheads and the written material for the first presentation.

By way of introduction, I'd like to point out that I've been with the government . . . or rather I've been in the accounting and

auditing business now for about 34 years. I'd like to be able to say it's only 24 years, but unfortunately it's now 34 years. I spent eight years in the private sector with Touche Ross and Company. They're now known as Deloitte & Touche. I also spent about four years with SaskPower Corporation in a variety of positions as well.

I arrived here in 1974, I guess it was. I joined the Department of Finance, and I became the Provincial Comptroller in 1981. Now as I said, I've got a couple of presentations. The first is to familiarize you with the government's parliamentary process for controlling public monies from the comptroller's perspective. And then in the second presentation, I'll take you through the *Public Accounts* just very briefly and talk a little bit about the accounting policies and familiarize you with a few of those, but very selectively, because I know I can't take a lot of time, and I don't want to sort of give you an accounting lecture.

But the major features of the parliamentary control over public monies are five from my perspective; there's five significant ones. And by the way, I know some of you have heard this before, but I always like to think there's some changes that we're making in the way we do our job, and so that may be of interest to you.

Anyway, there's the authority of the legislature to raise and spend money, so the General Revenue Fund concept; control over expenditures by a Provincial Comptroller; a financial report to the legislature by the Provincial Comptroller; an independent audit and report by the auditor to the legislature; and finally, an annual review by the legislature, or the Public Accounts Committee really, of the *Public Accounts* and the Provincial Auditor's report.

Now the first concept I think is the most important. And that's the right of the legislature to raise and spend monies and the concept of a single General Revenue Fund. And under that concept, all the monies over which the legislature has the power of appropriation flow into this one fund, and they can only flow out again if the legislature authorizes that spending.

Of course the legislature has made exceptions to that case. They've created Crown corporations like SaskPower, which have the right to undertake activities, to bill for those activities, and to collect monies for those activities. And those monies do not flow directly into the Consolidated Fund, and you do not have the power of appropriation over those monies. But that has been established by law.

An example -- it's an old example now -- but an example of why this concept was created and what it's intended to prevent is the Iran-Contra affair where some of the president's men — many hundreds of years ago, might have been the king and his men — but in any event, some of the president's men, whether the president knew it or not, sold some government inventory, military weapons, to Iran. Instead of the cash going into their version of the Consolidated Fund down in the U.S. (United States) for their budgetary process, it was diverted down to Central America to fight a war.

And that's one of the reasons that this was created in the first place: to prevent that. And so when people get a bit emotional supporting that type of activity in the States from time to time, I'm not sure they fully understand what they're advocating.

Of course there has to be an authority to spend money, and the authority to spend money comes from The Appropriation Act, and The Appropriation Act starts its life as the *Estimates*. And these are the *Estimates* from '95-96, or for '95-96, and of course you're going to receive a brand-new set of *Estimates* for '96-7 in a couple of days.

Now the *Estimates* of course provide the departmental spending on a subvote-by-subvote basis. And at some point you will break down into the Committee of Finance, and departments will be called in, and the officials will support the minister as the minister answers questions about the spending estimates.

When you do vote on The Appropriation Act department by department, you should be aware that you are authorizing monies to be spent at the subvote level, and a subvote, in the case of the Department of Finance, will often take the form of an administrative group like the Provincial Comptroller's or the treasury and debt management group.

Now when you go to other departments like Health, it's quite common to find related activities grouped together to form subvotes. So in the case of Health — I'm not sure if you can . . . yes I guess you can read that quite well — there's the provincial health services and support subvote; another group of activities, medical services, and medical education programs, chiropractic services, optometric services, those are all grouped together as one subvote.

Well no matter how well you try to budget, in all fairness, there are going to be times when you can't foresee what's coming down the road and governments do need the ability to change their budget. And in the case of Saskatchewan, I guess the best example in the last year has been the fires in the North. And under The Financial Administration Act, there is authority to raise special warrants during the year. The Lieutenant Governor signs them and those provide additional spending for the government and its departments to spend.

The spending under the special warrants are ultimately authorized by the legislature. They are put together in the form of *Supplementary Estimates* and they're brought forward with the new budget. So when the budget is presented here on Thursday, I believe the way it works, is you'll also be receiving *Supplementary Estimates* to cover the spending for the '95-96 year under special warrant. And at some point during the next number of months, as you go through the new budget and approve it, you'll also be approving the *Supplementary Estimates* and the spending under the special warrants.

As well, there has to be an ability to move money around without necessarily adding to the budget. So the virement process doesn't add money to a department's budget. But under The Financial Administration Act, the Minister of Finance can authorize virements and what that allows is, for example, if Health finds that it has too much money or it has more money

than it needs in the health services and support area but not enough in this medical education or medical services area, it can apply for virement -- and the Minister of Finance agrees -- the Minister of Finance signs, and monies can be transferred from one subvote to the other. So that's the way we can modify the spending limits within the department. Again, that doesn't increase the government's spending limits though.

And finally, there's something called transfers which are only about four years old. They are not really required by law but it's just — for your information — another level of control that the Treasury Board has placed on departments. And these transfers . . . if a department wants to move money between these individual subprograms that are listed in a subvote -- for example, it wants to move money from strategic services to vital statistics -- it has to receive approval from the Treasury Board.

That's another level that didn't exist before. And it isn't required by law. It's just an administrative control.

**Mr. Koenker:** — When did that change? When was that introduced?

**Mr. Kraus:** — When I say '92, I think it might be even '94. It was at the point that they changed the form of the *Estimates*. If you may recall, the subvotes were not constructed so that you had like activities grouped together. Many of these were individual subvotes. They stood alone. And they had to vire their money back and forth. If you wanted to move money from one of these programs to another, you have to have a virement.

So they decided, at least for now, I think — and I can't remember what year that you received this new form; it might have been the '93-4 year perhaps — and that's when they decided they'd maintain that level of control, since now they were grouped together there was some fear that there might be just . . . the money moving back and forth too much so they added this transfer control.

We could spend a lot of time talking about that kind of thing because there are times sometimes when you wonder how much you have to control departments, how much latitude you might be able to give them. I think in some of the other jurisdictions — it's never been the case here — they might give a deputy minister the right to move monies between this group and that group without even coming back to the Minister of Finance, Treasury Board, or whatever the case is. We have a much tighter control here in Saskatchewan, I think, than they may in some of the other jurisdictions.

**Mr. Koenker:** — And the related question, in terms of the new format for the *Estimates*, did that flow from the Gass Commission?

**Mr. Kraus:** — I don't know if the Gass Commission made recommendations that the *Estimates* change like this, but it probably helped move it along. There's always been this feeling that the *Estimates* should provide more information. I don't think, up until that time, the *Estimates* provided you with a brief description as to what the mandates were for the various

subvotes or programs, but it probably helped push the agenda. Because on the accounting side, Gass was really talking . . . made a lot of recommendations on the accounting side. And I think with that move in that direction they probably felt the *Estimates* should come along a little bit as well. But it was coming out of that same time period.

**Mr. Koenker:** — Thank you.

**Mr. Kraus:** — My job, in part -- and at times I think that perhaps in future presentations I won't focus on this quite so much -- but certainly ensuring spending is within budget and within legislative authority is one of the jobs of the comptroller. And maybe it's best seen on this overhead, where the legislature provides authority. Of course, as I said, they provide spending limits to The Appropriation Act.

As well, departments, before they can spend money, they have to have the authority to undertake an activity. So they have legislation that they operate under or they may have special legislation that they use, and it's from there that they get their authority to undertake and spend as well. And then The Financial Administration Act provides for signing authorities. Only duly authorized people can sign the payment requisitions which ultimately charge the votes and subvotes.

I think the report on stewardship is clearly pretty important. I can't imagine how you could have accountability without the annual *Public Accounts* that's presented each year. I'll talk about that in a little more detail later, but of course there's the main financial statements and then details of revenues and expenditures.

And for about three years now we've been tabling in the fall. I realize that perhaps in an ideal world we would be like the private sector and have our financial statements out in 60 to 90 days after year end. But certainly I think Saskatchewan certainly is up with the best of them.

Our *Public Accounts* now are tabled by law no later than October 31, and for about three years in a row we've had the volume 1 released in the month of September and then volume 2 follows suit in October. And because the House hasn't been in session at that time, it's been tabled through the Clerk, which does mean you get a chance to see that even if the House isn't in session.

Of course the auditor will be talking about his job but I did want to just mention a couple of things that he does. Firstly, he issues an audit opinion on the financial statements of the province, both the General Revenue Fund and the summary financial statement. And you'll see in volume 1 on each of the financial statements there's a very short audit report.

This is a standard audit report that you would find in any company's financial statements, whether it's Imperial Oil, Wheat Pool, or a government agency. And the auditor is simply -- not simply indicating -- he is indicating whether or not in his or her opinion the financial statements present fairly the financial position of the entity at the end of the year.

In addition . . . and this is something that is I think unique to the government sector — it's an extra level of control or accountability and it does put us more in a fish bowl, but that's just the way it is, and that is these long form reports that the auditor issues here on administrative matters and other matters that he feels should be brought to your attention. There's no parallel like that in the private sector.

Most of these issues or all of these issues would normally be dealt with in the private sector with the board of directors or their audit committee and only if the viability of the organization — financial viability — was in trouble or threatened by some problem like that. But, too, I think that a private sector auditor would report that to the shareholders. So again this is an extra level of accountability that you're not going to find in the private sector.

To close the accountability loop, of course there's this committee that examines the *Public Accounts* and the auditor's report, and you do question departmental and Crown managers as to how they manage their affairs. Again just to reiterate, naturally as a civil servant I shouldn't be expected to defend government policy but I should be expected to understand the policies that I'm expected to administer and I should be able to explain them very well to you. And I should also be able . . . you should expect me to be able to explain how I've managed the resources that were entrusted to me.

And of course you issue recommendations to the legislature usually about once a year when you get to the end of a set of reports. My role is clarifying financial policy, explaining the information in the *Public Accounts*. Although I don't have it here, if there are issues that you have questions about that may have been reported by the auditor in his report and you think that I might have a viewpoint on it — or maybe a viewpoint isn't the right word — that I have some facts on the matter, particularly as it pertains to some of the departmental issues, if I have information, I will try and pass it on to you. I can sometimes indicate whether the department really is fixing up a problem or whether they're . . . or just what the situation is.

As well, I prepare the reports in response to the committee's recommendations, and we have 120 days to respond to your reports. And I think perhaps for the first time in some time we did respond within 120 days to the last committee's report. So we're happy we're on track now.

My position has been around since 1954. It's appointed by order in council. There's only been three provincial comptrollers in the province of Saskatchewan. Sometimes there are provincial comptrollers and sometimes there aren't, but there has been one in Saskatchewan since 1954.

Unlike the auditor of course, I'm a civil servant. And another thing that's unusual about this position is that the legislature has delegated specific duties to the job. And I want to point out that — I know you know this — but departments are responsible for administering their own affairs. So to some extent some of the things I do for the government as a whole have to be done, like maintaining the appropriation accounts or maintaining the books and records and preparing the financial

statements.

On the other hand, they use us to exert some control and supervisory function over the activities of departments. And so I'll talk about this a little bit later, or just a couple of slides down. We have focused quite a bit on controlling disbursements in the past, but that is changing more all the time. We also supervise receipt, recording, and proper disposition of public monies; ensure compliance with Treasury Board policy; and issue directives to departments.

And I will explain here as we go along what we are doing. But I just want to say this was written in '65, 1965, when they created the new Finance department, got rid of the old Treasury department, and created a separate, independent office for the auditor. These things haven't changed, but the way we do our job has changed dramatically. And it's really changing almost as we speak. It just seems nothing stays the same any more as far as administration goes, financial administration.

For example, this is an overview of my latest organization. Had I given you this presentation last week, it may not have looked quite like that. I've been making some changes. Going into the '95-96 year, we had 76 employees. I'd like to point out that had I made this presentation to you in 1981 that would have read 152 employees. And the main reason for the changes are computerization and the way in which we audit. We've changed dramatically the way we are auditing and monitoring the activities of departments . . . (inaudible interjection) . . . I would hope there's a bottom here somewhere, but you can probably expect to see the numbers drop a little bit more.

**A Member:** — One.

**Mr. Kraus:** — No, a little more than that. Because I've now created an internal audit branch, and while . . . I'm placing more emphasis now on conducting internal audits where we're looking at the financial management controls that departments have in their systems to help them manage the programs, disburse monies, collect monies, whatever it is they're doing.

The audit of payment documents is where the big change is taking place. Greg mentioned last week that . . . I think he mentioned that from the territorial days on to 1965 when they had the major reorganization, the pre-audit function was conducted by the Provincial Auditor. And once they moved the Provincial Auditor to an independent status in 1965, the comptroller took that function on. And there were a lot of staff associated with that.

And I think I probably told the committee about fours years ago that while I was talking to them we were thinking about changing the pre-audit so that we didn't have to audit everything, because we were receiving 60 to 70,000 payment requisitions, some of which are that thick. And you can imagine the amount of photocopying that takes place in departments. All that has to be sent by mail. We had to review it. Most of it was correct to start with; you're just not going to find very many errors. And as a result, I think it was in 1992, The Financial Administration Act was changed, and it gave the comptroller for the first time the chance to exert some professional

judgement as to how much should be pre-audited.

So what we decided to do was introduce the notion of internal audit, where we would actually go out, as I said, and look at the systems in the field. By doing that, you have a much better idea of what they're doing and whether their systems have adequate controls or not, and you can make much more effective recommendations for improvement. At that time we reduced the pre-audit to a sampling basis only; we just sampled. I suppose then we went from 60 to 70,000 payment requisitions coming in to Finance to maybe 5, 6, 7,000.

I knew what we were going to find over the next number of years. And we did find that the departments essentially know what they're doing in this regard and we're wasting our time and effort to continue on with these pre-audits. So what we are doing is, over the next number of weeks, we're phasing the pre-audit function out, and we will perform, in addition to the internal audits, a statistical sample on a post-payment basis, a post-audit basis.

The Provincial Auditor is aware we're making this change. The Provincial Auditor agrees with it. There are very few jurisdictions left now that use the pre-audit. It's just not that efficient. And I think to some degree it almost denigrates the financial management people in the departments. There comes a time when you have to accept that they can do the job.

We are still conducting audits. The Provincial Auditor conducts audits. We do try to make sure, by the way, that when we perform these internal audits, that we check with the auditor, the Provincial Auditor, to see whether he's been into an area or not. And if he has, we may or may not go in, depending on what he has found. As well, there are some internal audits in some of the larger departments, and we also rely on their work because we don't want to duplicate work. And of course, we audit federal-provincial cost-share claims. There isn't much work there though.

Financial systems branch, these people maintain and operate the central computer system that processes payments and receipts. It issues financial reports to departments. Appropriation control is essentially done by computer, although of course there's people involved to maintain the security and provide training for this particular system.

And I didn't want to spend a lot of time here, but I think I have to say something again, at least talk a little bit, about the future. I know you deal with what's presented to you, but you have to have some understanding of where we're going in financial administration. And this system was put in, in 1985, and it took us what we thought was from the Stone Age to the future.

Of course the way things go in the computer world, the users aren't satisfied with the system. I think it doesn't do a bad job. But I know what these new systems can do, these client-server arrangements where, I guess, in simple terms, the departmental users have much more access to the information. And they're able to also print information out that they may want and don't have to stick to the pre-determined reports that we're providing.

Now our systems do have a certain amount of flexibility, but these new client-server systems are going to provide a lot more flexibility and are probably going to also allow things like electronic data interchange which leads to less paper and so on. And it's going to have quite an impact again on the administrative people. Whether you're a personnel person, a payroll person, a budgeting person, an accountant, or even an auditor, internal or external, it's going to have an effect on us.

I'm not proposing that we're going to be implementing new systems by any means, but I can say that somewhere down the road in a number of years — maybe it's a year; maybe it's eight years; maybe it's five; I don't know — but this is going to start happening.

And the thing is, the problem with them are . . . and I've read about private sector corporations trying to put these new systems in. They're very hard to justify because they cost a fortune — 5, 10, \$15 million isn't a lot of money. And it seems difficult to justify it at the time, but you know eventually everybody's going to go that way; it's just a matter of time.

**Ms. Stanger:** — So is that the only reason you're doing that, because everybody else is doing it?

**Mr. Kraus:** — No. Well I've got one example, and it's about . . . I read about Air India. And Air India of course is located in a country that has a huge population. And they thought, in order to save employment, they would stick with a manual reservation system to the extent they could. And what happened was, was that wherever possible the passengers began to shift to the other airlines because people want to change their reservations, and they've got this and that. They just aren't going to make a reservation and stick with it.

The long and the short of it was, Air India realized that if they didn't put in the automated systems, they were going to severely hurt themselves financially and maybe go out of business. So they had to change.

I know I wouldn't say we always change because everybody else is doing it. But you know that this business of electronic commerce, of less paper, less human intervention, is coming. And whether we like it or not — I'm not all that keen on it myself to some extent — I think there's this change.

Now it's not happening tomorrow. We certainly haven't got anything proposed. But I can tell that these systems are now dated, and somewhere along the line they're going to be changed and at quite a cost and quite an effect on the staff. But it's down the road, but who knows for how long will we continue as we are.

Just very quickly, I have a payroll services branch . . . (inaudible) . . . that maintain and operate the central payroll system. They develop and maintain payroll policy. They train . . . That system is . . . it was implemented in '87. I thought it was a system that would last for 15 or 20 years, but now I'm wondering as well.

By the way, only about 10 per cent of the payments on this

system are by cheque. About 90 per cent are electronic funds transfer. And as far as our other payments go, we make about half a million a year. We don't pay the social assistance plan payments, and I don't pay the doctors. But we make about half a million payments ourselves in this other system I had earlier. Only about 30 per cent are electronic funds transfer. Most of our grant recipients, school boards, etc., they receive their monies by electronic funds transfer. Only about 7 per cent of suppliers have opted to take money that way.

Financial management branch, well they prepare the *Public Accounts* and the year-end financial statements. They develop the accounting and reporting policies for Treasury Board. They approve new financial systems, review draft legislation, regulations, to make sure all the financial conditions are properly addressed. We approve about 100 financial statements for various boards and . . . or the financial statements of about 100 boards and agencies. We follow up on the Provincial Auditor's management letters.

I'm not sure I should continue to leave this in here because it doesn't seem like it means much today. But when I first came here, I always liked to say that the Provincial Auditor's management letters sometimes were just filed in a file and forgotten. What we did was we have made sure that the departments answer the questions or the recommendations of the auditors, and they either say that they're going to fix the problem up, or they have a strategy to do so, or they have a very good reason as to why they think their course of action is appropriate. And of course we provide assistance and advice to departments to resolve financial administrative problems.

Can I go on with the second part? It's much shorter.

**Mr. Sonntag:** — I just want to be clear. The Provincial Auditor's management letter, that's the letter that will deal with his recommendations.

**Mr. Kraus:** — He sends management letters to the minister responsible for the department or the agency, and that identifies many of the same items you see here in that report. Some of them are . . . he considers not to be that important, and depending on . . . they may not get beyond the department itself. If he feels they're not that important, he won't report them to you.

So yes, the issues that you see are in the management letter. And as I say, sometimes there's other issues that he just feels aren't that important to come to you.

**Mr. Kraus:** — I quickly want to review the *Public Accounts* and just selectively look at some of our accounting and reporting practices. This could be a three-hour presentation and it . . . I think it's only going to take 10, maybe 15 minutes at the most.

Volume 1, of course, of the *Public Accounts* has our main financial statements in them. I've already talked about that. I'll talk about that a little more later.

The volume 2 of the *Public Accounts* of course provides

revenue and expenditure details by department. It gives you information on remissions of taxes and fees. We've expanded that information slowly but surely to try and provide you with more information, not less, as far as remissions go. It's not that the remissions aren't public or anything but I think to some extent we always haven't made sure they're in the *Public Accounts*; now everything's in there.

There's a comparison of appropriation to expenses by department and program. And you very well may be familiar with this table; it's on page 14 to 28 of volume 2, but I like to mention it because there was a time when we didn't provide this information or not as well anyway. And by department and by subvote we show you how there's the original estimates that you pass in the House, then there's any special warrants that are added. There's virements between subvotes, transfers between subvotes, and finally you get the revised estimate.

We then compare the expense for the year against that revised estimate and show whether or not there's an overrun or expenditure. And that can be useful for you if you want to determine really well how well we are budgeting.

Of course transfers or grants over \$5,000 by department are reported. Payments of salaries over \$2,500 only for out-of-scope people; the in-scope people are reported in another volume, and payments to suppliers by department over 20,000 are reported here as well.

The compendium of financial statements, I don't know if you people have had cause to use the compendiums or not, but they're two large volumes. They are presented to you a little bit later. They are not considered to be formally part of the *Public Accounts*; they're supplementary information. We don't release them till usually just before the House opens or just as the House opens because I have to wait till I get the audited financial statements for all of these agencies and some of them are a little bit late in arriving. So that's one reason as well that you're not getting them a little earlier. But in any event you did receive these I think about the first or second day that the House opened.

This was primarily produced as a convenience to members, although I think it turns out to be a convenience for us as well because all of these financial statements, of course, are tabled separately either in the annual reports of the agency or just separately as financial statements. But it's handy to have them as a reference. And if you're ever interested in the financial . . . something about the revenues or expenses of a particular government agency, excluding the Crown Investments Corporation side because that doesn't include . . . these don't include the Crown Investments Corporation -- but if you're interested in something about the Housing Corporation or Queen's Printer, revolving fund or whatever, you can find it here.

And I know ourselves we often use this because it's just handy; you don't have to hunt around for anything.

Supplementary information volume, this has a very limited distribution. We don't make very many copies. This isn't

distributed to the library or anything. You do receive this with volume 2, so you do receive this before the end of October. It has the salary details by department. Anyone who receives more than \$2,500 is reported. It shows whether we're in scope, out of scope, temporary, permanent, casual, ministerial assistant, whatever, it's all here.

As well we aggregate payments to suppliers across departments. What that means is that if Highways pays a supplier \$3,000 and Health pays a supplier \$18,000, those payments would not appear in volume 2 on a department-by-department basis because we . . . neither of those departments paid \$20,000. But when we aggregate across all the departments, the 3 and the 18 make 21 so it would show up in this listing here.

**Mr. Toth:** — Gerry, what you're saying then, it's just over \$2,500 that you have the salaries. Anything underneath that, part time, doesn't show.

**Mr. Kraus** — Doesn't show.

**Mr. Toth:** — Is that available? Even if it doesn't show? Sometimes that figure can be fairly high against the total paid.

**Mr. Kraus:** — If you made a request I guess I would make sure it would be made available.

You know one of the reasons we went with the 2,500 in some . . . like this volume here I was just talking about, and even volume 2, it looks the way it does now because of recommendations the Public Accounts Committee made about four years ago or five years. There were a series of recommendations that started occurring in the early '90s. And that's why it looks the way it does. That's why we use 2,500.

But if you wanted that information I'm sure it could be provided. They just thought that \$2,500 was a reasonable cut-off.

Do you know — don't want to take a lot of your time here — the province of Saskatchewan reports in a lot greater detail than you'd find in other places? Some of them, I don't even think, provide salary details. I might be wrong when I say Ontario, but I have the feeling that they don't like to report salaries at all unless . . . They're considering maybe following the private sector approach where only the senior salaries, salaries from the most senior people, are reported. So you actually do get an awful lot of detail here in this province.

But that's at the request of the Public Accounts Committee and that's why we provide it. As long as you want it, that's what will be provided.

One of the most important things I think I can point out today is that the government is using the chartered . . . rather, the Canadian Institute of Chartered Accountants accounting principles. They have a board known as the Public Sector Accounting and Auditing Board and they have developed over a period of about 15 years accounting principles they believe government should follow.

And the Government of Saskatchewan has adopted all of them with one exception. The summary financial statements, they have accepted them fully. On the General Revenue Fund, they aren't accounting for pensions the way the Public Sector Accounting and Auditing Board would like them to.

But with that one exception we do follow these recommendations to a T. And I would hazard a guess that if you were to compare us to other jurisdictions, you would find that we would rate very much near the top.

Others do get clean audit opinions from their auditors and they're doing a pretty good job. But I think, in all fairness, we are doing probably one of the best jobs and that is why the auditor does rate the government summary financial statements as first class, because we really are abiding by these principles, which of course we don't create but rather this independent body does.

The General Revenue Fund financial statements provide an accounting of the financial resources appropriated by the legislature. They are not intended to account for the activities of Crown corporations unless there's borrowing activities between the Crown and the General Revenue Fund or unless we get, receive, dividends from them. But other than that, the General Revenue Fund is an accounting of the monies that are subject to appropriation.

Some of the key financial indicators — and there's a number of them — include the annual surplus for the year or deficit for the year and the accumulated deficit for the year. And you know the accumulated deficit is nothing more — you could have an accumulated surplus, I guess — but it's nothing more than the addition of all the surpluses and deficits for the province, going back to 1905. That's when we began.

For example, for the year that these public accounts represent, the '94-95 year, we had a surplus of \$128 million in the General Revenue Fund. And yet our accumulated deficit was still at \$7.6 billion. So of course from Finance, we're always still a bit concerned. It's great to have surpluses, but we still have a deficit and debt that we have to concern ourselves with.

Oh, this is an important item. I do want to talk just for a couple of minutes about capital purchases. That is one of the more significant deviations from private sector accounting. And it's the fact that we are expected to expense our capital purchases in the year we buy something. So if we build a building for \$20 million, if we build a highway for \$40 million, we have to charge that to our budgetary expenses in that year. Whereas as you know, in the private sector, if they built a building for \$10 million and felt that it would last them for 10 years, they would amortize that over 10 years. And their budgetary expenses would receive a \$1 million charge over the 10 years till the asset was written off.

In the case of government, they have to take what you might call fairly conservative accounting principles.

**Ms. Stanger:** — Even if it took say in a highway project, two years, you would still have to cost it all out in one year?

**Mr. Kraus:** — What you would do is you would cost the amount of work that was actually done. So if it was a \$25 million highway and you would have done \$17 million worth of work in year one, that's what you would book. And the remaining eight would be in the second year.

**Ms. Stanger:** — Yes, well that would be reasonable enough. That's giving you a good accounting.

**Mr. Kraus:** — Yes, yes.

I guess, just again to talk about this point because I think this is something that you may again see some change in — may — is that there is two sides to this story. There are those people who feel of course this is very appropriate. And they are the people that are all concerned that if governments move to this amortization method, that at least in the early years, they may tend to borrow more money to fund infrastructure projects because they only have to charge the amortized amount to the budget, not the whole amount.

The other side argues, well yes, but the way the budgeting works, it discriminates against capital projects because there are maybe good reasons to spend that \$25 million on that project, but it's hard to add it to the budget in any given year. It would work better if we could spread it out. And that's a debate that I understand that's been going on for at least a hundred years in the U.S.

But what we're seeing happening is that -- which makes you wonder if this won't change -- the United Kingdom, which is sort of the mother of all parliamentary systems, has a plan now to introduce what they call full resource accounting and budgeting, which means they would be amortizing. They'd be using the private sector model. And they're planning to have their estimates, their budget, on that basis by the year 2002. Now it remains to be seen whether they will get there, but that's what they're planning on doing. That would change the concept of how capital is accounted for in Great Britain. And of course I know there are others in Canada that are either doing it or doing it partly, and are thinking of moving there. But there are pros and cons to both, whichever way you go.

**Ms. Stanger:** — Seems to me that it would be more accurate to charge it in the year that it's spent instead of amortizing it — more accountable and accurate.

**Mr. Kraus:** — Well I guess what some people would argue is, is that if you want to know what the cost of a program is in any given year, it is actually better to amortize because you have that depreciation component or amortization component in that program as long as you're using a building, for example; whereas if you charge the building to the program all in one year, it distorts the cost of the programs.

And so there's people who come at it from that angle too. I mean that's why business does it. They wouldn't add the cost of their new plant to the product they're producing all in one year. They'd spread that cost out as they produce that product year in, year out. That's one of the shortcomings of trying to figure out what government programs cost because they don't have

that amortization component in it.

**Mr. Aldridge:** — Gerry, what do the credit rating agencies say about that?

**Mr. Kraus:** — Credit rating agencies, glad you asked that question. They like this method. They are concerned . . . I'm working on a task force that's looking at this issue, and I think that the direction will probably be, at least for governments, to provide more information without necessarily setting it up as an asset and depreciating it.

And I'm happy to say that we have notes already to our financial statements explaining our capital assets and . . . rather, providing information. And we're working towards improving that. We think that we could probably stay ahead of it a bit by at least providing good information in the notes.

But the credit rating agencies are worried about governments moving away from this option. I've seen the actual letters. And of course they're worried about debt. That's what they're worried about. But that doesn't mean that governments may not change.

The summary financial statements — I'll finish up here — they report on the financial activities of all government organizations. And there's two basic types of government organizations. There's the government service organizations. There's 68 of them, and they receive generally considerable amount of their funding from the General Revenue Fund, or at least their administrative costs are funded by the General Revenue Fund. And they're listed on page 56 of volume 1 of the '94-95 *Public Accounts*. And the Cancer Foundation is a good example, or the Arts Board, the Archives Board, some of the regional colleges.

But the point I'm trying to make here is that as far as the summary financial statements go, we take the transactions of these 68 agencies. We take their revenues and their expenditures, and we add them to those of the General Revenue Fund. We eliminate inter-company transactions, so we don't double count or enter fund transactions. But we do add them together.

And as a result, you would see that -- if you look at page 34 of volume 1 of the '94-95 *Public Accounts* -- that when we add the revenues, expenditures, to the GRF (General Revenue Fund), we have now revenues at five seven seven nine — five billion, seven seven nine; expenses of five billion, nine fifty-two; and a deficit for these particular organizations at \$173 million.

But then there's the next group. And the next group are what are called government enterprises and there's 15 of them. And of course those are the organizations that have the authority to conduct commercial activities, like SaskPower, SaskEnergy, SaskTel.

This, to me, this is pretty important. In accordance again with this Public Sector Accounting Board, the revenues and expenditures of these organizations aren't added to those of that previous group, nor are the assets and liabilities reported on the

summary financial statement balance sheet. But what we do do is we record our net investment in these 15 corporations.

So all that really boils down to is this: is if the total assets of these enterprises is \$5 billion and their liabilities are three, we report that we have a net investment of \$2 billion in these enterprises, and again that's in accordance with the Public Sector Accounting and Auditing Board. They do not believe it's appropriate to take the revenues and expenditures of these enterprises and add them to the General Revenue Fund.

Now the net income or loss for these organizations though is added to the surplus or deficit of the General Revenue Fund and the 68 service organizations, so what you have then . . . we have a deficit, an operating deficit, of \$173 million when we take the General Revenue Fund and the 68 service organizations, but once you take the net income that we had in '94-95 for SaskPower, SaskEnergy, and the rest, we have an overall surplus of \$184 million.

Some of that information I said isn't reported on the balance sheet, is certainly in schedules supporting the summary financial statements. So if you wanted to know what the assets and liabilities were of these Crown corporations, they're in schedules. Like all the information you ever wanted to know is really there.

I think with that, that pretty much finishes my presentation. Are there any questions?

**The Chair:** — Thank you very much, Gerry. It's a fair bit to absorb but I think as we get into all of the stuff it will all make more and more sense — we'll hope.

**Ms. Stanger:** — It was interesting, Chair.

**Mr. Sonntag:** — Very helpful, thank you.

**A Member:** — Entertaining and humorous.

**Ms. Stanger:** — I wouldn't go that far.

**The Chair:** — Would the committee like to take a five-minute recess or so and stretch and have a coffee and then we'll move on to the Provincial Auditor. Do we need a motion for that, Wayne? — Greg, I should say.

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

**The Chair:** — Welcome back, ladies and gentlemen. I very much would like to make sure that we've completed today's deliberations by 11:30, so we want to allow a little bit of time to discuss the recommendation of the auditors in terms of how we proceed. So I would like to move forward if we could and, Mr. Strelloff, the floor is yours.

**Mr. Strelloff:** — Okay, thank you very much, and good morning. Thank you for the opportunity to review with you the work of our office. As Mr. Thomson said last week, the role of this committee is to hold the executive government accountable for how it manages public money, and our office helps you do

that by examining and reporting -- examining all the management systems and practices used by government and reporting to you our conclusions, findings, and recommendations.

Also we do respond to requests from individual MLAs (Member of the Legislative Assembly) for information and advice on matters that we have reported in our reports, and we do receive frequent requests for that type of information.

As Mr. Kraus notes, our office and his office works a lot together on issues, trying to move them forward and getting reports out to you. I've noticed over the last number of years that we usually agree, I think, on most issues. Where we usually disagree is on how fast to move issues forward, and our office always wants them done as quickly as possible and we take that position, and sometimes it just can't work that way.

I do think that you, as a committee and as members of this committee, do effect change. You actually can change the practices of government management. I've seen it over the number of years that I've been here. You do it through your questions, your requests for information, and your recommendations. You also do it through the knowledge that all the government officials have, that they can, from time to time, come in here and you can ask them questions, and it's a public forum. That puts a lot of rigour to some of the practices out there. It's a very valuable forum, a very valuable public forum, and it ensures that the management of public money is public.

I certainly hope you find this committee very useful in terms of your work. You do receive an overview of how government works; an overview of the government finances; finding out how individual government programs work; and the opportunity to identify, discuss issues, agree, disagree, and interact with many of the officials that are out there trying to manage. And again, you do effect change. You have the opportunity to move management and accountability practices forward.

Compared to other public accounts committees across Canada — from my understanding — this committee is quite effective. Many of the other committees across Canada don't meet as often, and have therefore not been used as a vehicle to effect change.

Last week there was a discussion of the annual conference of public accounts committees at which the Chair and Vice-Chair of this committee attends. At the same time, in the same meeting area, there's an annual meeting of the legislative auditors from across Canada. And the actual meeting comes together, and we have joint sessions. It's a very valuable forum for exploring what's going on across Canada and benchmarking your own practices, and from what I've seen, we stand up well.

The Crown Corporations Committee has a different role. My reports are not referred to the Crown Corporations Committee. They are referred to this committee.

The Crown Corporations Committee reviews the annual reports

of those government organizations which receive most of their revenues from sources other than the General Revenue Fund. As Gerry mentioned, the enterprise activities, the enterprise organizations, like SaskPower and the liquor and gaming corporation and the Workers' Compensation Board and SaskTel and a series of other organizations — I think there's about 20 of them — where they receive most of their revenues from sources outside of the government.

Therefore the Crown Corporations Committee has decided to focus on those organizations. The Chair and Vice-Chair are government back-benchers. And the ministers responsible for the corporations and enterprises are the key witnesses, whereas in this case the key witnesses are the permanent heads and CEOs (chief executive officer).

So far the reports of the Crown Corporations Committee usually simply . . . the reports to the Assembly of the Crown Corporations Committee usually are limited to saying that we've reviewed the annual reports of the following 10 organizations or 15 organizations, period. And they haven't used their reports as a mechanism of making recommendations yet.

Our office has a staff of about 60 people. We have about 15 to 20 articling students who are articling mainly for their chartered accountancy. And the rest are mainly chartered accountants, plus a valuable administrative support staff of six or seven people.

I've been the Provincial Auditor for nearly five and a half years now. This is my third legislature. I am 44, married, no children, born and raised in Saskatoon, undergraduate degrees from the University of Saskatchewan and a graduate degree from the University of Saskatchewan. I obtained my CA (chartered accountant) articling in a public accounting firm, a national public accounting firm in Saskatoon. I've also worked in Victoria for the office of the Auditor General of British Columbia, also in Victoria for Treasury Board staff and the Department of Finance, and in Toronto for the Canadian Institute of Chartered Accountants, the same institute that Gerry mentioned, that the task was to try to get consensus and improve accounting and auditing practices across Canada. I was there for about seven or eight years. And now in Regina.

For the past five and a half years, at least from my perspective, our office and no doubt Gerry's office, the Department of Finance, the years have been pretty difficult. The pressure on public finances puts a lot of pressure on program managers, finance managers, and on auditors. So we've been through a lot.

I'm fortunate in having a strong and capable staff led by Fred Wendel, sitting over there. You'll see him in our meetings. He's the assistant provincial auditor. He is in effect my quality control person. And he helps ensure that before we conclude on an issue, before we take a public position, that we have the evidence to support that position and it's documented because we know that when we take public positions, they're pretty important. And we can be challenged and are challenged constantly. Getting to the position of a public position and

writing a report, there's a lot of discussion and arguments and meetings that take place before we actually conclude and report.

I do need a strong, capable staff as they must withstand a lot of pressure in deciding what positions to take on a variety of issues and within the very different lines of business that the government is engaged in, many different lines of business — education, health, and social services, pensions, energy, telecommunications, gaming, transportation, justice, property management; and the significant project management that takes place within the CIC (Crown Investments Corporation of Saskatchewan); the upgraders and the Saskfercos and all those kinds of issues. They're diverse and involve many different judgements and assessments.

In our meetings over the next months, you'll meet many members of our office, as our practice is to bring in the people who lead the projects and write and conclude to explain to you what they've done, what they've examined and why.

So my presentation today focuses on the two hand-outs that I've provided to you. The first is the black brochure which, as I was discussing with Mr. Koenker, we use as a recruiting aid. When we go up to the University of Saskatchewan and the University of Regina and we're competing with public accounting firms to try to get the best and brightest students coming into our office, that's one of the aids we use in trying to explain what we do. There's a fair amount of misconception on what we do, and also who we work for.

The second document, the light green brochure, sets out our mission, our vision, our goals, objectives, and key strategies. It's a summary of our strategic direction and I'm going to speak to that. If you have any questions as I move through my presentation don't hesitate to interrupt and ask me. And at the end, as the Chair mentioned, I'm going to move into the letter that I sent the Chair suggesting an approach on how to get current in our reports.

So first the black brochure, our recruiting brochure with, as Mr. Pringle said, the picture of me of a few years ago — he said that. Looks pretty similar, doesn't it?

As I said, we train university graduates through articling, articling for their chartered accountancy or certified management accountancy. The articling program takes about three years. Then they write their CA (chartered accountant) exams and we recruit from the University of Saskatchewan, University of Regina. A successful program, and we have about 15 to 20 people in that program at any point in time.

By the way, about 50 per cent of our staff are women, 50 per cent of our staff are men. Our average age is between 30 to 35. We're quite a young office, and dynamic, particularly in the sense of trying to manage those people.

The black brochure mentions that the office was established in 1878 as part of the territorial government program. And at that time it was a territorial auditor and comptroller, so Mr. Kraus's office and our office has a similar origin, back into 1878, and we examine, provide advice, and report on how public money is

managed through many government organizations.

We either examine the issues or matters directly, or we work with other auditors. Our reports are referred to this committee and are made public. We, as I mentioned before, we help you hold the executive government accountable.

Our legislative mandate is within The Provincial Auditor Act and a copy of that Act is in an appendix to each of these reports. Yes, we are independent of the executive government — a very important part of what we do. We manage our operations and set our priorities independently. We determine what to examine. We work for the Assembly. As the Provincial Auditor, I'm an officer of the Assembly.

The Board of Internal Economy reviews our business and financial plans and recommends an amount to the Assembly. We employ our own employees and buy our own goods and services. Our independence is a key to what we do. We guard that very carefully. We also have access to all government information.

When we see an event or a proposal that we think undermines our independence or our access to information, we bring that to your attention. We'll bring that to your attention in a public report right to the Assembly. We'll ask for help. We know that our independence and access to information is really important to help you do your job. We're one of the vehicles you can use to make sure that you find out what's going on and can hold the government accountable.

The light green document, the *Strategic Direction* document, sets out what we do in our mission in terms of encouraging accountability and effective management in government operations through our independent examinations, advice, and reports on the management of public resources entrusted to the government's administration, entrusted to their administration.

We examine the government's report, financial reports, the many financial statements that Gerry mentioned in the *Public Accounts*. We give audit opinions on those every year. We try to answer the question, can you rely on those financial statements? If you can, we say so. If you cannot, we say so and why.

We also examine the government's compliance with legislative authorities. Remember we're a legislative auditor working for a legislature which sets out many laws. Then you ask us to go out there and find out whether the government is following those laws. We go out and do that, focusing mainly on the financial-related laws.

For example, The Financial Administration Act sets out some very specific borrowing and guarantee requirements, saying who can borrow, who can issue guarantees; what we find out if that really happens. Or the district health Act sets out provisions that the districts are supposed to follow, like holding two public meetings. We go out and find out whether they're holding two public meetings a year. And if they do, we'll report that. If they don't, we report that as well. On the adequacy of management's or government systems and practices related to financial reporting, compliance and safeguarding assets related to

due regard to economy, efficiency. We go out there and give opinions on internal management controls.

Our basic pattern is to give three opinions on each organization. The first opinion is, are they providing you reliable financial statements. The second one relates to, are they complying with the key legislative authorities. And the third one relates to the adequacy of their management systems and practices. In our reports, you'll see those opinions over and over again.

In general, most of our opinions say that yes, you can rely on their financial statements; yes, they have complied with legislative authorities; and yes, they have adequate management systems and practices. Then we say, except for the following items, and then we discuss those items.

We look for things like, are they establishing budgets and preparing interim reports that compare a budget . . . what they plan to do with what they actually did, whether they know the agreements and the legislative authorities that they need to adhere to, and that there is a system in place to making sure that they are actually adhering to those agreements.

That they have sound systems development practices. When they're developing new information systems that they develop them in a . . . they have a rigorous management system to ensure it happens well. That whether there's security of information particularly as we move to more on-line access to information systems.

We try to make sure that programs have set objectives and try to encourage them to have measurable objectives so you can actually track progress and you can have some assurance that program managers have some clear objectives and they're tracking where they're going and compare them from year to year with performance targets and performance information in the annual reports that government departments, corporations, enterprises, agencies, commissions, provide you.

We've done quite a bit of work on annual reports in the last two or three years trying to make sure that they're providing you the information you need to assess performance. We've surveyed MLAs to find out what information you look for in annual reports and then compared that to what the practice is and then try to move it along.

We also encourage discussion and debate. Sometimes we'll set out issues that we just think need to be discussed. One of those issues relates to pensions. Just the state of the pensions, of pension management and liabilities and funding practices.

We serve the Standing Committee on Public Accounts. We also attend the Crown Corporations Committee meeting. We have a different relationship with that committee compared to this committee, but we're there trying to help them move practices along.

We also develop trained professionals for public service. Some of them end up in Finance. And we do a pretty good job at that. One of our measures of success is the ability of our staff to get

employment elsewhere. Yesterday we lost another of our lot. We successfully moved out another of our managers who's going to take up the position as the chief financial officer of Rolling Hills Health District board.

But that happens. We have people in other district health boards, and in departments, and the gaming corporation, at the universities, all over the place. It's one of the things that when you sit back and reflect on things, it's nice — nice to be associated with that.

The second page talks about some of the key forces and trends that we see out there that affects our work, affects your work. The pressure on public resources, the changing demand for public services. The constant scrutiny and demand for improved accountability. The technology is changing and it's facilitating a lot of the information demands and then the effect of society on our environment.

In the past few years our focus has been to try to encourage better financial reporting by governments. There has been significant strides forward that Gerry mentioned, the summary financial statements. They are first class compared to any financial statement, any summary financial statement across Canada. They are a very good focus point.

We've also tried to increase the adherence to the more generally accepted accounting principles out there. CIC (Crown Investments Corporation of Saskatchewan) now provides more of its information to the Assembly. There has been better financial reporting by government over the last few years. The accountability of Crown corporations. We're examining CIC directly now. The Crown Corporations Committee is taking a more proactive look, and there is a stronger audit system out there.

Through a task force, we've improved our working relationships and understanding with appointed private sector auditors and we're also trying to improve our ability to serve you by examining broader and more in-depth management and accountability issues.

We do a lot of that research and exploratory work by contacting our colleagues across Canada. Before we start a project, or something is developing within the province, we'll be on the phone to our legislative audit colleagues across Canada to try to find out if they've gone through something similar — and they usually have — and then share experiences, and methodology; what to do and what not to do. It works quite well.

Our current focus is to try to encourage the government to manage as a whole; to use those summary financial statements as the key decision-making document. Right now, the key financial decision-making document is the General Revenue Fund financial statements. And it's, as Gerry noticed, it provides a more limited view of what government does. It's the summary ones that put it all together and you can begin to see the interrelationships between various organizations of government. It's the ones that I use all the time to try to understand and put in context what is going on.

We also, in the past, have been pushing for a complete business and financial plan that would come to you as you approve the estimates of the General Revenue Fund financial statements, that we suggest that if you had a complete financial plan on the table when you do that, it would help you understand what is being planned and proposed to be financed through the General Revenue Fund.

More and more government activity is being carried out through organizations outside the General Revenue Fund. Every year there's more and more and it just becomes . . . just increases the importance of that complete picture.

The second issue of transferring decision making; service delivery to organizations closer to the community. The district health boards are an example of that. We've focused a lot of attention on that at the direction of the Board of Internal Economy last year.

There's more service agreements with different organizations that departments are putting in place, like social services; service agreements with other organizations closer to the community to put on programs. And the service agreements are a vehicle in which the department sets out what it expects to be delivered. And we're focusing a lot on those kinds of agreements. You'll see more on that as events unfold.

The performance of Crown corporations; the annual reports, trying to encourage them to set out their key performance indicators; the roles, responsibilities, duties of boards of directors that the government appoints. It's a key part of their management system, is to have boards of directors out there that are helping the government, the executive government, manage affairs, provide good, solid advice; and we've been doing quite a bit of work with the boards.

The pensions' promises, they're just so large, the funding of them is such a big event. As we've said in the past, and the financial statements show, that there is about a \$3 billion unfunded pension liability and that's the present value, present value in terms of a discounted value. The cash required to pay that \$3 billion over the next 10, 20, 30 years is far more than \$3 billion. It's a very important issue.

Reporting on the government's performance, again, annual reports; and the information system's security and development risk.

There's many different information systems being developed. And if there isn't a good structure in place, most systems in the private sector and the public sector end up being late, costing more than was anticipated, and not delivering what was expected. So we've been working on that quite a bit.

District health boards is a big example of that. They are beginning to develop and create an information system for the whole province; that is, to integrate, connect all the districts and the departments. Very important system.

The next page sets out our goals, the three: fostering well-managed government, encouraging good reporting, and

then trying to make sure our own business is managed well. Two external goals, one internal goal. And we have objectives and strategies trying to move forward each one of those goals.

Our values, on the last page, working with our staff and others in setting these values. Very important to our office, very important to managing people in our office and making sure that we move in a common direction. The value of accountability, objectivity, the open communication — that we come in and explain ourselves in a fair, clear, honest manner, both internally and externally. The effectiveness, effective management. The courtesy. Earning and keeping the respect and confidence of the public and their elected representatives, a very important part of what we do. And also of course our employees.

Our indicators of success, our summary indicators of success — that you support our recommendations; that the Assembly supports our recommendations; that government managers support it so that they actually happen, they actually move practices forward. And we monitor and report on that.

That our key stakeholders know the key areas of significance and risk the government needs to manage well. And you'll see in some of our chapters where we're trying to encourage, either in annual reports of government organizations, statements of what are the key issues that this organization needs to manage well to be successful, so that you know what those issues are and can ask them questions on how they're managing those issues. And that our work improves continuously, both in terms of its usefulness, timeliness, and making a difference.

Our executive committee — there's seven of us — brings together me, the junior person, five years, and then there's 10, 15, 20, 25 years of experience on that committee. And as an office, we are committed to making a difference by encouraging excellence in management and accountability practices.

**Mr. Pringle:** — Thanks, Wayne. Just a couple of questions. I understand your role with regard to making sure that practices are appropriate relative to authorities and that the Executive Council is following along, and so on.

Could you expand a bit more on your point about the adequacy of management systems. Because it seems to me that on such a broad range of issues, having sat around the cabinet table for two and a half years, the complexity and sort of the incredible range, especially some of the commercial ventures, and then I look at your average age — I realize you've got lots of experience here. I always thought that I've always wanted to be a family counsellor. I've always thought that when I get to be about 50, which is getting closer, I may have the life experience and so on to consider that particular approach. I'm wondering how do you always know that you have sort of the gospel on what is an appropriate management system, especially with the many disagreements? That's my first question.

And secondly, when I had the . . . again in the Crown corporations sector, is it in order to ask questions in the Crown corporation sector? Or your role, to raise that?

**A Member:** — Sure.

**Mr. Pringle:** — I of course remember the democratic reform paper that we're involved in and the whole question of putting forth your yearly plan in advance. And I'm trying, because I've always believed that, I'm trying to reconcile that with having sat around the cabinet table on some of the highly sensitive negotiations and issues. And I'm having second thoughts about to what degree that is fully practical. To a certain degree it is, but I'm sort of, I'm not sure that I still feel as strongly about that point as I used to. I know that's a bit of an area of, I suppose disagreement is the right word. If you could expand on that a little bit, I would appreciate it.

And I guess my third question is to what degree do you consult with private firms, private auditors, especially where they may have lots of experience in a particular field — commercial ventures specifically? I just find the Crown corporation sector a little more complex in you carrying out your role than it seems to me it is in terms of the government side of the Consolidated Fund.

And I guess the fourth question is, who holds you accountable? I realize the legislature does, but I'm just wondering, I wouldn't see the Board of Internal Economy as really having necessarily the — I want to be careful here — I don't say the expertise. But what are the processes that hold you accountable? If that's a fair question.

**Mr. Strelloff:** — Okay. The second question, I'll ask you to restate the second question on the sensitive negotiations. I just wasn't too sure . . .

**Mr. Pringle:** — Well . . . Oh, I'm sorry. Yes.

**Mr. Strelloff:** — But I'll answer the other three. The first question related to how do we know we're right when we're disagreeing with management, and what criteria do we use to assess that. And it had to do with our opinions on management systems and practices.

In each of the organizations that we examine we, as I said, we give three opinions, and the third opinion relates to the management control systems and practices. And what we do is set out a basic criteria that we look for in an organization in expecting it to . . . in helping it safeguard its assets. Those criteria are things like, is there a budget prepared. Do they ensure that monthly or quarterly they're comparing what they plan to do with what they actually did. Have they identified all the key legislative authorities that pertain to their organization and is there some practice, some system in place to make sure that management knows they're following those authorities?

If they're into a lot of information technology, do they have a contingency plan? The main bulk of our work in management systems and practices relate to very basic management issues. Have they got minutes for their board meetings? And we'll set out general criteria where we go into each of the organizations and see and assess those practices.

But what we're really doing is just touching the surface, just

going right across the waterfront and trying to make sure that, at a basic financial management level, practices are reasonable. If we think that something is going wrong, like there is no contingency plan for a particularly information technology intense organization, we'll ask them why. And if at the end of the day, we think there should be, we will bring that to your attention. And if perhaps when we bring that to your attention, management disagrees, well they have the opportunity to come in here and state why they disagree that they don't need a financial plan or they don't have to have interim reports or that there's no contingency plan. This forum provides that test on whether the recommendations we make and what we conclude withstands scrutiny.

Prior to making public reports, because of the public nature of our reporting, there's a lot of challenge, both internally and externally, to what we say. The management letters that Mr. Kraus referred to is the first vehicle that we use to provide government organizations, here's what we did; here's the results of our work. And then we send draft reports back and forth. We meet with them. We make sure that the facts are right. And if we disagree, we make sure that we know why. And if we still think we want to hold our position, we continue and agree to disagree and move it into a more public forum.

In some issues, periodically as we move through organizations, we find that there's some systemic issues. Like a few years ago, we were finding that boards of directors, it seemed like they didn't have a clear fix as to what their responsibilities were. And there were some high profile examples of boards not seeming to do their job. So what we did was begin to take a more intensive look at what are the roles, responsibilities, duties of boards of directors.

Now that would be a different topic for us. We would examine a topic like that because we think it really has some importance to it. And then to find out what practices should be, we would do a lot of literature search, consult with our colleagues across Canada, and eventually come up with some issues. And for that examination, we also worked with the University of Saskatchewan at the College of Commerce. And at the end of the day we ended up examining how well the government ensures boards of directors understand their roles, responsibilities, duties. What systems or methods does the government, say executive government, have in place to make sure that when they appoint someone to a board of directors that person knows what they're getting into, what responsibilities they have. And in that examination we found that many board members . . . or the systems and practices — this was in the fall report — needed improvement, particularly in the area of the general laws that affect many government organizations.

But our methodology has a lot of rigour to it. In carrying out an examination like that we have three contact points within the government — the Department of Finance, the Crown Investments Corporation, and Executive Council. We would provide them the audit program, the audit planning program, and discuss it with them. We would provide them the audit approach and the criteria that we were going to use to assess whether the practice systems and practices were right. So

there's a lot of rigour to it.

The second issue, the consulting with private accounting firms, we do a lot of work with public accounting firms. Probably in any one year we're in contact with, I don't know, 50 different offices across Saskatchewan. Just an intense amount, where we work together. Recently the approach that we use has changed as the result of a task force study that brought together officials from CIC, appointed auditors. But there's a lot of contact and advice from public accounting firms and also legislative auditors.

**The Chair:** — If I may, Wayne, the topics and the questions are very timely; I'm a little concerned about the issue that we have in terms of process. And if we could move to that briefly, and if we're able to deal with that very quickly then we can go back and complete our time on the general questions, if that would be fair. I think it's critical that we lay down the plans of where we're heading and maybe in discussions as we move forward some of these details will come out.

So if you wouldn't mind, to briefly take us into your recommendations of how we could proceed.

**Mr. Strelloff:** — Okay. So the first document is the letter that I sent to your Chair, dated February 22, that was at your Chair's request, saying to me, how can we get through all your outstanding reports in this session; can you come up with a proposal. In the letter I suggested a two-step approach. The first step would be to . . . a two-step approach that would allow the committee to address all four reports at the same time. The first step would be to address chapters pertaining to broader topics within the last four reports, and then the appendix I provides that.

In the hand-out today, there's a third document that is a schedule. If you haven't got the letter and attachments, that might help you.

So the first step would be to examine the general chapters which have general issues to them. And then the second step would be to review those recommendations that we have that are still current, still current meaning that as far as we know they haven't been addressed by the government. If they are in one report, they're not in a new report. We would put the recommendation in the most current report and help you move through the recommendations in a more timely way.

In the hand-out that I provided to you today is another variation of our suggestion. In the suggestion in the letter, we didn't say that if there are some recommendations that are coming in our spring 1996 report which is supposed to be coming out in mid-April, should you address them, should you address those issues in our '93, '94, and '95 reports. You may want to consider an approach that says if we have recommendations that are coming out in our spring '96 report that are similar to recommendations in previous reports, perhaps you wait until then.

A good example of that are district health boards. In our spring '96 report coming out in April, the issues that we've reported in

the past will be on the table. So why not wait until the '96 report?

What I handed out today gives a schedule of what possibly you could look at.

**Mr. Thomson:** — When is the April report expected?

**Mr. Strelloff:** — Sometime, we're hoping, during the week of April 15.

**Mr. Thomson:** — The second question I had is, in this second hand-out, I seem to be missing pages 9 through 24.

**Mr. Strelloff:** — Yes. We haven't completed the analysis yet. I thought I'd just put this . . . hand out the partial analysis to give you an idea of what this would mean. For example, the issues A, B, and C, D and E, F and G are the summary issues that we talked about or that we presented to you in the appendix 1, but only with a listing of each recommendation that would pertain to it.

Issues H related to pensions and issue I related to working with other auditors, we're going to be provided an update of those issues in our spring report, so we thought well why not wait until your spring report. Then in the more . . . issue J relates to district health boards. And we're saying well in the spring report, we will have a chapter in district health boards. Why not wait till then rather than going through it twice? And then CIC, the provided example is CIC and then also an example of Social Services.

We are now working on providing this update for each of the chapters, but we're just not quite there yet.

**The Chair:** — As I understand it, that would let us move through the general topics firstly, which will lead us towards the time when the spring report will be available. Then we can move into those issues, and then from that it flows into the departmental things, but we will have the benefit of the full '93 through the spring '96 reports to work with when we get into departmental details.

**Mr. Strelloff:** — But the approach that we would suggest is that, given that you want to get through all these reports in this session, that we'll try to provide you a means of going through the current reports and anything that has been handled or that will be addressed in the spring report, we're saying, well don't bother.

But here are the general issues and the issues pertaining to departments and other organizations, that within that structure, within that framework, are still outstanding, and will not be in the spring report. So we would provide you assurance that you will be dealing with all the issues either through this proposal or in the spring report.

**Mr. Thomson:** — I think that this approach, the step one, step two approach, is probably an appropriate way to go, especially if we're only a matter of two or three weeks away from your '96 spring report. I'm a little reluctant to sign on to the

priorities that you've suggested for step two, only because without seeing them completely listed and seeing what's in the '96 report, it's a little difficult to decide if, in fact, Social Services is priority V or whether in fact we should be looking at some of these other issues first.

But it would appear that by simply doing a review of the chapters and the observations and overviews, that'll keep us busy for two weeks.

**Mr. Strelloff:** — In our listing of from, I think J to V and onward, all we would do is provide . . . here's a listing of the organizations that we have outstanding recommendations on. Which order you follow, which sequence, I mean, that's up to you. All I'd want to do is try to give you a complete listing, so you can then determine what agenda makes sense to you.

We should have that complete listing for our next meeting.

**The Chair:** — I think it's important that what we agree on particularly is the methodology, firstly, to see if this is the way we can reasonably deal with this great amount of information we have to handle and not duplicate discussions and duplicate decisions and spend a lot of time dealing with recommendations that have resolved themselves.

So I think that that's why sort of a move this way through instead of peeling off one year at a time makes a great deal of sense to me. I think that in order for us, for myself, individually, as a new person, in order for me to move towards a detailed priority of departments, I need to have a little more time on the overall sense of things. And so I think that that being recommended as the government as a whole, as general areas of government-wide recommendations that you're suggesting is probably very important because it gives us the background to move into the other areas.

At that stage, I think what we then have to decide is what our time is looking at and then try to prioritize pages 9 through 25 or whatever they're going to be, in terms of saying, okay, are there some of these things that we want to make sure that we deal with specifically with department people, that we want to go in-depth with.

Some things maybe we'll say, I think we can deal with these things without a great deal of effort. But we could prioritize that at a later stage, if we agree to the general methodology today and at least the front end of the agenda in terms of the overall views as laid out here. That will move us forward.

**Mr. Sonntag:** — Just have a couple of quick comments and questions. I think to suggest that we're going to go through this in the session is a laudable goal, but we normally met intersessionally for at least two weeks. I know last year, with the problems we had, we didn't, but I don't think we want to go rush through things. I mean, we want every opportunity to be accountable to the public as well. So I say even though it's a laudable goal to try to get through it this session, I don't think that's realistic.

I want to know, maybe either from yourself or from Gregory,

are we required to respond to every single recommendation, even if it is duplication in years newer?

**Mr. Putz:** — Mr. Sonntag, the answer is no. The reports are referred by the House to the committee. The committee is the master of its own procedures and method of operation. If the committee chooses not to report on some of the auditor's observations or recommendations, they can do so. It's completely driven by the committee. The committee decides how it wants to go about making its review and what it wants to report.

**Mr. Sonntag:** — Right. Okay, another comment I have is . . . willing as well as Andrew has said earlier to sign on to this, I think it's a good process to follow. Just when we get into departments and agencies though, I think normally it would be up to, like, yourselves as opposition to decide who you want to call on. And I think even if the auditor makes recommendations about what departments we should call, still the opposition and ourselves as well I suppose, if we want to call some members, we should be getting together to decide in what order or in fact if there's other departments or agencies that you might want to call as witnesses as well.

**The Chair:** — Yes. I agree in terms of the . . . maybe that's the way that the protocol has worked, but I also think that it's important that this committee works with some unity of purpose. I really personally do not think it'll serve us well as if, as opposition, we run off on a tangent that's totally foreign to any interest or general consensus of its overall priorities.

I guess in the final analysis, if we've got things of relative equal value that maybe the nod goes our way. But I would really like to think of this as a committee of the legislature and that hopefully we can move to consensus to arrive at what the priorities are for the legislature.

Maybe that's naïve, but I really hold it out there. I think that, as I said last week, we can try to leave as much of our partisanship out in the hallway during these deliberations and move forward on the best interests of the legislature which is where our mandate comes from.

**Mr. Sonntag:** — Well if you run off on a tangent, one of us might remind you anyway.

The other question I had is if in fact we're going to be getting into the observations. To Mr. Strelloff — how far would you anticipate . . . how quickly would we be moving through these first few stages, would you think? And I know that's a bit difficult to answer. Like for next week, could we reasonably expect to get through the observations and, for instance, the understanding of the finances of government? Would that be reasonable to expect to get through that in the first session?

**Mr. Strelloff:** — You can. It's usually what . . . I talk a lot, I guess. But also there's lots of questions, and sometimes I don't know where it's going to go and how long. I mean I could prepare to do A and B for next time: the observations and understanding the finances. And I would prepare to try to move you through those two chapters, but then whether I'm

successful depends on the questions and the discussions that take place.

**The Chair:** — I think if we agree to the protocol and the process, that would be the kind of things that we would ongoingly try to move forward in terms of what's a realistic agenda for the following meeting. And we really probably may not know that till we get into it a little bit. And I think it's reasonable if we sign on to this process . . . is that we would ask Wayne to have some reasonable amount of material prepared, and we'll see how it goes and not to get all troubled if we only get three-quarter way through it. And then we'll just pick it up and then develop a reasonable agenda for subsequent meetings.

**Mr. Sonntag:** — Just to be absolutely clear, once we get into departments for instance, if we're dealing with the Department of Health, are you recommending that we would take the . . . starting out with the year '93, we would go . . . Is that how you're suggesting we do it? We'd take the '93 report and deal with the recommendations that would not be dealt with in years forward and just carry on year by year with each department?

**Mr. Strelloff:** — In the hand-out that I gave you today, I'm suggesting that when you . . . actually I'm suggesting that you forget about the Department of Health and district health boards in the sense of what we've reported in previous reports; and that you wait until the April '96 report and deal with the chapter on district health boards and the Department of Health.

**Mr. Sonntag:** — I only picked Health arbitrarily. Pick Agriculture then; I don't care which department. I'm just saying any . . . I'm just asking for the procedure here . . . is all I'm interested in. Would you, if it's the Department of Agriculture, would you recommend that if we've not already dealt with it in '93 for instance, recommendations, because we have dealt with a number of recommendations in the '93 report already, would we first take the Department of Agriculture and then sequentially go through the recommendations in the Department of Agriculture in '93 that have not been dealt with in subsequent years and then go to fall of '94 and then to the spring of '95?

**Mr. Strelloff:** — Yes.

**Mr. Sonntag:** — Okay. That's what I wanted to know.

**Mr. Strelloff:** — Focusing on those recommendations that have not been dealt with.

**Mr. Sonntag:** — Correct. Good. That's what I wanted to know.

**The Chair:** — They would be listed beforehand as outlined here so that before we even went to it, we would have the opportunity to have some discussion. And say items 1 through 7 are extremely important and relevant to us; items 8 and 9, we don't feel strongly as a committee that we have to dwell on so that we might even be able to tighten up the focus somewhat.

That would be as, Greg indicated, within our purview to not necessarily deal with every single recommendation just because it's there, but those that we feel are particularly relevant. They

may all be, but that would be the committee's global direction as we move forward into this.

**Mr. Strelloff:** — And I'll try to get you a list of those recommendations that are outstanding for you for the next meeting, so you can have lots of time to decide which organizations, which order, and which recommendations to focus on.

**Mr. Koenker:** — I'm conscious of the issue of timeliness, not just in terms of adjourning this meeting but getting through this work. I think that's very appropriate and important in terms of public accountability. I can't see us not dealing with this stuff.

And I don't know . . . I think the things I hear about the focus and the ordering and the structuring are important, but I think there's another dimension that hasn't been mentioned and I think that's the discipline that we bring to the process. And I would wonder if perhaps the Chair and Vice-Chair don't have a little bit of extra responsibility in the face of this workload to maybe be meeting on our behalf and sort of marshalling logically the priorities and if there are some materials that can come to us in advance so that we can do some homework.

I think we have responsibility, as members, to be disciplined. And there's some things that we might be able to do if we have the material in advance in terms of doing our homework, so we don't have to wallow through it here and waste time doing things that we should be doing on our own. So I . . . And that also extends in terms of lining up the departments, so they have early distant warning, be served notice that you're going to be . . . we want you here at such and such a time.

I guess I'm speaking to, not just a focus, but a discipline and a responsibility.

**The Chair:** — I think it's a point well taken. And if we accept this protocol and agree today to ask the auditor to be looking at A and B, for example . . . There is reference to the report, the chapter and page in the fourth or fifth column, and I think each of the members would be well taken to review those items in these reports.

You do have your homework. It is listed in terms of where it's referenced, and I think it'd be most helpful and useful if we agree on this protocol. And as this keeps unfolding and we keep rolling it forward, that members acquaint themselves with those relevant chapters that are going to be discussed, those recommendations that are being discussed, so that we're not starting from point A every time. So I think that that is there, and it's rolled into this recommendation.

With your consensus today, if you're agreeable on this protocol or this methodology, I think that's perhaps all we need today, unless you want a detailed motion to move forward. A consensus to move at this stage would be sufficient, and then we could ask the Provincial Auditor to prepare that direction for the next meeting.

It doesn't mean it's written in stone, but I think it's a reasonable process to achieve the best possible results. And I recognize

that . . . I guess when I say I wanted to have it done, I want to have it done before the next session at least. And if that means we've got to spend a little summer or fall time here, that's quite acceptable. I'm not trying to rush it, but I also do not want us to sort of take for granted . . . that there is a significant workload for us in this session that we should take seriously.

**Mr. Koenker:** — I think there is that consensus. I'm just still concerned to know what our focus is then for the next meeting.

**The Chair:** — On your paper you received today — A, observations, and B, understanding the finances of government — those two sections is what the auditor will prepare presentations on and discussion on. It's premature for us to say that we're going to be able to accomplish all of that next week, but we will get an understanding of how the process is flowing from there.

But my advice would be, if we agree with that, to be prepared for those full two sections. And we'll start under that basis. And in the meantime, the auditor will work at completing his recommendations further down the line, and we'll use this as our guide to move us forward.

Is that agreed? Agreed.

**Mr. Sonntag:** — I just have one more question. Is there any other reports that I'm not aware of that we need to deal with, other than the spring '96 that's coming up? These four? There's nothing else that we as a committee have to deal with, I hope . . . (inaudible interjection) . . . Oh, that's right. That's what I was wondering about, yes.

**Mr. Strelloff:** — I think you can focus on these four. Our office does table in the Assembly two other reports, at least two other reports. One relates to the financial statements of all the CIC Crown corporations. When they're tabled, we provide you a three- or four-page report that says we agree or disagree with all the financial statements that have just been tabled. So you know right away whether the financial statements of the Crown corporations we agree with. But we'll discuss those more fully in our reports. So I don't think you need to deal with those ones that are outstanding.

We also do the same for the annual reports of Crown agencies and corporations who have other auditors. When they table those reports, we provide a list, a three- or four-page report saying here's what our views are on those financial statements, so you know right away whether we have any concerns. But if we do have concerns, they'll be addressed more fully in a future report. So I don't think you need to address those two reports.

**The Chair:** — Anything else? We stand adjourned. Thank you.

The committee adjourned at 11:35 a.m.