

**The Chair:** — I'd like to call us to order. We have sufficient members here to have a quorum. And first of all, welcome all of you, and trust that you've had a very rich and fulfilling summer. There are some items that I would like us to deal with before we turn the rest of the afternoon over to the auditor, but I would like to make a couple of comments on this agenda before we begin.

I've been very desirous that we move our deliberations into a more current time frame. I really want to express my appreciation to all the committee members for the work that we have accomplished during the session in terms of initiating the process of getting the backlog of business before us moved forward. And I'm even more determined after I had some time to think about it that it is very reasonable for us to move these issues forward so that we can really get current before the next session begins.

I realize that on the surface of it, it means that we are putting a lot of information and a lot of deliberations into this current week. And I really appreciate the fact that Maynard and I were able to work together on this to come up with what I feel is a reasonable approach to deal with the '93 through '95 reports.

I also think that, with your cooperation, enough time will be allowed to each of these issues; that some of them are very timely, some are still very relevant, and I don't in any way want to think that the committee is moving forward with undue haste as to not fulfil our mandate responsibly. But I do think that it's important that we move forward.

And so I express — before we even begin — my appreciation to each of you for your cooperation in this and trust that it'll work out very well.

In discussion, we made some judgement calls in terms of reviewing the nature of the recommendation of the auditors in some departments and suggesting that for some of these departments, since the recommendations were perhaps not too onerous or very difficult to understand, that we made the decision to not request officials in some instances. That's not to indicate any kind of precedent or any kind of preference in terms of departments. I am sure that in the future, as we get more current and more timely issues, that it's my desire that we will actually have more time to deal with the public officials and have the time, in a current fashion, to be able to deal with the issues in a more detailed fashion than perhaps we would in this particular week.

I as well, when I circulated the notice of this meeting, indicated that I would like to have a second one-week session and as we have discussed at our last meeting, I believe, we had indicated in early November. And from the information that I received back, it seemed that most members were able to look at that week beginning Monday, November 4 to Friday, November 8 as a suitable time to do the next one-week session of intersessional work that we have before us. And so I would like firstly to find if that consensus is still there, and if it is, then I would certainly like to . . .

**Mr. Sonntag:** — We met briefly this morning and I think we need to get together as a committee again. I think that's going to be a problem for us now.

**The Chair:** — Okay, is there an alternate time schedule that you would propose or . . .

**Mr. Sonntag:** — Not right now.

**The Chair:** — I think that when we talked about it at the last meeting we recognized that we're moving in, in November, into the season of conventions and that sort of thing that makes it problematic if we went any later than that very first week in November. And that was the . . .

**Ms. Stanger:** — Yes, December isn't a very busy month, except for Christmas parties . . .

**Mr. Pringle:** — Any chance to go that first in December or . . .

**The Chair:** — I'm open for discussion on that certainly. I could fit it into my calendar.

**Ms. Stanger:** — I don't have my calendar here. I freed up November 4 . . . (inaudible). Put all my clocks around it, actually.

**The Chair:** — Yes, that's sort of what my concern is because I had flagged this a fair long time ago and asked . . . is it impossible, this first week in November or what . . .

**Mr. Sonntag:** — Can we defer this until tomorrow then because we're going to get a brief again tomorrow morning and we'll come up with a recommended date from you for the majority of us anyway, and we'll try and accommodate it best as possible.

**The Chair:** — Yes, if it's possible to continue the look on that date of November 4 to 8, I think probably that's been the one circulated, and if there's any way at all possible to accommodate that I would be very appreciative that we can stay on course.

**Mr. Sonntag:** — Okay, we'll see what we can do.

**The Chair:** — Okay, we'll defer that. I would like as well . . . it's not the first time that we were able to welcome Terry Paton to the Public Accounts Committee but it is certainly the first time to welcome you as the Provincial Comptroller and we're very pleased to have you in that role and look forward to many, many meetings of fruitful discussion and cooperation in the future.

**Mr. Paton:** — Thank you, Mr. Chairman. I've enjoyed working with the committee for the last . . . I think I've been here for about eight years and looking forward to hopefully another eight years.

I've got Chris Bayda with me and he's going to be attending the committee. He's the director of the financial management

branch, and he'll be attending all of our meetings from here on in along with other staff I'll be bringing as well. So thank you again.

**The Chair:** — Thanks very much, Terry. As well I would like to briefly mention that Greg is going to circulate some information in regard to the McDowell report's direction in terms of committee expenses as related to this Public Accounts Committee. There'll be information that he'll circulate and if you have any questions on how it works in detail, please take the time to ask Greg specifically of any questions you may have.

Finally I would like to quickly brief you. The committee sent myself and Greg and Andrew Thomson, in Maynard's absence, to the conference in Victoria. And I'll again put Andrew on the spot because he can get to say a few words after, as we did in our report.

I found it an extremely useful experience for myself, this being a first national conference of this nature that I had the pleasure of attending. And I think that there were probably two impressions that stuck with me mostly and I would like to share them. The first impression that I had — and I know that the Provincial Auditor has told me on a number of occasions that the Saskatchewan Public Accounts Committee is certainly not dragging in terms of where we stand on the national basis — but that actually the way we're working and the way we're moving forward puts us at really the leading edge of public accounts committees in Canada.

And as the other jurisdictions were giving their reports as to how they're functioning, it became pretty painfully obvious that indeed that that's the case. Some jurisdictions are really struggling with a great deal of frustration on the part of the committees.

And I think that we can be very proud of the work that has happened in the past. Some of you have been party to that work, and I think you deserve a great deal of credit. It also sets a very high standard for us, I think, as a committee to move forward and to maintain that role and reputation that we enjoy across Canada as moving forward in a very progressive way in terms of public scrutiny of the *Public Accounts*.

The second thing that I have to say as an individual member that, and as a Chair, that it struck me . . . is that time and time again — there were people there not only from Canada and the Territories, but also from New South Wales, Washington, and Great Britain — time and time again it was restated that a Public Accounts Committee will serve the people of its jurisdiction best if it strives over and over again to operate in a non-partisan way as much as possible.

It seems that there was almost an unanimous consensus among the members present, encompassing all political spectrums, that a Public Accounts Committee has such a crucial role in the scheme of things in the provincial scene or the jurisdiction scene, that any time that you allow partisan politics to overtake that role it diminishes the responsibility and reputation of that committee. And it certainly was something that I think that I

will hold in front of me as the Chair of this committee and challenge the committee to an ongoing basis — is that all of us on both sides of the House will have to, in this committee, try to leave our partisanship outside and deal with these issues from a provincial perspective of stewardship of the resources that we're entrusted to monitor and to hold accountable.

And it struck me that that is a very laudable goal, and I think that this committee particularly has made some progress in that direction, and I look forward to being even more vigilant in terms of trying to make that happen with your support.

It was a very good conference. I have to also say in final and conclusion, is that the provincial legislature building in Saskatchewan is superior to the Legislative Building and offices in Victoria. And I think at night, when I drove in last night and saw the building lit and bathed in spotlights, I certainly appreciated that approach more than the Hollywood or the Disneyland approach. Victoria, with all the little lights on every corner, it seemed to be . . . I was very pridful of the way we approach things here.

So that would be briefly my impression. Andrew, as another committee member, I open it to you for a few words.

**Mr. Thomson:** — Thank you, Mr. Gantefoer. I appreciated the opportunity to attend. I had offered Maynard the opportunity to attend the conference instead and I would fill in on the honeymoon, but he didn't go for that.

**Mr. Sonntag:** — I think all three of us are happier.

**Mr. Thomson:** — Well speak for yourself.

Like Rod, I think I learned a lot from the conference, simply from the standpoint that we do have a very highly advanced public accounts system here in the province that we really should be very proud of.

I was amazed to hear some of the stories coming from other jurisdictions, particularly the neighbouring ones, Manitoba and Alberta, just about how rudimentary and almost arcane some of their systems and processes were. The fact that the Minister of Finance would participate directly in Manitoba's public accounts process I thought was a fairly shocking approach to accountability. And in that regard I thought it was very interesting listening to what other jurisdictions had to say.

I was also interested to find out that we're dealing with a lot of the same problems across the country. A lot of the issues that we are finding difficult to deal with here at home are also being approached elsewhere. And I'm thinking particularly of the pension fund issues. I think there are probably three or four others where there's a great deal of similarity.

And I guess in that regard, that is the one area where I'd say I felt the conference had a bit of a downfall. It focused in mostly on managing public sector performance, and there was a great deal of discussion on benchmarking and establishing various targets and checking how government programs were doing as opposed to its objectives.

But in doing that it was largely, I felt, missing out on what most of us as legislators wanted to go and discuss, which was how we are dealing with some of these common issues around the country. And I heard that fairly often from people in the informal discussions, that there was a sense that they had wanted more time to discuss common approaches to some of the big issues so that we don't end up off base in one province versus another.

But generally the discussion was very interesting. It was interesting to hear that there is, I think, a renewed interest in focusing in on not so much on these public policy issues that often we get dragged into, but really in terms of establishing good, solid transparency for the financial transactions of the various provinces.

In that regard I found it very enlightening to see that, both across government representatives and across parties. I thought there was really, I would agree, a good, non-partisan approach to the issues.

So although I was disappointed in not getting to go to Greece with Virginia, I was pleased to represent the government members at the conference.

**The Chair:** — Thanks, Andrew. If there is no other general business that anyone would like to raise at this time, I'll turn the meeting over to Mr. Strelloff.

I imposed on the structure in terms of, instead of asking for a detailed briefing before each and every department that we're going to deal with in the course of this week, I've asked Wayne to prepare a general briefing that we would spend the afternoon at so that he can hit the highlights of the issues that are before us to indicate where he believes the emphasis should be, and so that we will diligently take notes and hopefully that it will get us up to speed for the information that we have to deal with for the rest of the week.

So, Wayne, the afternoon is yours.

**Mr. Strelloff:** — Thank you, Mr. Chair, and good afternoon, members. Welcome back as well.

I also attended the Victoria meeting because it was a joint conference of legislative auditors and Public Accounts Committee Chairs and Vice-Chairs. And as both Mr. Thomson and Mr. Gantefoer said, our practices are better than almost all jurisdictions. Public accounts committees have, in my view, a very important role. They are the audit committee for the Legislative Assembly, charged with examining the spending and revenue and systems and practices and management practices of the government of the day — a very important responsibility.

So my understanding of the agenda for this afternoon is to go through each of the agenda items that we have for the next week and discuss, review with you, answer any questions you might have on the recommendations that pertain to those agenda items.

Now if you remember back in the spring we worked together to try to find an approach to move through all the reports that were outstanding in as quickly as possible a manner with also holding to your responsibilities. And what we did was identify which recommendations that, as an office, we thought you should address, and thinking that the recommendations in our reports that come again in our spring report can be addressed when you address our spring report.

So back in the spring we identified a whole series of recommendations and we moved through quite a few of them. And now we're at the remaining list of recommendations which are in the 1995 fall report, the 1995 spring report, and a few other reports — mainly those two reports.

The first agenda item relates to the Department of Finance. So Department of Finance. And it, the recommendations, are in the fall 1995 report. And you have a schedule of those recommendations. Or some of you have a schedule of those recommendations. So there's the listing of recommendations pertaining to the Department of Finance. I think it's listed as N — N for Nancy — on the schedule, and it pertains to chapter 10 of the Department of Finance.

And so again what we've done is identify those recommendations which are included in reports prior to the spring '96 report.

So for tomorrow morning we have the Department of Finance to attend, and there are four recommendations pertaining to the Department of Finance. I'm not sure which documents you have. I think your primary document is the schedule of recommendations. So most of you don't have the 1995 fall report.

So there's four recommendations that we're bringing to your attention and seeking your support. The first one relates to ensuring that the financial statements that the department is responsible for are provided to the Assembly in a timely manner.

And we list a number of financial statements, mainly related to pension plans, that weren't provided to you in the time period that is required. And we're saying, well please, government, please provide the Assembly with those financial statements.

The second recommendation relates to the handling of profits or losses from annuity underwriting. Now this relates to the Saskatchewan Pension Plan. And in there, in our examination, we noted that when the annuity fund has a surplus or a deficit, there's no means or there's no direction for handling those surplus or deficits.

Now since we made this recommendation there has been regulations introduced to handle what happens when there is a loss in the underwriting of the annuities related to the Saskatchewan Pension Plan. And I think the regulations say that the General Revenue Fund would be responsible for any losses that the annuity underwriting operation has.

There still . . . as far as I know, there's no direction on handling

gains or profits that are in the annuity underwriting but there has been some movement and some direction provided the government on handling profits . . . or losses from annuity underwriting.

The third and fourth recommendation relates to the ability of our office to carry out its job in helping you. And this is related to what's called SaskPen and SP Two. Those are two organizations created by the government to own commercial properties in Regina and Weyburn.

And these two recommendations pertain to the situation when government organizations get together to create another organization. And sometimes they'll create that other organization under the Canada Business Corporations Act. And sometimes what happens is that those organizations believe that when they create another organization, it has a different accountability to the Assembly. It's no longer accountable to the Assembly in the same way as the organizations that create it are or were.

And in this case, SaskPen and SP Two were created by government organizations, and recently the public accounting firm that is involved in those audits have advised us that we are no longer going to be allowed to have access to their accounts or that the financial statements of those corporations are going to be tabled in the Assembly.

Now in the past they were. And then some time in 1995 or '94-95, we were advised that we were no longer going to have access to audit those organizations nor were the financial statements of those organizations going to be tabled in the Assembly.

So we wrote the shareholders of those corporations, which are government officials and government organizations, asking them for help to ensure that we do have access to the records and financial . . . and that the Assembly does receive the financial statements of those corporations.

In August, the deputy minister of Finance wrote the Chair of SaskPen and SP Two, asking that they cooperate with our office, and as far as I know, we haven't heard anything since that, right . . . (inaudible interjection) . . . We did get a letter back from the corporation saying that they are confirming that they won't give us access to the accounts of SaskPen and SP Two.

So we're bringing this to your attention because part of your responsibility is to scrutinize what the government is doing through its various organizations. And in this case, government organizations created other organizations that are not allowing our office access. And of course when that happens we bring this to your attention.

So those are the four recommendations that we have pertaining to the Department of Finance. They're in our 1995 fall report. Are they any questions or concerns?

**Mr. Toth:** — When you're talking Saskatchewan Pension Plan, are you talking the unfunded pension liabilities or is this the

one that was set up for home-owners and different people across the province in '86 . . . or no, '85 I think it was.

**Mr. Strelloff:** — Yes, it's the one that was established for home-owners. So that's the annuity underwriting losses or gains.

**Mr. Toth:** — This has nothing to do with the unfunded pension plans that the government carries for public employees then.

**Mr. Strelloff:** — No, it does not.

**Mr. Toth:** — Okay.

**Mr. Strelloff:** — As you're thinking about that . . . By the way, with me is Fred Wendel, the Assistant provincial auditor, and Bob Black. Bob coordinates our efforts at the Public Accounts Committee. And also Darold Sturgeon, a recent, new student with our office, articling for his CA (chartered accountant). Right, Darold?

**Ms. Haverstock:** — Mr. Chair, I understand then that tomorrow is when we will be able to discuss in greater depth each one of these items. So any further questions are just . . .

**The Chair:** — It's background briefing for our benefit, yes.

**Ms. Haverstock:** — All right. I'll defer anything I ask till tomorrow morning then.

**The Chair:** — Anything else for information on the Department of Finance? If not, carry on.

**Mr. Strelloff:** — Okay, the second agenda item for Tuesday afternoon relates to the Crown Investment Corporation. So the recommendations that are in that schedule pertain to a number of reports. The main one is embodied in chapter 7 of the fall 1995 report. So it's the Crown Investment Corporation, the schedule of recommendations. And the schedule of recommendations are identified as K, and then there's K.1 to K.11.

The Public Accounts Committee has not brought in the Crown Investment Corporation for a year or two and that's why there's a number of recommendations outstanding that relate to a number of reports, including ranging from 1993 to 1995. As you know, the Crown Investment Corporation is an important corporation charged with the responsibility of overseeing the activities of many Crown corporations as well as significant project investments like NewGrade and Saskferco and the Bi-Provincial upgrader. It is an important corporation.

Our recommendations, beginning with the first one, that the public policy objectives need to be defined and disclosed. And where this had its origination was when the corporation wrote off the investment in the Rafferty-Alameda dam — I think it was about a \$200 million investment — and they described it as a public policy expenditure and therefore wrote off the whole cost of that investment, compared to in some of the corporations where they will set up the cost of the investment and write it off over a number of years.

And when that happened we focused on the policy of the government, on what exactly do they mean when they are incurring a public policy expenditure. And that therefore, if they are incurring public policy expenditures, the public policy objectives for CIC and its Crown corporations should be clearly defined and presented to the Assembly for scrutiny because they are a very important part of that community's operations.

Some of the public policy objectives may relate to employment, regional development, cross subsidies, rural versus urban, commercial versus residential, and also subsidies from one corporation to another corporation — all important parts of what the CIC (Crown Investments Corporation) is doing. So we said that it should define those objectives clearly.

The second recommendation relates to the guidelines for preparing financial plans; that each of the corporations provide CIC with a business plan. And when doing that, we suggested to them that they spell out guidelines on the type of information that they would expect.

We'll hear from the corporation on Tuesday. My understanding is that they are making progress on that recommendation. In fact they are making progress on quite a few of the recommendations that are in here. But we'll hear from the Crown Investments Corporation on that.

The third one has to do with providing a summary of the plans for CIC and its subsidiaries to the Assembly for use by the Crown Corporations Committee and helping the Crown Corporations Committee in its review of the more future- and policy-oriented nature of Crown corporations. As you know, the Crown Corporations Committee focuses more on what Crown corporations are going to be doing in the future and the significant policy decisions that surround those future courses of action. So we suggested that the . . . recommended that the CIC provide a summary of its plans for the use by the Crown Corporations Committee.

The next recommendation recommends that CIC in its annual report and its reports of its subsidiary Crown corporations include comparisons of planned and actual results. And our thinking there is that when we looked at the annual reports of Crown corporations and agencies, we did surveys and discussions with legislators and other people, asking them what information would you want and look for in annual reports to help you assess the performance of Crown corporations. And one of the main responses was that you would like a comparison of plan, what a corporation plans to do, compared to what it actually has done, so that you can help assess the performance of those corporations.

And most of those comparisons could be straight financial. They could also be operational — the key indicators that a corporation monitors to guide its organization and to ensure that what it's planning to do actually happens.

So that's the fourth recommendation that we have.

The fifth one relates to a similar one to the one we discussed on SaskPen and SP Two, and that is that there are financial

statements of CIC and some of its subsidiaries and subsidiaries of subsidiaries, that those financial statements are not tabled to the Assembly. And we list of number of those corporations and recommend that those corporations be provided to the Assembly.

And there were a whole series of ones on page 73 of the fall 1995 report. At that time at CIC there was the National Pig Development Corporation and the CIC Pulp Limited and capital pension plan. And for the Saskatchewan Government Growth Fund, there was a Saskatchewan Government Growth Fund Ltd and Growth Fund Ltd. II. And for the SaskPower Corporation there was power greenhouses, Channel Lake, northern enterprise and the Power Corporation's superannuation plan. There were a whole series of mainly subsidiary corporation financial statements that were not being tabled to the Assembly. And in past meetings of the Public Accounts Committee, you have recommended that all government corporations give the Assembly their financial statements, including the financial statements of subsidiaries. So we're bringing this to your attention, that it's still not happening; you're not receiving all the individual financial statements of all the individual corporations that are out there.

The next recommendation has to do with the . . . similar to the . . . has to do with the public policy expenditures. Again, similar to what I discussed before. When a government organization is planning to carry out a public policy expenditure — so that is, make a significant investment, and then write off that investment in the year that you actually do the investment . . . Say if you're going to build a new transmission line to some place and then write off the whole costs in the year, instead of amortizing it over its expected useful life — the reason usually is that you don't anticipate that you'll have sufficient cash flow from that investment to pay for the cost, but you're actually making the investment for another purpose. And the other purpose is called a public policy expenditure.

And so we recommended to the CIC, when you are doing that, please show where you're planning to get the funding for those kinds of expenditures. So where your corporation is planning a significant investment and planning to write it off in the year that you're making the investment. Again, the usual reason is that the government of the day does not anticipate generating sufficient cash from that investment to really pay for the cost, so they write it off. And we're recommending that those kinds of transactions should be explained more fully.

The next one relates to the board of CIC itself, and the information that it receives from its management group to guide its operations. So when we examine, see the Crown Investment Corporation, we look to their management systems and practices for ensuring that the board of CIC is able to monitor the performance of its corporation and all its subsidiaries. And we found — as recommended in our fall '95 report — that the board of CIC was not provided, and also wasn't asking for, a complete plan, a complete budget, that brought together all the operations of its subsidiaries and major investments. So bringing it all together — the financial plans of SaskPower, SaskTel, SaskEnergy, the transactions planned for the

NewGrade or the Bi-Provincial — and saying, well here's our summary plan for the year and as a board we've received this and after discussions and changes we agree with it and approve it. And then we were thinking that once that happens, when the individual plans of the separate corporations and projects come in, the board of CIC would be able to better . . . able to set and to decide whether those individual plans are consistent with the strategic direction of CIC plans.

So bring all the plans of what you're responsible for as the board of CIC, bring it together in one complete summary, set the strategic direction for your organization, and then as the individual projects and corporations come in with their individual plans, you're better able to assess whether those individual plans are consistent, are on, with the direction that you want to take. If they're not, decide whether that's right or wrong. Or decide if you want to provide direction to the individual corporations that different plans need to be developed. And in our examination of CIC, we thought that was a very important part of its . . . it would help it manage a significant part of the public's resources.

We also in the next recommendation have said, recommended, that when you have that plan together in that summary way, provide that to the Crown Corporations Committee so that it can question, understand, debate with the officials within those committee meetings, the plans and the financial results, particularly as reported in the annual reports of Crown corporations — a pretty important part of understanding and assessing the performance of individual corporations, CIC as a whole, and of course the government as a whole.

And then in the next recommendation, we also have recommended that in CIC's annual report and the annual reports of its . . . oh, I'm going over the same recommendation.

The next recommendation has to do with paragraph .28. And again, looking at CIC's operations itself, we noted that the board was not receiving interim financial statements for CIC's activities on a consolidated basis, on an aggregated basis, as well as those activities carried out by CICIII (Crown Corporation Industrial Interests Inc.).

Remember, CIC has three groupings of activities. One is CICIII, which is what they use to manage their individual project investments like the Bi-Provincial and Saskferco and some of the pulp mills and a whole series of other projects. Then on the other end of the scale is the consolidated financial statements of CIC, which brings all their activities together. Then in the middle is what's called CIC legal. And that is what . . . and that shows how CIC is financing . . . mainly the financing costs and project losses in their CICIII. They're financing it through dividends from SaskPower, SaskTel, SaskEnergy, and they go into the middle, CIC legal, and CIC legal is what comes out with a dividend to the General Revenue Fund. So there's three components to viewing CIC. So it always gets some . . . it's confusing.

One is the summary, the consolidated financial statements, which brings it all together. Then there's CICIII, which is used to manage the main investments, the main projects, which

there's usually losses in those projects or financing costs. So that's usually running at a loss. And then there's this middle set of financial statements which CIC uses to decide how much money they're going to transfer to the General Revenue Fund. And so they move money from the SaskPower, SaskTel, SaskEnergy, into this middle fund and then out comes a dividend to the General Revenue Fund.

So in the recommendation on .28 or K.8, we're recommending that the board receive interim financial statements for its consolidated financial results and as well as what CICIII is doing. And so that it can monitor what was going on . . . what's going on on a more timely way and have plans versus actuals so that you . . . for the first quarter at CICIII, we expect the following to happen: perhaps a loss of — I don't know — say \$10 million. Okay, at the end of the first quarter, what happened? Is it 10? Is it 15? Is it 5? And what should we do as a result, if anything?

And on the consolidated basis, the same thing. As we set the strategic direction for this whole sector, what are we planning to happen for the first quarter, for the first half the year, for the whole year and then in a multi-year sense? And how does that compare with our actual results. And get that information in a more timely way. Now I understand that while we're here again tomorrow, CIC is moving forward on many of these recommendations.

The next, on K.9, has to do with the pension liabilities that CIC manages, pension plans that they manage. And the ones that we're focusing on here are the ones that are mainly defined benefit plans that are managed by SaskPower and SaskTel, SGI (Saskatchewan Government Insurance) and those . . . so there's two kinds of pensions plans. There's what's called the defined benefit plan and then there's a defined contribution plan. The defined contribution plan . . . we're not talking about those ones. We're talking about what's referred to as the old pension plans where the benefit provided to retirees is based on their number of years of service times their salary to a maximum usually of 70 per cent. And the organization puts money in and the employee puts money in.

Now in our recommendations or in our work, we found that as we moved from SaskPower's old pension plan to SaskTel's pension plan to SGI's, we were finding that the corporations were using different assumptions in determining how much money they owed in those pension plans and assumptions like the . . . assumptions like the . . . one key assumption would be, what are going to be the earnings of employees in those plans? There has to be some sort of estimate of how much they're going to earn over their working life, and that estimate usually relates to the cost of living — expected cost of living — over the next number of years and other salary adjustments.

And we are finding that the cost-of-living assumptions varied from plan to plan, and as a result the funding status of those plans weren't completely comparable. Significantly, too. I mean these assumptions do affect whether the plan is considered fully funded or under-funded in a very significant way.

So we asked CIC to have a look at what was going on in its

Crown corporations and try to encourage their corporations to adopt common assumptions, particularly ones related to things like the cost of living. And we said that for Treasury Board corporations, they do have a cost-of-living assumption and we don't see any reason why their assumptions are different than the ones that you use. And so we recommended that that be looked at and handled.

The next one has to do with compliance with legislative authorities and that relates to approvals required when CIC purchases shares — shares of corporations. And by law, when CIC purchases shares, they're supposed to get Lieutenant Governor in Council approval. And when you do that, what that signals is that that's a public document that says through this order in council, CIC is going to purchase the following number of shares in this company. And we noted that there were a number of examples where that didn't happen.

And again, it's . . . the usual argument that we get that says that a particular organization doesn't have to have those kinds of approvals relates to government organizations creating other government organizations and thinking that those other organizations they create don't have the same kind of accountabilities or approval processes that the original corporation has. And this is another example of that happening.

I think I need some water.

**Mr. Sonntag:** — I'd better share this with you, I said, K.9 continues to dog us.

**Mr. Strelloff:** — Just as an aside. When I'm trying to explain these things, I really have a hard time sort of . . . my mind is a bit trying to be at focus and I have a hard time . . .

**Mr. Sonntag:** — It's happening now.

**Mr. Strelloff:** — Moving to the lighter side of some of the events of the day, because I mean a lot of this can be put in the context of the light side. But my job is to try to focus and try to remember what's going, which sometimes is difficult.

So, the share purchases that required Lieutenant Governor in Council approvals continues to happen. And again, when you obtain those approval processes, the key part is that it's public now. And that's very important.

The next recommendation is on K.11, CIC, the investment analysis needed. Let's see, this dates back really to the Financial Management Review Commission's work where one of the terms of reference of that commission was to identify the . . . to look at the key transactions undertaken by the Crown Investment Corporation and set out what the objectives of those transactions were, what the government was doing to try to monitor whether those objectives are achieved through criteria, benchmarks, performance indicators, the expected costs and revenues of those investments or commitments, the planned sources of funding, and the structure that the government of the day was going to use to make sure that what they hoped to do actually got done.

Now the Financial Management Review Commission spent a lot of time looking at that and finding that that type of framework wasn't available. And then we were recommending at the time, and we still recommend, that that type of structure be made available.

And that moved into a specific examination of CIC's investment management systems and practices that we are just . . . we have just completed and will be providing you the results of that audit in our fall report. But it all relates to making sure that the CIC's management systems and processes that they used to make sure that those significant investments of a billion, \$2 billion of public money are managed well . . . And so that's where that recommendation is coming from.

So those are the recommendations in our report pertaining to CIC. Any questions?

**Mr. Thomson:** — I'm confused by this term you use early in . . . the public policy expenditure. Could you run that past me again and maybe tell me where I might find a better definition of it or a concise definition of it?

**Mr. Strelloff:** — Bob, do you have the annual report of the Crown Investment Corporation?

Okay, so in general, a public policy expenditure. So I'm going to use the example of the Rafferty-Alameda, okay. When you're accounting for the transactions that a business-type corporation engages in, and that organization is deciding to invest say \$20 million in a project, and then use that project, usually use that project, to generate revenue over its useful life and to make even . . . and in some cases to make more than that cost of the investment. What the accountants and the auditors look at when they look at the cost of that expenditure is, well, will it generate sufficient cash flow to justify its cost? Okay. If the plan is not to generate sufficient cash flow to justify the cost, then should it be written off? Written off meaning the whole, in my example, \$20 million reported as an expenditure in, say in this case, the Crown Investments Corporation's financial statements in the year that the investment was made. Or should it be set up as an asset — \$20 million — and written off, say over 20 years, \$1 million a year.

Now in looking at whether there's sufficient cash flows and what is the plan for that type of investment, we've asked the Crown Investments Corporation, well when your Crown corporations or your corporation are planning to carry out that type of expenditure, please make sure that it's clearly identified as such. That's the funding — how the corporation is going to pay for the cost of that expenditure is clearly stated so that readers of your financial statements and your annual reports have a better chance of understanding what exactly has transpired, that we've chosen.

And in this case, we've chosen to make a significant investment for a reason other than generating cash flows through user charges to pay for it. There's a different purpose, and it's more of a . . . and the language that we use here and the language that CIC uses in its financial reports or annual reports, they call it a public policy expenditure.

**Mr. Thomson:** — So in a private sector utility where in fact purchasing . . . we're making an investment of this type, what would it be called? I mean, I assume by the way that you're phrasing it, that you are arguing that no privately owned utility would ever make an investment of this nature.

**Mr. Strelloff:** — No, I didn't argue that. I wasn't linking it to . . .

**Mr. Thomson:** — I guess my question is, how does this differ? Why do you attach this term, public policy expenditure, to these types of spending when other companies, private sector companies in the commercial environment, may do the same? What is the equivalent term in a private sector company?

**Mr. Strelloff:** — A write-off. I mean if . . .

**Mr. Thomson:** — Isn't it simply an investment in infrastructure?

**Mr. Strelloff:** — Well there's the key issue here. In some cases, corporations will make significant investments in infrastructure. And at the planning stage, when we're doing that, they're saying, they're thinking, they're doing the significant investment not to generate cash flows. I mean we're in a government environment. There may be another reason for it. It may relate to employment. It may relate to regional development. It may relate to . . . I don't know.

But the issue is, when the government corporation is making such an investment, and the plan is to write it off all in the year that they're making it, that's a different kind of investment. I mean, that means they're not expecting to generate cash flows from that investment and therefore are going to write it off. And the phrasing that we've used here and the phrasing that CIC uses in its annual report is that, well that is a public policy expenditure.

In the '95 financial statements of CIC, CIC describes this as, on behalf of the Government of the Province of Saskatchewan:

The Corporation incurs expenditures for various physical works (infrastructure) for which it retains ownership. A public policy expenditure is recorded when such works do not directly produce sufficient revenue to finance their costs.

The majority of these expenditures relate to the Souris basin and major irrigation projects. And then they disclose . . . So they've actually been acting on our recommendations of '95.

"The funding and related construction costs incurred from January 1, 1986 to December 31, '95 are as follows . . . " and then they go through what they mean. It's just that it's . . . Have a look at it. It's an important part of understanding the performance of a corporation — that if it has made some significant expenditures that they don't expect the costs to be paid for by revenues, they wrote them off. So when you're looking at the financial statements or financial status of a corporation, you have to know about those things to fully understand it.

And so what we said here and from what the corporation has done in the '95 — they're moving that practice forward — is that describe to readers, when you're doing that, describe where the expected funding is going to be coming from and the costs, so that readers of the financial statements will have that piece of information available to them to better understand what has actually transpired.

**Mr. Thomson:** — So just, Mr. Chairman, then just to make sure I understand this thing. There is both a subjective and an objective component to determining whether something is a public policy expenditure. The objective component would be if it does not make sufficient revenues to cover its costs. What's the subjective component that separates that from simply an investment in infrastructure?

**Mr. Strelloff:** — Infrastructure at SaskPower, for example. Is that what you mean?

**Mr. Thomson:** — Well if we're using Rafferty-Alameda, I don't know who owns that. Is that SaskPower, Sask Water, CIC?

**Mr. Strelloff:** — Sask Water I think is managing that for the government right now, I think.

**Mr. Thomson:** — But I mean, so how do you differentiate that from simply being an investment? What is the subjective component that makes that a public policy expenditure rather than an investment in the infrastructure?

**Mr. Strelloff:** — When say SaskPower is investing in infrastructures of power lines say, normally it's investing so it can sell services through say that transmission line, and generate sufficient revenue or even more than sufficient revenue to cover the cost of that line and the financing of that line. So it's making the investment, and that's the plan, is to make the investment and pay for its costs through direct charges.

Now in some cases a corporation or CIC may make a similar infrastructure investment decision but up front they're thinking, we're not planning to charge people who are using that infrastructure for the cost of it. We're going to, I guess in general, eat that cost or assign it to the general tax base. Let the general tax base pay for that cost.

In that case, because that investment is not generating sufficient revenues to pay for the cost and is not expected to, the accountants and auditors step in and say, well you better write it off then because it doesn't represent . . . Write it off means it doesn't represent an asset because there is no expectation that it will generate sufficient revenues to cover its costs.

And in that case we're saying, well the language within the government community is that that is a public policy expenditure. There's a different reason for making the investment than to earn a direct return, and that reason gets explained as well.

So the subjective part, I think, is the nature of the decision up

front. Does this corporation — CIC or SaskEnergy or the Water Corporation — that's a decision . . . or are we going to invest that money? And the government of the day makes those kinds of decisions. And we're saying, to help legislators understand what the financial . . . what's going on in terms of the nature of the transaction, make sure they know, in your financial reports, make sure they know when you're doing them.

And also, if you're not expecting to recover the costs of that transaction through user charges, how are you going to fund it? Is it through perhaps a grant from the General Revenue Fund? Is it from, I don't know, whatever source of funding that a particular corporation would have access to?

**Mr. Thomson:** — If I can just have one final question then. I'm still unclear as to what differentiates public policy investment from perhaps just an investment which goes bad — for instance, let's say an upgrader that you purchased based on certain assumptions. The assumptions fall through. Does it then at some point move from simply being bad investment to being a public policy expenditure?

**Mr. Strelloff:** — They have some similarities. So say you've invested a hundred million dollars in the NewGrade upgrader, and the intention — I mean this is hypothetical; the numbers are all different but the ideas are similar — the intention of the hundred million dollars, you've invested it thinking that we're going to get sufficient revenues to cover the cost of that hundred million dollars plus related interest costs. That was our intention.

You put it on the statement of financial position of the organization — I have a hundred million dollar investment. Okay. Now, say five years later, through the experience of the day, experience of those five years and your best forecast of what's going to happen in the future, you've come to the conclusion that there's no way that we're going to generate enough revenues to pay for that cost. The last five years have shown that and the best guess of the future, the best forecasts, say that's going to continue.

Well that's an issue where the accountants and the auditors come in to discuss and say okay, we need a write-down. How much money do you think you will get from that investment? Is it sufficient to cover a \$50 million investment? And after analysis, say everyone agrees, yes, it's worth \$50 million; we're going to generate enough revenue from that project to justify a \$50 million investment. Okay, that means you have to write it off from 100 to 50 — \$50 million write-off of the investment.

But it's not a public policy write-off because the original decision was said to be, and everyone agreed at the time, we're going to generate enough money to cover the cost of that.

In these cases, in the public policy expenditure cases, that decision at the beginning was something different, was, we're going to make the investment, but we don't plan to generate enough revenue to cover that cost. We're still going ahead. And so let's write it off. Does that help a bit?

**Mr. Thomson:** — Somewhat.

**Mr. Toth:** — I was just going to bring up one point. Isn't it quite possible, based on some of the assumptions you've given in this public expenditures policy, the fact that depending on governments of the day, that your financial statements at year end could differ if you've got a write-off in any one year versus amortizing. If you want to have a better picture two years down the road then it might be better to write off the total we owe today. And then your books look better. It's not just a matter of whether it was a sound business decision, it certainly has a lot of . . . there's a lot of opportunities for politics in this type of transaction.

**Mr. Strelloff:** — Okay, well on the example I used for the NewGrade, I mean when the initial transaction comes to the table, all the decision makers and accountants and auditors are supposed to be there agreeing on the value of this investment. And if the investment is supposed to generate sufficient revenues in the future, there's supposed to be some evidence to show that — and before it's recorded as an investment. So on the NewGrade type of thing . . . I'm losing the thread . . .

**Mr. Thomson:** — Try GigaText.

**Mr. Strelloff:** — The what?

**Mr. Thomson:** — Is GigaText an investment or a public policy expenditure?

**Mr. Strelloff:** — When the government is planning not to generate any revenue from a particular investment, that decision has to be clearly stated. The evidence should be on the table and that's why we're saying that it's very important to describe that because it does have a significant impact on the financial results shown for a particular government.

If they're planning to invest a lot of money in projects that don't expect to generate revenue but are there for another reason, make sure that that's clearly identified. When there are significant write-offs — say half way during the project life of an investment — everyone comes to the table and says that a significant write-off is necessary. That's an important event, and that should be carefully described in the financial statements and reports because it does have the potential of distorting the trend lines . . . and therefore trend lines. And the financial reports should clearly explain those kinds of transactions and decisions.

**Mr. Toth:** — But even if you were to explain whether the Rafferty Alameda . . . I'm not sure if that expenditure was ever based on making money other than using water and conserving water. And the fact whether it was amortized or it was written off . . . I take it it wasn't written off originally.

**Mr. Strelloff:** — That's right.

**Mr. Toth:** — But I don't know if it was . . . I don't know, but coming back to what you were saying, I'm not sure if there was the potential for it to generate the revenue over that period of years to pay for the project. But at the same time it was amortized, it's quite conceivable that when a change comes in government, that down the road, even regardless of what all the

accountants say, a different government could decide, okay well we're not going to amortize this any more. We're just to write it off, whatever is left owing on the debt, that's . . . we'll just write it off today and be done with it.

**Mr. Strelloff:** — That's what happens. The whole thing is written off, that one. My understanding — and again it's back there on the original costing of the Rafferty-Alameda — that it was envisioned to link up with a number of other irrigation systems, and both with Manitoba and maybe the United States, where the government of the day was negotiating contracts with the purpose of earning revenue to recover their costs.

**Mr. Toth:** — I don't know. I haven't got all the details on it but I . . .

**A Member:** — That was the understanding.

**Mr. Strelloff:** — And that's why it was originally set up as an investment and then written off later. But those kinds of transactions, you really have to watch carefully and really disclose well in financial statements so that readers can understand whether those kinds of significant advance decisions are affecting the results of the year. Because they really do have a major impact on the annual deficit/surplus or accumulated deficit of a particular government. Very, very important.

And that's why, again, we've recommended that when those kind of public policy expenditure-type expenditures are planned, that they be very carefully disclosed. And also when there are significant write-offs happening during a particular year, there's a lot of disclosure rules to make sure that, to the extent possible, the financial statements are explaining those transactions.

**Mr. Toth:** — Based on what you've just told us, while it all sounds fine and dandy, I'm not exactly sure the public can quite understand. To go to all the corporations and the different avenues of government or CIC or Crown corporations, it's difficult for a person on the street, even to us. It's difficult for me, as a public person who is supposed to be trying to keep track of this, to understand it all.

I'm not sure if we can even simplify it one step further so that there is some kind of an overall statement that points this all out without . . . you're still going to get into a book of I don't know how many pages to try and simplify the process so I have a better understanding of what's going on with each individual corporation, whether they amortize an expenditure, an investment, or whether it's written off, so I can understand how it affects the total expenditure for this year of the financial statements.

**Mr. Strelloff:** — But it's particularly difficult if you look at individual financial statements. And that's where you go to find out what is CIC doing, what is Sask Water doing, what is the General Revenue Fund doing, what is SaskPower doing. And you're moving from, I like to think of it as one pocket to another pocket.

And that's why I always stress to go to the summary financial statements as your starting point, because at least there you know that the total amounts — total revenues, expenditures, assets, and liabilities — are included in those financial statements. And there is also links to more detailed financial statements. But at least if you go there you know that from the starting point you have all the totals, and if you want to pursue one line, one type of revenue, one type of expenditure, or one type of corporation, you can move into more detail but always come back to that summary.

That's what I always do to try to remember what is transpiring — moving from that top so I know all the pieces are on the table — and then try to look at the more individual pieces. And if it's a more particular investment, what's happened in that investment.

**Mr. Toth:** — So if you're coming back to . . . You mentioned just . . . in one case I think you mentioned about National Pig. Where would that come in this scenario? Because when you look at the summary financial statement, what's it got, about 24 different, individual Crowns listed there?

**Mr. Strelloff:** — There's about 100-plus organizations that have got some . . .

**Mr. Toth:** — But I don't think they're all listed under that summary financial statement, but if I recall correctly . . .

**Mr. Strelloff:** — It's probably a subsidiary of the Crown Investments Corporation. So you have to go to the Crown Investments Corporation and then you go to . . . you have to know that the National Pig Corporation is a subsidiary of either the . . . well, the Crown Investment Corporation.

**Mr. Toth:** — Well it might make it a lot easier if, based on the summary of financial statement of all the subsidiaries that you had, when we get our annual reports and our annual financial summaries, if we could get them, say if you will, in lumps that links anything that's tied to CIC and it all comes out together so you can . . . What would you get? CIC over here and you get Power over here and . . . (inaudible) . . . and national pigs down, oh, some 20 or 50 or 60 or 75 days after . . . (inaudible) . . . It's difficult to link it back in.

So if you could get all the subsidiaries under the same . . . I mean given out at the same time, tied together with the main Crown or whatever, would sure simplify the process. Wouldn't simplify it, but it make it a lot easier to follow it through rather than trying to pull all this material and you get piles of material on your desk.

**Mr. Flavel:** — I don't know if we're going over the same track again or not but I just want some clarification on the public policy expenditures. If a Crown was to invest in whatever expenditure you want to put and you say write it off its first year, then it becomes — where there is not enough funds generated to pay for that thing and so they're going to write it off — then it becomes a public policy expenditure.

If they enter into that expenditure and know ahead of time that

there are not going to be sufficient funds to pay for it but decide to amortize it, you're telling me that that is not then a public policy expenditure. If halfway through then they do write it off, then it becomes one. Am I on track here?

**Mr. Strelloff:** — Almost. The first part where you said that if in the planning stage that the government or the government corporation has decided to invest in \$100 million project piece or an infrastructure or something, and at the outset they decided that we're not making that investment to generate revenue from, to charge people for the use of that investment, we're doing it for another reason.

So at the outset it's saying this is a different kind of expenditure. It's made for what they refer to as a public policy reason. Then the agreement is, well, the whole cost gets written off.

Now if the corporation makes an investment, say \$100 million, and it's planning to generate sufficient revenues to cover the costs of that and it's set up as \$100 million investment and it's writing it off over its estimated useful life, say the useful life of the investment is 20 years, so one-twentieth each year, and then five years into the project the economics of the investment changed, have changed and the decision is well, this investment is not going to cover its costs.

That portion —its now really equivalent to a \$50 million investment. Well the accountants and auditors get into the act and say well then, if that investment is no longer worth its original cost, it should be written down. How far now? Should it be written down from 100 to 75 to 50 million? Say the general consensus through discussions, evidence, is that it's really now worth a 50 million investment in terms of the revenues it can generate, then what has been written off is half of it. And it gets written off as just a general write-off, as an expense during the period. It's not considered a public policy kind of expenditure. It's just the decision . . . the economics of the original decision have changed. It's no longer worth as much as we hoped that it would be.

**Mr. Flavel:** — Okay. But I'm saying, if you enter into the project and the economics of it are the same when you enter it. You put a hundred million dollars into a project; you want to write it off in one year. Okay, you're writing the full hundred million off. You enter into the project on a different term and you know you're going to write the hundred million dollars off but you want to spread it over 10 years. Any difference?

**Mr. Strelloff:** — Well the accountants and auditors, I hope wouldn't . . . If they found out that that hundred million dollars was not going to be generating any revenue over 10 years or 20 years, it should be written off. It's really in substance a public policy expenditure.

**Mr. Flavel:** — What if you can't afford the write-off in one year or to finance over certain times?

**Mr. Strelloff:** — What do you mean, you can't afford to . . .

**Mr. Flavel:** — Sort of dead load or whatever.

**Mr. Strelloff:** — You've made the investment. You have to recognize the facts. The facts are this investment isn't worth any money because it's not going to generate any income. So hopefully the auditors and the accountants would be there to say, management, you got to write this off because there's no cash flow coming from this investment. That's all. Really in substance what's happened is that the original plan should have been recognized for what it is, and that's more of a . . . you've made the investment for some other reason, some sort of public policy reason, rather than to generate actual cash.

So the two transactions that you describe really were the same type. Management on one was arguing that, let's write it off over 15, 20 years when really the underlying economics should have told management, no, you should write this off in the year that you built it because there's nothing there. There's nothing there in a sense of generating direct revenues. There may be something else there that you want to do as a corporation or a government, but in terms of building whatever you built to earn revenue, that wasn't there.

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

**The Chair:** — Ladies and gentlemen of the committee, we have an hour and twenty minutes or so of time and I really would like us to have the opportunity to have the auditor brief us on all of the issues. So if we may proceed.

**Mr. Strelloff:** — The next agenda item is Sask Transportation Corporation, its 1995 fall report, chapter 16, and those four recommendations relate to a computer information system that the company has been working on for the last number of years. It still hasn't finished it, and the recommendations are similar to recommendations we have provided in previous reports. Any questions or . . .

**The Chair:** — Is that the system that they seem to be operating now at the different agencies for STC (Saskatchewan Transportation Company) on a computer system? Like it's . . . I believe as of this spring or some time, all of the STC agents received this computer package and are now doing the billings, way billings, and customers, etc., etc. But I guess that would be a question.

**Mr. Strelloff:** — You're right. That's what they were . . . they were moving away from a manual system to an electronic system.

**The Chair:** — So this is something that could largely be being dealt with?

**Mr. Strelloff:** — My understanding is that they are working on it. It's not finished yet, but they are working on it. And these recommendations, some of you may remember we had previous reports that had quite a few recommendations related to the Transportation Company. And now it's mainly focusing on these four, and it relates to one major, I think it's a revenue system that they're trying to implement, which is taking longer than anticipated.

**The Chair:** — Okay. Any other questions? Next.

**Mr. Strelloff:** — The next one is chapter 15 of the fall report related to SaskPower, SaskPower Corporation, where we have two recommendations. Both relate to the Assembly. One recommendation deals with when a subsidiary of SaskPower called Channel Lake was purchasing property, it didn't obtain the Lieutenant Governor in Council approval. The property was valued of over 150,000, I think over 300,000. And we pointed out that when you do acquire that kind of value of a property you need Lieutenant Governor in Council approval, which again makes the transaction public.

They've argued that when they do create a subsidiary, that that subsidiary does not have the same responsibilities as the parent company — that idea again — and therefore it does not need cabinet approval through Lieutenant Governor in Council to sell the property. That's the first recommendation.

The second recommendation relates to tabling financial statements of subsidiary corporations that the corporation is responsible for, as well as its superannuation plan; and that they have not tabled those financial statements in the Assembly. And we think that that's important to legislators, to have all these kinds of financial statements, and have recommended that they do that.

So those are the two recommendations related to SaskPower. Any questions or concerns?

**The Chair:** — Carry on, you're on a roll.

**Mr. Sonntag:** — We just . . . several of us were talking about this before, is that the legislation this spring that was passed we thought, did that not deal with this?

**Mr. Strelloff:** — Which recommendation?

**Mr. Sonntag:** — The one you just talked about, this limit here. The SaskPower . . .

**Mr. Strelloff:** — The legal property?

**Mr. Sonntag:** — The 150,000, exceeding that amount.

**Mr. Strelloff:** — Okay. So this recommendation relates to our examination of SaskPower for 1994. So during that year they incurred a . . . they sold some property for over 300,000 and didn't get cabinet approval. Now you're thinking that . . .

**Mr. Sonntag:** — Well just this spring we passed legislation . . .

**Ms. Stanger:** — Bill 87.

**Mr. Strelloff:** — To raise the limit, or to what?

**Mr. Sonntag:** — Raise it.

**Ms. Stanger:** — Raise the limit.

**Mr. Strelloff:** — To what? To 1.5 million?

**Ms. Stanger:** — Yes.

**Mr. Strelloff:** — But this transaction was incurred during a period when the limit was 150,000, so we're bringing that to your attention. It may have changed now.

Brad is pointing out that the issue that we're bringing to the table is the principle that whatever the limit is for requiring cabinet approval, that when transactions are entered into, that that limit be . . . or that authority be sought. So if it's a million and a half now and they're engaged in a transaction that exceeds a million and a half, well make sure that you're getting cabinet approval.

**Mr. Sonntag:** — Yes, but I mean you're not going into that debate because I mean obviously they thought as well that . . . they would argue with you as well that they thought they were operating under proper authority but . . .

The only thing I wanted to be sure of . . . Are you aware or — we're not even sure of this ourselves actually this morning — do you know, and obviously I guess you don't, whether the approval limit has been raised at all?

**Mr. Strelloff:** — I can find out.

**Mr. Sonntag:** — Okay. Well we could find that out, too. I just thought maybe you knew.

**The Chair:** — Okay. Anything else?

**Mr. Strelloff:** — The next agenda item . . . oh, is the request Wednesday afternoon. The multi-year summary planning information and the annual report information.

Remember back in the spring when we were discussing our recommendations that the government provide the Assembly with a summary multi-year plan, and that we also recommended that at the end of the day they produce an annual report; that during the discussion, I was asked to find out what kind of planning information was provided by other Crown corporations or corporations in the same kind of industry but that are privately owned; what kind of planning information is made public in other jurisdictions. Because I said during the discussion, that my understanding is that there is an extensive amount of planning information provided in other jurisdictions across Canada.

So over the past month or so I've provided you with a series of mailings. As I moved through the issue, I provided you five mailings all related to this discussion. The first mailing related to the practices of the Government of Canada, where their annual corporate . . . their corporate plan summaries are tabled in parliament. The second one had to do . . . second mailing had to do with the practices of British Columbia, where the public accounts . . . or there's a committee of deputy ministers and the Auditor General's office of B.C. (British Columbia), with the support of the public Accounts Committee, which is moving forward recommendations on planning information being provided to the Assembly, and I provided you that report.

The third mailing related to what was happening in Alberta. Some of the . . . I give you examples of some of the multi-year

plans that are provided and also the example of their annual report.

And then more specifically, the fourth mailing had to do with the planning information that is required by the CRTC (Canadian Radio-television and Telecommunications Commission) of telecommunications companies, both private and public, when they are applying for rate increases. And certainly an extensive amount of planning information is required to be made public.

And then I did the same for the public utilities boards that operate in other jurisdictions. And when an energy company or some other corporation subject to their approvals are planning rate increases, I gave you examples of what kind of information those organizations are required to make public and undergo public hearings.

So that I provided you that information to facilitate our discussion on Wednesday.

Any questions or concerns?

**The Chair:** — I think probably that Wednesday will be the opportunity to go into some detail about those multi-year summary planning issues.

The second part of the Wednesday afternoon . . . did you table that already with committee members? You've received the information that we've received back, and we can discuss that Wednesday afternoon as well. The letters of response have been tabled with you and a brief chart summarizing the responses that I had from that inquiry, and we'll discuss that Wednesday afternoon. Section O.

**Mr. Strelloff:** — Section O deals with Department of Social Services. And in our spring 1995 report, chapter 15, we report on the results of an audit of the case-planning systems and practices used by the department for helping its clients on social assistance, the employable portion of the clients on social assistance.

We examined the case-planning practices of that department because that was a significant issue or concern that the department needed to manage well to be successful. And in our report we make four recommendations on how case planning could be done better.

And the recommendations relate to providing complete guidance to staff when they carry out, record, and revise case plans. We find that there was practices that needed to be improved there; that there would be clear criteria to identify which clients most likely could benefit from case planning. Because case planning is a very, very time-consuming and thus expensive management practice and therefore when to use the case-planning process for clients is a very important decision that has to be made.

The third recommendation relates to ensuring that the case planners record the planning information and the progress that clients are making towards achieving their goals; record them in

a consistent and a careful manner so that the files are easily used from period to period and also from one case worker to another case worker.

And the fourth recommendation relates to capturing, making sure that the case workers do capture, the necessary information when they put information within the files related to case planning, so that the information becomes useful in, particularly, in assessing whether the case-planning procedures were actually effective.

So that those are the four recommendations that we have pertaining to the case . . . our audit of the case planning used by the Department of Social Services. Any questions about that audit or those recommendations?

**The Chair:** — Bill 87 indeed moved the threshold price, if you like, from \$150,000 to \$1 million.

**Mr. Strelloff:** — Does that relate just to SaskPower or more generally?

**The Chair:** — SaskPower Corporation Act.

**Ms. Stanger:** — Because SaskTel already has . . . (inaudible interjection) . . . I don't know what it is but it is a lot higher than 150,000.

**The Chair:** — We didn't get that for discussion today but for your use for Wednesday.

Okay, any questions on Social Services? If not, Agriculture and Food.

**Mr. Strelloff:** — Okay, the next one is in our 1995 fall report, chapter 8, related to the Department of Agriculture. And the primary focus of that chapter is on the SPI (Saskatchewan Pork International Marketing Group).

We also note that the Canola Development Commission has not provided the Agricultural and Food Products Development and Marketing Council its annual report. Remember the marketing commission, the Agricultural and Food Products Development and Marketing Council, oversees a lot of the agricultural boards.

So remember, the Agricultural and Food Products Development and Marketing Council has the responsibility of overseeing the finances of all these marketing boards, including SPI Marketing Group. And the members of the marketing council are mainly officials working within the Department of Agriculture.

So on the first one, the Canola Development Commission, we're reminding and recommending that the Canola Commission should provide its annual report to this oversight body called the Agricultural and Food Products Development and Marketing Council.

And then the rest of the recommendations relate to the SPI Marketing Group, which operates a trucking, meat packing, and customs brokerage business, and also the hog sales in the

province.

So in our audit of the SPI we have a number of recommendations pertaining to the practices of SPI, quite a few focusing on the information that the management group within SPI provides its board of directors, and therefore the information that the board of directors has on hand and uses to oversee the direction and performance of SPI.

And we have again a number of recommendations — one that SPI should provide . . . the management of SPI should provide its board with a complete plan, kind of similar to the complete plan issued within CIC, Crown Investments Corporation, bringing all the different corporations' activities that you have and are responsible for at SPI, bring them together in one kind of report so that the board has a good understanding of the plan and the direction for the operations.

And then we're saying that the board should approve that plan at the beginning of the year. Before the year begins, okay, here's the course of action SPI is planning. The board approves it, and therefore management knows what's expected of them, and then the board can monitor progress and make changes when it thinks it's appropriate.

So that's the first two recommendations.

Then the third one recommends that given that you set out what you plan to do, that you report monthly, quarterly, on what you actually did — just a standard kind of management practice. Here's what I plan to do; here's what I did; here's variances; here's what changed during the first quarter or the second quarter and here's what we propose. So that the board is able to keep track of what management is doing and also that the board has confidence that those kinds of periodic reports are being prepared and used by its management group.

We also have recommended that the board ensure management does document how it handles, how it administers, the responsibilities that it has and put it in a policies and procedures manual so that employees and the board know what is expected.

The fourth recommendation, L.6, relates to Moose Jaw Packers, one of the subsidiaries of SPI, and we're recommending that the board require management to prepare a financial plan for the packers and also then have management bring in that plan to the board of directors and say okay, here's what we propose to do, here are the assumptions, and get approval for that plan for the year and beyond.

And of course as the time periods move along, as the quarters or months progress, that periodic reports comparing what was planned in the approved plan compared to what actually happened, be provided to the board and the board then can have some comfort that their direction is being followed and that if there's actions that have to be taken that they're consulted about those actions.

Those are our recommendations pertaining to primarily SPI.

**The Chair:** — Any questions?

**Mr. Toth:** — Mr. Strelloff, you're basically suggesting here that there isn't a complete financial plan for SPI that's been laid out?

**Mr. Strelloff:** — That's correct.

**Mr. Toth:** — Maybe that's why we've got all the controversy right now. It's much along the lines of the Canadian Wheat Board. Producers are basically asking questions. What's the organization doing with it?

**Mr. Strelloff:** — Our recommendations do relate to ensuring the board has a plan for management and approves it.

In general — just a little background information — my understanding is this organization was smaller and has grown a lot very quickly and its management systems and practices has not moved along with that growth.

**The Chair:** — And we'll have, you know, the opportunity for questioning the officials specifically. That's going to be the topic.

Any further questions for Wayne in this regard? Carry on, sir.

**Mr. Strelloff:** — So SPI manages revenues of \$125 million. It's a big, big operation.

So the next agenda item is P., Saskatchewan Government Growth Fund Management Corporation 1995 fall report, chapter 13. One recommendation relates to . . . oh, yes: "Management should invest funds held for investors in eligible businesses as required by the Canadian Immigration Regulations." Chapter 13.

So these immigrant investment funds are . . . the venture capital funds do have rules that they're to comply with called . . . within the Canada immigration regulations. And one rule requires the funds to invest at least 70 per cent of their money in eligible businesses within nine months. So the objective is, when the money comes in, to get it moving within nine months. And management did not have 70 per cent of the money invested in eligible businesses. They had the cash on hand and hadn't identified eligible businesses that they wanted to invest in.

So we're bringing to your attention that they haven't met the requirements of the Canada immigration regulations. And management has told us they are attempting to comply with the regulations; that they've also said that the federal government department responsible is aware of this issue and has not sanctioned them for what they've done. It's just they haven't been able to, at the date of this particular report, identify the investments they want to put the money in.

**Mr. Toth:** — I suppose that's comparable with the person went and put his money in the ground for the landowner, came back and then told him, well I saved it for you; it's still here.

**The Chair:** — Section Q.

**Mr. Strelloff:** — Section Q. relates to the Sask Opportunities Corporation and it's a point of principle. The corporation began operating without having a board of directors and for the initial time period it operated without a board of directors. And in terms of the point of principle, we want to make sure that when corporations are created, and they are there to do things, that there should be a board of directors that are there to oversee. In this case that didn't happen, so the start-up period that the Sask Opportunities Corporation was undergoing did not . . . they didn't have a board of directors. That's the recommendation related to SOCO (Saskatchewan Opportunities Corporation).

**The Chair:** — Okay. Section M., Department of Education.

**Mr. Strelloff:** — Section M. relates to Education, the '95 fall report. And it's a small chapter, a clean-up of some of the work that we were doing in the earlier year and related to mainly pension plans and regional community colleges.

So one relates to the Prairie West Regional College. And in our examination of their financial statements, they made public a set of financial statements that we found were not completely reliable. And my understanding is that this has been corrected? So I'm not sure if it has been corrected for the financial statements of the regional college but we're bringing it to your attention that there was a set of financial statements issued that weren't completely correct.

And the other one relates to the Indian Regional College. And I think for every year that I've been here we've had a section each year on the Saskatchewan Indian Regional College. And the main issue is that the Indian college receives money from the federal government but is regulated by the provincial government. And our recommendations relate to the financial management and some of our recommendations have not been listened to by the college because they argue that they really are dealing with the federal government.

But yet the laws say that the provincial government, through the Department of Education, has the responsibility for overseeing the Indian college through The Regional Colleges Act.

So in previous discussions with the department and the Public Accounts Committee, the department said it was going to propose changes to The Regional Colleges Act to make this issue clearer, either move the issue away or make sure that the regulations and applicability of the Act was well understood and known. And in the meeting with the Department of Education you may want to ask them — oh, they're not going to be attending, the official's not attending — the status of this one.

When we come in on . . . when we meet with this one, we'll make sure we know the status of this. It's been a hard one to sort out, being federal and provincial discussions, which tend to go on.

**The Chair:** — Questions?

**Mr. Toth:** — Not directly to this, but overall . . .

**The Chair:** — But is there anything specific on this yet? We'll finish that if we could and then . . .

**Ms. Haverstock:** — I do have one question, if you don't mind. Because as I indicated to you when we decided on these dates, I can't attend on Friday, so if I may, I'd like to ask a question specifically regarding M.2.

Mr. Strelloff, what is it in The Regional Colleges Act with which the Saskatchewan Indian Regional College can't comply?

**Mr. Strelloff:** — Well you say can't, or chosen not to?

**Ms. Haverstock:** — Yes.

**Mr. Strelloff:** — In our fall report, just going through things like . . . The college is subject to The Regional Colleges Act. The Act requires the members of the board to be appointed by cabinet, an order in council. There was no order appointing four of the people who took part in the board meetings. So there's one example.

The college paid those people allowances and expenses and they weren't approved. The Act requires the board to appoint an auditor to audit the college. The minister did not . . . The Act requires the board, subject to the approval of the minister, to approve an auditor to audit the records of the college. Well the minister did not approve the appointment of the auditor — not us, if there's a public accounting firm in the middle.

The Act requires the minister to approve the college's budget before the board adopts it. The minister did not approve the college's budget. The regional colleges regulations require the minister to approve the college's personnel policy. The minister did not approve the college's personnel policy.

On January 19, '94 the deputy minister reported to the committee, the department had formed a committee jointly with the college to examine its legislative status and relationship with the college system. And that was the last that we've heard. I'll have to get an update on that for when we talk about it.

And then there was some payments made during the year that we were unable to determine whether the college used the money for educational purposes. And then in addition, the college made the following payments to related organizations and we did not know whether the college used those monies for educational purposes.

So there was those kinds of issues that were brought to our attention, and no actions.

**Ms. Haverstock:** — With the latter two relating to expenditures, are those dollars federal dollars, or were those dollars from the provincial government?

**Mr. Strelloff:** — My understanding is this college receives all its money from the federal government.

**Ms. Haverstock:** — So under what Act are they . . .

**Mr. Strelloff:** — Provincially?

**Ms. Haverstock:** — No. I know, the provincial Act — that seems to be where the confusion lies, between where they get their financial support and the fact that they're a regional college. Are they subject to any legislation at the federal level to which they're being held accountable for their — first of all the appointment of board members; secondly, their financial expenditures? Overall accountability and so forth.

**Mr. Strelloff:** — I've read some reports to the Auditor General of Canada expressing concerns over the financial management and accountability practices of Indian bands and Indian-related organizations. And there are a lot of issues pertaining to the financial management and accountability practices of these organizations.

But I'm not sure which piece of legislation . . . we wouldn't have audited for that but . . . I don't know.

**Ms. Haverstock:** — Well I most certainly think this presents a dilemma for the minister, for the provincial government, for the Department of Education overall, and for your office. And I'm going to be very interested in knowing what transpired and what conclusions were reached with the minister and the Saskatchewan Indian Regional College on this.

Because it sounds as though this is going to be a continuing and perplexing problem until there's some reconciliation between the funding issue and the fact that there appears to be some responsibility on the part of the province and the minister and the department because of this particular Act. I mean it's not going to be easily resolvable if people don't choose to come to some reconciliation.

**Mr. Strelloff:** — I think that's . . . in the last discussion in the Public Accounts Committee the deputy minister of Education didn't tell you that they had formed a committee trying to sort this out? And I just don't know if . . . what status of that committee . . .

**Ms. Haverstock:** — Yes, it'll be interesting to know how they're addressing this because I can see where it's . . .

**Mr. Sonntag:** — As long as the federal government funds and we regulate, we can live with that. It's the reverse that causes us problems.

**Ms. Haverstock:** — Yes. You can live with it but it makes it kind of like a strange stew doesn't it? All the various ingredients involved in it.

**A Member:** — . . . if this is related.

**The Chair:** — If it's related?

**Mr. Pringle:** — It's related to the comments the auditor made about this but it's . . . Well maybe I'll make . . . if you don't mind.

I just wanted to . . . your exact wording, Mr. Strelloff, about the federal government or the Auditor General having concerns about the way in which bands and Indian agencies run their affairs and their accountability. I think it's important to be careful in saying that as it stands, because I think there are a lot of organizations that aboriginal people would say aren't very accountable. And so I wouldn't want to sort of feed into any stereotypes or reinforce stereotypes that are just related to Indian bands and their organizations.

So I'm just concerned that you not be misunderstood on that — that it's not just Indian bands that . . . I mean there are lots of unaccountable organizations that are not aboriginal.

**The Chair:** — Point well taken.

**Mr. Strelloff:** — That's right. The Auditor General of Canada has expressed concerns about the management and accountability practices of many federal and federally funded organizations across Canada.

**Mr. Toth:** — I'm coming to an issue that's not directly related to Education.

**The Chair:** — That's fine.

**Mr. Toth:** — The comment the auditor made about officials not required — I see we don't have any coming in for Sask Transport and Power and then the growth fund and Education. Who would the committee be dealing with on that? Who would be discussing the . . . just the auditor himself? Well shouldn't we be talking to officials too? They're the ones that need to answer the questions. The auditor's brought it to our attention that we need to . . . be addressed.

**The Chair:** — It's a point well taken. I guess when we went over these recommendations in setting the agenda, we looked at those that seem to be items that were mostly of housekeeping. And probably the response would be, this is being handled and in transit, or that progress is being made and it may be reported in the fall '96 or the fall . . . yes, the fall '96 report or on . . . that it's has been complied with. So it was a judgement call, in terms of those recommendations that seemed fairly straightforward and could be dealt with by ourselves internally.

**Mr. Toth:** — So what's the purpose of then even discussing these issues? Or do we start . . . Are we supposed to sit down with the auditor and ask if there is any other areas that go . . . and delve into questions regarding the specific organizations and corporations with the auditor? We basically discussed it this afternoon already, those three areas.

**The Chair:** — And that may well be largely the issue. Because I think that if there's more detail, and then we have to move to decide if we're going to adopt that recommendation or not as part of our report. And that may be fairly straightforward. And that's why the judgement call was made that officials may not be necessary in that instance.

And that's also why, on the morning that there's those three sections all grouped together . . . because it was the judgement

that that would not require a great deal of the committee's time to move towards the decision to adopt that recommendation or not, in terms of a report.

**Mr. Toth:** — Well I can see from what we've discussed already we've probably covered then what . . .

**The Chair:** — A big chunk.

**Mr. Toth:** — . . . what you've laid down. There isn't anything else to discuss unless you're going to have officials here to answer specific questions about the operations of, let's say, the growth fund. And how much monies does the growth fund have to date? Where has it been put to work? How does it meet the requirements that are set down by the — what is it — Canada employment and . . . Canada immigrations.

**The Chair:** — Now for the . . . now I guess I'd have no way of knowing if the growth fund is going to come back in terms of any future or current auditor's report. I suspect it may if it hasn't complied with these outstanding issues over time.

We can recommend that this is going to . . . that the auditor's recommendation be accepted. And we've noted from the auditor the responses the officials have made to date. Now the auditor may also see fit to make further comment on the success of that compliance occurring. And I would certainly hope that we have more time to deal with all those details. The attempt on this agenda was to make sure that we were, as reasonable as possible, able to deal with these issues.

**Mr. Toth:** — Well I have to take a little exception, Mr. Chair. I think as a committee, we're supposed to be here to raise some real concerns, and while the auditor points out some areas that he really feels . . . sees as deficiencies within the different departments, there are questions over and above just what has been pointed out to the auditor here today that should be raised before we give final approval.

Now it's the government members — there are enough here today — they can make a motion right now that basically says we agree with the recommendations. Half of this report is done; well I guess I waste my time sitting here.

**The Chair:** — If the committee is uncomfortable about accepting a recommendation or wants further opportunity to deal with any of these officials, I have no problem with that being a part of the item that happens in November or December, whatever date we meet again. The setting of this agenda and who was called as officials was a judgement call in terms of what, pragmatically, was potentially possible. If anything gets . . . you know, an important issue is raised in terms of needing to deal with these issues further at a subsequent date, that's fine by me.

**Mr. Thomson:** — I just wanted to address two issues. One, in terms of the agenda being set, I mean I understand it's set in the provincial procedures, set out in the Act, and that the steering committee met and decided on an agenda and has accommodated it accordingly, invited the officials they felt necessary.

Secondly, to Mr. Toth's point about whether we should simply deal with the issues today or not, I think many of us were waiting to hear what the auditor had to say in explanation of these pieces and are clearly interested in waiting for the agenda to be carried through to have a full discussion on it. I don't see any reason to rush the matter or to prejudge what the outcome would be.

**The Chair:** — Anything else? Any other further comments? If not . . . Yes?

**Mr. Toth:** — In regards to this discussion we've just had, would it not be clearer and would the committee not be well served to have officials handy? And if officials are not available, if arrangements haven't been made, then do we gain anything by sitting here going over some of the suggestions made by the auditor, only to bring it back at a later date, having officials come to respond to the questions. If the officials . . . if we don't have . . . if we're unable to include officials here, then, I suppose, are we just coming down to a point that till that allotted time, as opposition members on this committee, that we're going to have to tie up some time addressing other concerns with the auditor while at the same time trying to get his view, but not necessarily addressing them directly with the department.

**The Chair:** — Well, if there's . . . like for example, if you feel as a member that you would like to have officials here for section P. on the growth fund for example, we can inquire to see if officials could be made available to us Friday morning. And that may be possible. It was the judgement of the committee, when we set this agenda, that there was one recommendation and that unless we were going to go far beyond or significantly beyond that one recommendation, that officials would not be required.

If you're asking that we should inquire to have officials here in that regard, we can inquire and see if that can be arranged for Friday morning.

**Mr. Toth:** — Well I guess what I'm saying is, based on what the auditor has pointed out, based on one question, that may not take a lot of time, but there are a lot of other areas to discuss with regards to the Saskatchewan growth fund, government growth fund. Now are you basically saying no, that's not our mandate? If that's not our mandate then what is our mandate? What is our reason for meeting, assembling?

**Mr. Thomson:** — Mr. Chairman, I find it interesting that this concern has popped up today. I'm looking at a memo, a letter from you to all committee members, dated September 12, where it's clearly laid out, the officials are not going to be present for the government growth fund discussion. I mean this agenda has been . . . (inaudible interruption) . . . I don't wish any changes to it, but I mean I just find this interest in calling officials now strange, that it would also pop up at the last minute. I'm not adverse to us doing so, but I just have to wonder why this pops up now rather than at a time when officials could have been easily accommodated.

**Mr. Toth:** — Well I guess, Mr. Chairman, it's because there's a

lot of other things that occupy an MLA's (Member of the Legislative Assembly) mind. They don't sit there . . . back and twiddle their thumbs going through all the information that comes out on time and trying to pick up on every little tidbit that comes up. But it would seem to me that . . .

**Mr. Thomson:** — Well committee responsibilities are important responsibilities. It's an important part of our duties. It's certainly mine.

**The Chair:** — It seems to me there's a couple of points here. Number one, the agenda as it was originally circulated, the only change has been to switching between Tuesday and Wednesday afternoon to accommodate CIC officials. The basic items on the initial circulation have stayed in fact on the agenda. There was only that switch of timing. And I guess it takes us to the broader definition . . .

**Mr. Toth:** — Well that's fine, Mr. Chair; we can move with it as it is and maybe sometime down the road we'll get the chance to get into some real discussion with regards to the government growth fund.

**The Chair:** — Again, I indicate to you that I've got to understand where the mandate is; if our mandate is, as I understand it, is to do with those matters referred to us by the legislature, and to deal with those matters as illustrated in the Provincial Auditor's report. This matter has been dealt with by the Provincial Auditor and that's why it's on the agenda.

Now if you feel as a member that you would like to have officials here to answer the issues raised by the Provincial Auditor, that's fair. It was our judgement when we circulated in the initial incidence that no officials were required and it was indicated on the agenda that that was our judgement. It would have been much easier two or three weeks ago to have that raised and say look it, I'd really like to query the officials in regard to the growth fund and would it be possible to have them at our attendance and I would have tried very hard to accommodate that.

**Mr. Toth:** — . . . for the oversight.

**The Chair:** — I'm willing to even try today. I'm willing to try today. If we can have them here on Friday, you know I think we can attempt to have that happen, and it may well be possible. So if that would have been a desired thing, and you feel that that's a requirement, I will attempt to see if we can make that arrangement for Friday morning.

**Mr. Toth:** — There's no harm in that.

**The Chair:** — No, none at all. So we'll do that and report to you tomorrow morning as to if that's successful. If that's okay?

**Mr. Toth:** — Fair enough.

**The Chair:** — Anything else? If not . . . oh, I'm sorry.

**Ms. Haverstock:** — No, I had my hand up, Mr. Chairman, simply because I just wanted clarification of what you just said.

Because what I heard you say was if anyone at this stage is interested in or if there appears to be a need for officials, an attempt will be made to do that. And I think if that's the case, that should be to everybody's satisfaction.

I anticipate in fact that we may find throughout the week that there will be a need for some questions to be answered that it would be not only unfair but improper for the Provincial Auditor to be held accountable for the answers. So if that's the case, then I think we simply have to be flexible. But you just indicated we would be. So there you go.

**The Chair:** — All right, if there's nothing else we will stand adjourned. Motion to adjourn? Haverstock. Seconder? No. All in favour? Carried.

The committee adjourned at 4 p.m.