

**Mr. Putz:** — Members of the committee, it's my duty as Clerk to this committee to preside over the election of a Chair at the committee's first meeting at the beginning of a new legislature. And with that, I would now accept nominations for the position of Chair.

**Mr. Sonntag:** — Well at the risk of being outvoted here, I would like to nominate Ms. Hamilton as the Chair.

**Mr. Putz:** — Any further nominations? No further nominations. Could I have a motion that nominations close. All those in favour of the motion? Carried.

There being no further nominations, there is one further motion that has to be moved to make the appointment. And if I could get somebody to move the motion that Ms. Hamilton be elected to preside as Chair of the Standing Committee on Estimates. Can I have a mover for that motion.

Mr. Aldridge has moved that Ms. Hamilton be elected to preside as Chair of the Standing Committee on Estimates. All those in favour of the motion, please signify. Those opposed? Carried. I invite Ms. Hamilton to take the chair.

**The Chair:** — I would now entertain motions for a position of Vice-Chair of the committee.

**Mr. Aldridge:** — I'd like to nominate June Draude as Vice-Chair.

**The Chair:** — Further nominations? I'll entertain a motion for nominations to cease.

The motion should read that June Draude be elected to preside as Vice-Chair of the Standing Committee on Estimates, the former motion that's moved by Aldridge.

With that I declare Ms. Draude elected as Vice-Chair, to preside as Vice-Chair, of the Standing Committee on Estimates.

In the memo that was circulated to us, we have another meeting commitment in the room at 9:30 so we are going to have that as a time frame and guideline to work around.

And the item on the agenda next would be the estimates for the Provincial Auditor.

**General Revenue Fund  
Provincial Auditor  
Vote28**

**The Chair:** — With that, I've looked at the business before us. And I think it would be best to have an overview from the Provincial Auditor, and then we'll open for questions. And as you've been notified by our good assistant, that we can reduce the budget but not increase the budget in this area. So we're looking at the budget items, gleaning more information on the business plan and the estimates for the auditor for this year.

With that, Mr. Strelieff, if you would introduce your support.

And welcome to the committee, and we look forward to your overview.

**Mr. Strelieff:** — Thank you, Madam Chair. Good morning. With me today are Fred Wendel, the assistant provincial auditor; Sandy Walker on the right, our manager of administrative services; and her assistant, Heather Tomlin.

I have provided you an update on our business and financial plan for the year ended March 31, '97. Do all of you have copies? Do you need extra copies? Do you want a copy?

**The Chair:** — While we're looking for the copies, I'll ask Mr. Speaker to come forward. In estimates, Mr. Speaker acts in a similar capacity to a minister, as in Crown Corporations or in Public Accounts. And I was remiss to do that earlier, although I believe, Mr. Speaker, you allow the auditor to carry the estimates and the overview.

**The Speaker:** — Yes, please.

**Mr. Strelieff:** — So the business and financial plan that we did provide you, it's organized into several sections. The table of contents on page 3 shows the sections are explaining what we do in terms of our mandate, our vision, our mission, and how we carry out our work, where we're going in terms of our goals and objectives, our values . . . are factors affecting the work of our office. And how we're going to get there, in terms of the work plans that we have in achieving our goals and improving our performance. Our measures of success. And then our more specific financial plan and proposed budget for '96-97. We also have a section on the impact of alternative funding levels.

In appendix I beginning on page 19, we provide more detailed support, including five-year trends in our audit costs and work plans, as well as our audited financial statements, our own, the organization that audits our office, our organization's auditor's reports as well as professional practice reports. That's in appendix I.

Appendix II, beginning on page 65, provides answers to questions posed in previous meetings of the Board of Internal Economy and as well as the Standing Committee on Estimates. So that's the structure of our business and financial plan.

Turning to page 4, provides an overview of what we do. Many of you have worked with the Public Accounts Committee, or some of you have, and therefore are quite familiar with our work. Others perhaps aren't as familiar.

There is a Provincial Auditor Act setting out the responsibilities of the Provincial Auditor, creating the position as an officer of the Legislative Assembly. We set out what our vision is, our mission in terms of encouraging accountability and effective management. And then paragraph .05 describes the type of work that we do. We examine financial reports, try and answer the question, are they reliable. We examine compliance with legislative authorities, trying to make sure that the legislative authorities that you set out are being complied with, and we report on various aspects of management systems and practices

for all sorts of purposes. We also serve the Standing Committee on Public Accounts. Yesterday we were at the Public Accounts Committee, and the Crown Corporations Committee . . . which is tomorrow.

And one other aspect of our office is we train people. We're what we call a training office, so at any point in time we have 15 to 20 articling students coming out from university and some co-op students who are articling for their CA (chartered accountant) or chartered accountancy designation which is about a 30-month program. And at any point, we have about 15 to 20 people in the office working on their accounting designation.

We also encourage discussion and debate about accountability and management issues. The next part of our business plan explains what we believe is the impact of our work and reports. We think we do contribute to the public confidence in our system of government and the ability of the Assembly to carry out its responsibilities of holding the government to account — certainly one mechanism that that happens is through the Public Accounts Committee — and also providing advice to the government on how it can better use sound management systems and practices.

The part on page 6, we described some of the skills and abilities and knowledge that we bring to the table to make sure that we can carry out our work. The first one is the importance of objectivity because of our independence from the executive government, our knowledge of the structures and systems the government uses to manage resources. The structure of legislative authorities, as many of you know, are very complex in terms of what the government organizations do in terms of their financial reporting and revenue raising and spending and investing.

We also have knowledge of information systems and of course accounting and auditing standards which are recommended by the Canadian Institute of Chartered Accountants, which a lot of our people in our office are members of. And of course those standards are constantly changing.

We also bring to the table a good working knowledge of the issues facing the government in carrying out its many lines of business in education, health, insurance, pensions, gambling, transportation, human resources, financial services; and we combine our training programs with a practical knowledge of public administration.

And the next part, we set out where we're going in terms of our goals and objectives. On page 7, we have the three goals of our office. The first two are external-type goals. The third one is an internal goal. The first one being that our goal is to foster well-managed government and to encourage good reporting by government, and so a lot of our work is geared to doing that. And the third goal is a more internal goal, and that is to make sure that we manage our business as effectively as possible and that we thereby serve the Assembly as well as we can.

Our values — on page 8 we set out the values that drive the work of our office and drive our management practices, our

relationships with all the different groups that we come in contact with, the importance of accountability, the objectivity, the open communication, the effectiveness of organizations, the courtesy in terms of dealing with people that we deal with in so many different ways across the province. We certainly value public confidence and our employees as being a major strength and resource in achieving our mission and values. The major part of our operation is employees. I think about 80 per cent of our costs relate to the cost of people.

Factors affecting our work plan. We've set out what are some of our assumptions and factors that affect what we're going to be doing in the next year and in the past years, and it reflects the known information at September 30, 1995 when we prepared this business plan to provide it to the Board of Internal Economy.

And that relates to the level of government revenue and spending, our understanding of that; the number of government organizations — in any one year new organizations are created and some are wound up; the quality of the government's record systems and practices — what we know about the quality of the government's record systems and practices at that point; the government's use of appointed auditors, which affects our work and how we carry it out and the professional standards that we are obliged to comply with — of course they, as I've mentioned before, constantly change; and the cooperation that we hope to receive from government officials and appointed auditors when we do our work; and the public expectations of increasing scrutiny, and pressure on public resources.

Those are some of the factors that we take into consideration when we are developing our work plans and anticipating what will happen when we have our staff go out to various organizations across the province.

The next section sets out some of the broader forces and trends that we see out there that affect our work and your work in terms of key forces and trends, the first one being the ongoing, increasing pressure on scarce public resources and changing demand for public services. That's changing what the government is doing and therefore what our office has to do.

The increasing demand for improved public accountability — I know we all see that. The demand for more useful and timely information — all the deadlines are advancing and of course that affects our work. The changing computer technology, the access to more information, the speed of transactions that are going on right now, and really the rate of how issues move through the world now, is frightening.

The last one, the increasing concern about the effect of society on the environment, leads us to some of the financial exposures that we have on environmental matters that might relate to SaskPower or NewGrade, and that we have to keep constantly aware of.

The next section describes how we're going to achieve our goals by examining and reporting on the government organizations. We plan to audit each government organization, so our audit plan assumes that we audit each government

organization complying with the auditing standards recommended by our profession which is through the Canadian Institute of Chartered Accountants.

We do audits directly with our staff and we also work with appointed auditors. When we work with appointed auditors, if the government chooses to select, we follow the recommendations of a task force that was created a couple of years ago on the roles, responsibilities, and duties of auditors, which has provided a good framework in the last year or two on, when the government chooses to appoint a public accounting firm, how should our office, the public accounting firm, management, interact to make sure that the job gets done in a good way.

There was a lot of controversy about that in years gone by, but it looks like we have a workable system. In our spring report, we issued a report that had the president of the Crown Investments Corporation and me reporting to the Assembly that we think this process recommended by the task force is a strong one, and we support its continuing use. And of course during '95, Treasury Board also supported the use of the protocols recommended by the task force. But that was a very important step forward in improving our ability to work for you.

Continuing on page 10, we plan to examine the reliability of financial statements, the compliance with the law, and the adequacy of management systems and practices. And we also identify several issues that we continue to stress in terms of their importance. And we think they're important to you as legislators — the importance of a complete business and financial plan that the government should provide the Assembly. We're still thinking that's a very important step that needs to be taken — an annual report for the government as a whole — and useful and more useful accountability reports by individual organizations. We're continuing to emphasize that in our meetings with the Public Accounts Committees. Those issues come up frequently.

We also intend to continue to encourage the government to strengthen its management systems and practices. And we identify ways of improving those systems and practices. And our advice usually flows from our regular audits of financial reports, compliance with legislative authorities, and the government's management systems and practices.

In the next section on page 11 we talk about how we're planning to improve our own performance; that we continue to monitor and assess our short-term and long-term plans, priorities, and work programs. We plan to complete the detailed work plan that we have in our work . . . proposed in our business plan. Meet established deadlines — and of course all those deadlines seem to be moving up. Comply with professional standards. And of course we have practice inspections from the institute of chartered accountants that comes in frequently to assess our own performance and whether we are complying with those professional standards.

And also one very important part of our work is to gain the support of the Assembly, the public, and the government, for our advice and recommendations. We provide a lot of advice

and recommendations on how to improve practices.

And a real key indicator of our success is whether that advice and those recommendations are supported. I know yesterday at the Public Accounts Committee when we went through the discussion of our work on the district health boards, it was very encouraging to me to see that there was strong support for the recommendations, that we were moving forward, from the Public Accounts Committee as well as from the Department of Finance. That's very important for our office.

We plan to continue to try to improve our reports and presentations, make them more timely and clear, and also to continue improving our working relationships with all the different stakeholders that we work with during the year.

And we have training programs in the office that are focused on improving what we do. We also have our own management to look after, to make sure that we have a healthy work environment and our people are continually challenged.

And that all our work is planned that has specific budgets to it. We cost it out. We provide . . . we set out what the proposed number of hours are going to be for each project, which staff levels, and then we monitor the results very carefully, and adjust as signals occur that we need to adjust.

In the page 12 we describe briefly our measures of success, that we want to make sure that we work according to professional standards. And we have inspections to make sure that that happens, that we work according to our values. And we have internal corporate cultural surveys to make sure that we do that.

We complete our work and reports within the costs set out in our business plan and meet established deadlines; that our reports and recommendations are supported by members of the Assembly as well as government, and that our recommendations actually do improve practices out there.

Beginning on page 13 is our more specific financial plan for the '96-97 year, and the financial plan is directly affected by the state of the government's management practices, the number of government organizations, and of course the use of appointed auditors. And our work plan reflects what we know about these factors as at September 30, '95.

The detailed work plan is described on pages 22 to 25 where it sets out our costs to audit and report on each type of government organization for the year. And also on pages 26 to 41 we show what it cost compared to what we planned to do and what it actually did in the previous four fiscal years. Table 1 on page 14 is a summary of our plan costs to carry out our work as it moves from '93 to '97-98. And our budget reflects the numbers of organizations and the state of the art that's out there.

And in page 15 and 16 on table 2 shows how we plan to finance our work plan. And the year that we're dealing with on page 16 is the '96-97 year which shows that we've proposed an appropriation of \$4.288 million, and that's supported of course by the detailed schedules that are in the appendices. And you

can see the trends in our costs and the sources of our revenues over the last three years, the '96-97, and then also what we project for '97-98.

The last part in the overview is just the impact of alternative funding levels. If we don't obtain sufficient revenues, we will not . . . we'll change our work plan and not audit government organizations in the following sequences, which reflects the sensitivity and significance and risk of us not being at those organizations.

And then as I said, appendix 1 deals with the more specifics, more detailed on our funding requests. And also appendix 2, beginning on page 65, sets out answers to questions that were previously posed in the Board of Internal Economy as well as the Standing Committee on Estimates.

That's a general overview of our work and proposed business and financial plan. Now if there's any general questions or specific questions, I'm pleased to try to answer them.

**The Speaker:** — Madam Chair, if I may just take a moment, for members — particularly those who are going through this for the first time, just to put this into a context as compared to the regular process of scrutiny which is the Committee of Finance in the Legislative Assembly — you will be aware that there was a motion passed in the Legislative Assembly to refer from the budget, the budget of legislation beginning on page 93 and of the Provincial Auditor beginning on page 107, to the Committee of Estimates.

So that's how this business of the budget gets to this committee. And you heard the Provincial Auditor refer several times to the Board of Internal Economy. It's referred here because you're dealing with budgets that are approved by the Board of Internal Economy.

And the Board of Internal Economy to the Provincial Auditor and to the Legislative Assembly . . . And I'll be dealing with the Legislative Assembly scrutiny tomorrow, I think is when it's scheduled, Madam Chair. The Board of Internal Economy is to the Legislative Assembly and the Provincial Auditor what Treasury Board is to government departments. So it provides the initial approval for those budgets. And the Provincial Auditor has made a presentation to the Board of Internal Economy for his budget which is what's presented for you here today.

So you are . . . it is the Speaker who is the elected person who is publicly accountable for the Legislative Assembly as well as for the Provincial Auditor's budget. And I will be answering directly to your questions related to Legislative Assembly. But you're playing the role in Estimates Committee here today which is equivalent to the Committee of Finance for all other government spending in the Legislative Assembly as you've been going through the various departments.

And it is with a mutual agreement with the Provincial Auditor and myself . . . although technically it would be appropriate for me to be responding, it is most expeditious, to meet your questions and your scrutiny, to have the Provincial Auditor

respond directly to your questions and comments. And so we have mutually agreed again to continue with that.

So perhaps that just helps to put what the committee's role in the grand scheme of things into a context and to outline then how you come to be dealing with Provincial Auditor and Legislative Assembly budgets here. You'll then, from your committee when you've completed your scrutiny, you'll report back to the legislature, and that will have met the obligation for public scrutiny that would normally happen in Committee of Finance for government departments. But these are not government departments you're dealing with here, and therefore it's handled in a different kind of way.

**The Chair:** — In following what Mr. Speaker says, our committee terms of reference come from the Legislative Assembly and the vote that states that the estimates subvotes LG01 to LG06 and supplementary estimates subvotes LG03 to LG04 for the Legislative Assembly, being vote 21, and the estimates for the Provincial Auditor, being vote 28, be withdrawn from the Committee of Finance and referred to the Standing Committee on Estimates.

So that's our terms of reference, and we'll be placing the vote on that when we've concluded our thorough debate and questioning.

**Ms. Draude:** — Thank you. Then just so I understand, the only things that we really are questioning, our role today, is those two departments then: the Provincial Auditor and the Legislative Assembly.

**The Chair:** — And page 108 from the budget book we'll take a vote on, which is the allocation of sums for the Provincial Auditor's office under the Act. So today we are just going to concentrate on Provincial Auditor, and tomorrow we will concentrate on the estimates for the Board of Internal Economy.

**The Speaker:** — For the Legislative Assembly.

**The Chair:** — For the Legislative Assembly, sorry. So this morning we'll do the one. Tomorrow we'll tackle the other. Questions?

**Mr. Goohsen:** — I have a couple of sort of general questions that sort of come to mind. I notice that there's quite a long, lengthy list of things that you don't audit of course. And I was of the impression that those things are audited by the private auditors, that there is no part of government that is actually not audited by someone. Is that a fact or not, or am I confused?

**Mr. Strelloff:** — Members, the list that we provided . . . I think you're referring to page 46, the scheduled audits not done for the government's '92 fiscal year. Those are a list of organizations we did not audit in previous years because we didn't have sufficient funds. In more recent years our full budget has been approved so those lists should be very short.

**Mr. Goohsen:** — But there are still some departments of government then that are not audited?

**Mr. Streliaff:** — In those previous years there were parts of government departments and other agencies that were not audited.

**Mr. Goohsen:** — Okay. What about the future?

**Mr. Streliaff:** — Both for '95-96 or . . . well for '95-96 we are examining all government organizations and departments, and if our budget is approved for '96-97, we'll be doing the same. We'll be at all government departments and agencies and boards and commissions.

**Mr. Goohsen:** — You talked a little bit about training students and I think, you know, it's a good thing that somebody does that. But I wondered, as you were going through it, when you train them, do you test them afterwards, or do they pass or can they fail or do they get a rating or do they get a letter of recommendation? What is achieved from their being there?

**Mr. Streliaff:** — Okay. Members, most of our students — we call students — are articling students and they come from universities, from . . . say they were graduated from the school of administration at the University of Regina or the College of Commerce at the University of Saskatchewan. They come to our office and sign on for a minimum 30-month articling period where they are trained to get their chartered accountancy.

Part of that training is actual work that they do in our office; part of it is we provide them internal training programs; part of it is that the institute of chartered accountants provides them training programs and exams. They go through a series of exams culminating in the end of their 30 months with what's called the uniform final exam for chartered accountants. And they have to pass that exam.

The national average for passing that exam is about 50 per cent. Our office has had remarkable success over the last 10 years. Our average is usually around, I don't know, 70, 75 per cent.

So they actually are tested and they pass an exam, pass the final exam, and then they are allowed to have the designation, chartered accountant, CA, after their name. Or we also have certified management accountants in our office, and they have the designation, CMA. And so they are tested. It's very rigorous.

**Mr. Goohsen:** — So 75 per cent are good enough to pass, but 25 per cent then are not. And while they're working for you, if they don't pass at the end, it must mean that they don't do their work completely right. Who covers up for their mistakes?

**Mr. Streliaff:** — The 25 per cent that don't succeed on their first attempt usually try to go after it again the next year. And when I said ours has a 75 per cent average, the national average is about 50.

**Mr. Goohsen:** — I think that's commendable, but I think you missed my point.

**Mr. Streliaff:** — Yes, I'm getting to your point. We have a pretty solid supervisory review system in our office that makes

sure that the work of more junior people is organized and reviewed by more senior people. And that keeps things on track.

**Mr. Goohsen:** — In other words, you do have a backup system.

**Mr. Streliaff:** — Yes.

**Mr. Goohsen:** — So we can have some confidence that in the end the work has been reviewed, and there's no problem with errors having slipped through the system.

**Mr. Streliaff:** — To the extent that any system isn't infallible, we try to do our best. We have a pretty solid system of review and work management.

**Mr. Goohsen:** — Okay. That of course alludes to the possibility that nothing is 100 per cent. And how does the general public, who don't have the opportunities that we have . . . and I have to admit that there's lots of this that goes on here that I don't particularly understand well enough to know whether or not it's a hundred per cent or not. But how do you get a comfort level to the general public that your work is effective, efficient, and basically close to a hundred per cent right? How do they get the feeling that we're being protected, that the public dollars are protected?

**Mr. Streliaff:** — Well we do have to follow professional standards, and we are examined by outside groups to make sure that we are following professional standards. And we're just like other auditors are across the country and within Saskatchewan. And so that puts some rigour in our process.

We also . . . the work of our office is constantly challenged — constantly challenged in the sense of when we decide what we're going to conclude or report, we carry out a discussion with the various management groups to make sure. And there is a challenge to make sure that what advice we're providing, what we're concluding, is sound. And we then have to bring it to more public forms in our annual reports and in Public Accounts Committee where management groups and legislators come in and challenge what we've done, what we've said, what we've recommended, to see whether it withstands scrutiny.

And as I said earlier, one of our key indicators of success is the support of legislators and government officials for the advice that we provide. So it does put a lot of pressure, scrutiny, and challenge on the work of our office that makes sure that what we do do, and particularly what we do say, can withstand the scrutiny. I know in the five and a half years that I've been the Provincial Auditor that's been the hardest part of my job, is that everything I say, do, report, is subject to so much challenge. It's just hard, it's still hard, to get comfortable with that.

But that also is good in the sense of when you decide . . . as a result, when you're deciding what to do, how to organize your resources, how to carry out your work and what to report, you have — at the end of the day — you have to sit back and say, well I'm going to have to defend that in public. And that adds a heck of a lot of rigour to how you carry out your work. It's a

very good, sort of the public scrutiny of things, let the light in, is very . . . adds a lot of rigour to the practices of certainly our office.

**Mr. Goohsen:** — Well I guess scrutiny is the word that we're looking for, and while it is something of a pain for your life to be scrutinized, it is, I guess, from our perspective, good that there is scrutiny because that tells us then that things are being watched and looked into.

And I sort of wondered how it worked because when I do my income tax paper, the auditor, or the accountant I guess in my case, does the work for me and he sends it to the tax department. Then they scrutinize to see if it's right. And they may disagree and they'll send me back a letter and say, we don't agree. My accountant of course then will say no, no, I think they got it wrong. He'll take up the battle for me and try to convince them.

I wondered if that interaction of debate goes on some place in this process, and obviously I guess it does between your management of the different people that you do audit as well as the general public in terms of the feedback that you get as a result of the things you say.

So you are being scrutinized and there is that process.

**Mr. Streliaff:** — Before we actually report something in our annual reports, our spring reports, there's a lot of discussion, negotiation, debate, challenge that goes on between the people in my office and the people advising and working within all the different government organizations. And if the management groups disagree with what we're planning to say, then the discussion is very rigorous or intense. There's a lot of background work that gets done before . . .

**Mr. Goohsen:** — That leads me to another question, which is that . . . the political impact, and obviously in your position, everything that you do and say has a political repercussion on somebody. Just simply stating a fact might in fact be seen by the general public as a criticism.

And so perception, I guess, is a very important thing that goes along with what the general public thinks of what you're doing; whether they're thinking right or wrong, whatever perception is set out there is very important politically to people who are interested in the partisan part of politics. So I guess each side would misconstrue things to their own advantage, or try to.

But how do you yourself then balance what you say in terms of what that perception might do to cause the government either to stand or fall, because auditors, I believe, have the power to cause governments to fail politically at the election time. So how do you balance that in your own mind and in your work?

**Mr. Streliaff:** — The key part of that is to have a very well-trained staff and a very methodical, rigorous process for carrying out work, gathering evidence to support conclusions, and then also gathering evidence to decide what to advise. During that process, we also make sure that what we're concluding, the evidence that we're gathering, and what we're

going to advise . . . we discuss that with the management groups first so that the management groups provide us the test of whether we've got the right issue, we've got the right conclusion, and whether we're stating it fairly. And stating fairly in a . . . I mean you're getting it in a balanced way.

For example, the district health board issue yesterday is something like this, that it was very important in our spring report, I think, to make sure that readers knew, or readers know, that there are a lot of key issues that are out there that district health boards have to deal with and have to manage better. But at the same time, the readers, I thought, needed to know that the complexities of the management issues that district health boards are dealing with are enormous, that there's some context in assessing some of the issues.

So we tried to make sure that when we reported some of the issues that are within that sector that it had some context to it so that readers could have a better understanding.

So that was one way of trying to make sure that the reports that we provide and the conclusions and recommendations that we provide are . . . I mean they stand on their own. They're based on evidence, but they're also fair in the sense of recognizing the state of the art that is out there.

Another issue that touches upon what I think you're getting at is, we've emphasized a lot the importance of the unfunded pension liability of the government. I mean that's fact. It's \$3 billion. It's important. And there's a number of key issues that need to be managed well to make sure that the unfunded liability is managed.

But just by stating it, people can take different views on whether something is going well or wrong on it. Our goal was to make sure that people knew that there is a \$3 billion unfunded pension liability, and therefore can manage and understand and assess the government's finances in that context. We think that having that information and the explanations out there and more public knowledge and legislative knowledge of the issues will improve practices, just by having more knowledge.

**Mr. Goohsen:** — I see what you mean. But yes, the perception of course is that if the unfunded pension is announced by you to not be there, that it's unfunded, that the money has been gone, some people will have the perception that oh, I've lost my pension. And reality is that no, they haven't lost their pension; they'll still get it. It's just that that money isn't in a bank account some place stored up. It will have to come out of general revenue or some other place. But perception, you see, is the key there.

And I've had people actually concerned, come to me and say, what's going to happen to my pension? Am I going to be destitute? So we have to, I guess what I'm saying, be careful not to give false messages even though we're telling the truth, because people don't understand.

**Mr. Streliaff:** — What I've seen on that is that that's usually the . . . or that can be the initial reaction to that. But then the

people begin to build knowledge about what the state of their pension is. They then become more aware of some of the surrounding issues and are better to plan as individuals and assess the plans of the government of the day in a better, in a more comprehensive, way.

But initially when that kind of information comes forward, it does risk the people to go off in different directions. But I think over time it increases the knowledge and awareness of some of the underlying issues and makes government as a whole and individual people more aware of what has to happen in the future. But it does take time.

**Mr. Goohsen:** — I think you're right. The fact that they come and ask about it means that they are educating themselves, and eventually that will work.

**Mr. Streliaff:** — That's right. I can remember back about 15 years ago when I was working down east. Very few people knew that there was, for the Government of Canada, that there was an accumulated deficit and an annual deficit. They only thought there was an annual deficit. They didn't know there was an accumulated one. That was, I remember, back in '83, '85, that people across Canada didn't know we had an accumulated deficit.

The government came out and said that the annual deficit for the year will be say, at that time it might have been \$20 billion. People thought that was the total. Well that was just being added on to the accumulated, and at that time it might have been about 200 or \$250 billion. But over time, over the 10 or 15 years since then, there's more awareness and knowledge. And as a result, I think better decisions are being made by the governments of the day as well as individuals and corporations and agencies. But it does take time.

**Mr. Goohsen:** — One of my friends would say that's from a bean counter's perspective, that things get better. In his philosophy it doesn't really matter.

**Mr. Streliaff:** — Well one premiss I have is that, in my work, is that having the information on the table is better than not having the information on the table. And that drives almost all the work of my work. And I think that at the end of the day, it's better to have the information on the table than not.

And sometimes I wonder whether ignorance is really bliss or not, but it's just, at the end of the day, having the information on the table, to me is better than not having.

**Mr. Goohsen:** — Well I agree with you but sometimes it's a tough process.

**Mr. Streliaff:** — Yes it is.

**Mr. Goohsen:** — A couple of other little short questions here and then I want to let the other members have a chance to get their points out.

On page 14 it looks to me like you've been reducing the costs of your department to operate, and I'm wondering if that

assumption is correct. Over the years you've been reducing your costs — have I read that right? If so, what do you attribute it to — your ability to reduce your costs? It's that little table there I was just looking at.

**Mr. Streliaff:** — Yes. We plan . . .

**Mr. Goohsen:** — It's 4.7 and you're down to 4.2 at the end, so it looks to me like you've . . .

**Mr. Streliaff:** — In paragraph .61 on page 15, we talk about how we're trying to reduce our own costs of operations and referring to the way we do our work. And some of the way we're doing the work is also reflecting what's happening out in the government organizations. For example, some of the district health boards have moved together more quickly than anticipated, and as a result we're able to reduce the costs of our work.

And also within the office we've targeted for all our work to have a 2 per cent reduction each year. That when we're planning our work plans, our specific projects, the managers that are working through the budgets and comparing what they did last year to what they plan to do this year, their goal is to make sure that they are reducing their costs constantly. We think we should be doing that.

There's also reductions related to the wind-up of government organizations, but then that's countered by the creation of new government organizations. A couple of years ago we were able to reduce the costs quite significantly as a result of . . . remember I referred to that task force on responsibilities, roles, and duties of auditors. That task force created a protocol system that allowed us to work through other auditors in a more efficient way and so we were able to reduce our costs accordingly. That helped a lot.

And on the other hand, sometimes when we go out there we find that the management systems and practices in a particular organization have changed dramatically, and dramatically to the downside. Perhaps there's been changes in personnel or that they've introduced a new information system that didn't quite work, and our staff are left with . . . or are out there dealing with messes from time to time. And that increases our costs. But in general we're just, in terms of the tone of the office, we're just trying to reduce our costs and identify ways of reducing those costs.

**Mr. Goohsen:** — On page 42, there are a list of government organizations that were created in '95-96. I believe that some of these were created through public knowledge, through the Legislative Assembly. I look at Highways Transportation Partnership Corporation and I'm quite sure that in the banks of my memory cells that I recalled that being discussed in the Assembly and that we knew about it.

But then I see one like Yeltsin democratic fellowship fund. Were all of these . . . and my question is, were all these things created with public knowledge through the legislative process or have some of them been created by different government departments and now have got to be audited or checked out?

How did they come to be and how did we get a thing like . . . and what is a Yeltsin democratic fellowship fund anyway?

**Mr. Streliaff:** — I'm going to ask Fred to answer that question.

**Mr. Wendel:** — Mr. Chair. There's generally three ways that government organizations are created: either by the Legislative Assembly directly; or by cabinet, by order in council; or companies established by other government organizations and they establish companies under Business Corporations Act.

So we have systems to monitor that. Like we watch very carefully that we know what they are and we publish lists of them each year in our spring report and our fall report, and then we also identify the resources we need for them. So that's the process, if that answers your question.

**Mr. Goohsen:** — So it is policed, and I understand that with three processes. But really if through the corporations Act, if SaskPower, for example, creates a new company offspring of itself, the general public might never know that. You know, as auditors you're going to know it because you get to check the books. But how do I as a taxpayer know what's going on, and what protection is there that if I became the president of SaskPower that I might not set up a Jack's benevolent fund? What protection is there to stop that?

**Mr. Streliaff:** — Well, members, we do report the organizations that have been created to you as a legislator; and in our reports to the Assembly, which are also public, we do provide lists of all the organizations that are out there, that exist. So we make sure that you as a legislator know all of the organizations that exist within the government including those that are created to The Business Corporations Act. So then you, I suppose, as a legislator have a part of your responsibility to make sure the public also knows.

**Mr. Goohsen:** — So providing that we have time and take the time and make ourselves do the work to examine the documents that are available, we should be able to find this stuff out, and I should know what this Yeltsin democracy fellowship fund is.

**Mr. Wendel:** — I'm sorry, I forgot to answer the Yeltsin democracy fellowship fund. That was a fund established by the University of Saskatchewan, and it was money provided by the Government of Canada in trust, and the University of Saskatchewan gets to use that money to further democratic studies for Russians. So they have this money, they can invest it, and they can use the investment earnings to do these things. The money has to be returned, after so many years, to the federal government.

**Mr. Goohsen:** — I appreciate knowing that, but this probably wasn't the right place to ask that particular question but I was kind of wondering what it was.

**Mr. Streliaff:** — One of the things that I've seen from the work of that fund is that there . . . it seems like every year there's a group of people from Russia that come to the College of Commerce at the University of Saskatchewan, and go through some week or two of education programs. And then they

actually go out to various agencies and corporations within the province to, I guess, to see in more depth what actually takes place. And the initial seed money for that exchange came, as Fred said, from the federal government and is managed by the University of Saskatchewan.

**Mr. Goohsen:** — Madam Chair, I'd like to thank these gentlemen for the information that we've gotten and defer to the rest of the panel members who will probably have other questions. Thank you.

**The Chair:** — Thank you, and I thank you for your questioning as well. Ms. Draude and then Mr. Sonntag.

**Ms. Draude:** — Good morning. Madam Chair, I have a couple of questions on the Crowns. I know that the Crown corporations have been audited, but what I don't understand is why the provincial government would pay for the auditing of a Crown corporation when actually it's sort of a separate identity. I look at it as a way . . . as my banker would not pay for my audit of my company. I would think that the Crown corporations should pay for their audit. And I'm wondering if there's ever . . . if it's ever looked at that way. If we ever . . . if the people of Saskatchewan are ever reimbursed for money for the audit.

**Mr. Streliaff:** — So what you're getting at are the costs of our office in examining say the Crown Investment Corporation?

**Ms. Draude:** — That's right.

**Mr. Streliaff:** — So that's part of the budget here. We work for the Legislative Assembly. So that's who we work for and therefore that's who pays for our costs. And the Legislative Assembly pays our costs to examine what the government does through its many organizations. And part of the cost that you're paying for is the cost for us to examine the Crown Investment Corporation's activities and now, so you're saying, why doesn't the Crown Investment Corporation pay for that cost.

**Ms. Draude:** — Yes, why wouldn't at least the cost be reimbursed to the people of Saskatchewan because it's sort of your . . . sort of safety bell for the people of Saskatchewan, and I can't see why the Crowns wouldn't pay for that.

**Mr. Streliaff:** — Well it has been in the past the Crowns have paid part of our costs, and then we reimbursed that cost back to the General Revenue Fund. But the main reason that the Assembly is paying our costs is that that's who we work for.

If we have to negotiate a fee with the Crown Investment Corporation on how we're going to audit them, that puts us in a difficult position. For example, right now, we're examining the Workers' Compensation Board. And we've decided that we have to go there directly, and we're carrying out an examination now. Now if we had to first negotiate a fee with the Workers' Compensation Board before we could carry out that work, it might get complex and it might get delayed.

Instead, where we get our resources and who we work for and to make sure that we are clearly independent of the executive



government, we take our direction and get our funding from the Legislative Assembly.

**Ms. Draude:** — I guess that was probably an unfair question to ask you. It's kind of like, don't shoot the messenger, because it seems to me that it wasn't a fair question to you. But I think it should be asked to somebody as why the people . . . or why the Provincial Auditor would have to pay for the cost of that. So I guess that's maybe not a fair thing.

**Mr. Strelieff:** — But there's one other point, and that is no matter who pays for the costs of auditing government organizations and corporations, it's still one pocket. I mean it's still one pool of resources that has to cover the cost, and whether you . . .

**Ms. Draude:** — But it would come out of the bottom line of the Crown corporation item, for example SaskPower, you know, that should be a cost, I think, if they're going . . . we pay the additional fees . . . But I guess it's not fair to ask you that. Like why would I argue this point with you? I should be bringing it up with somebody else.

**Mr. Strelieff:** — No, it's a fair question.

**Ms. Draude:** — Another question I have for you is, I see Saskatchewan Opportunities Corporation isn't an audited department in here. Is that correct?

**Mr. Strelieff:** — It's in here, yes.

**Ms. Draude:** — Is it . . . (inaudible interjection) . . . it's a new audit.

**Mr. Strelieff:** — Maybe it was created . . . I think it was created in '94-95, at the end of '94-95.

**Ms. Draude:** — So then it's not in here.

**Mr. Strelieff:** — So it's in here, but it's not set out as a new organization. It was a new organization in '94-95.

**Mr. Wendel:** — It's on page 24.

**Mr. Strelieff:** — Page 24 shows the cost of the work.

**Mr. Wendel:** — The planned cost for 1997.

**Mr. Strelieff:** — But it's not in the list of new organizations because it was already created, but it is in our plan.

**Ms. Draude:** — Oh I see. I'm just wondering, how do you decide that there is insufficient money to do an audit for your . . . How do you decide which department is going to be audited? And I noticed the Doukhobors of Canada trust fund was audited, and yet the Saskatchewan development fund was not. How do you, in the list of ones where there wasn't . . . '94 . . . Saskatchewan development fund on page 50 was one that was not audited in '94, and yet Doukhobors of Canada was. I'm just wondering how you decide which one is going to be audited.

**Mr. Strelieff:** — The business plan for '96-97 anticipates that we're going to be examining all organizations. And from '95-96, the same.

I mean previous years, we didn't have enough resources to examine all organizations. And now you're saying, now how did you make the choices for not examining some organizations. Usually on the basis of their significance to the Assembly, how much money that they're managing, whether there's been significant changes to their organizations, whether there's been problems in the past. And that'll tell us, well okay, if we don't have enough resources to do our complete . . . to look at every organization, then let's look at the risk of not being there.

Now that Doukhobor fund, it's a good question as to why we're examining that. That was a fund established by the Assembly, and therefore we are examining that. But the trade-off between the Yeltsin fund and the Saskatchewan development fund, why? I think that one of the key reasons there was that we knew that for the development fund, the government did appoint another auditor there, and so we were overseeing their work and decided that for overseeing that work, we could wait another year before going back to see what was going on. On the other hand the Yeltsin fund . . . not the Yeltsin fund, the Doukhobor fund, we were the only auditor there and so we had to get the job done.

**Mr. Wendel:** — The development fund is also inactive and has been for some time, so it's just in a wind-down situation. Like it's got a number of annuities that it wrote many years ago and they're just kind of just working their way out of them over a period of years.

**Ms. Draude:** — Okay. I was delighted to hear you say that you were into the workmen's compensation fund. Does that mean that you will be doing a more detailed audit of the workmen's compensation?

**Mr. Strelieff:** — We've doing one right now.

**Ms. Draude:** — Is it on the same basis that you've been doing it for the last few years? Are you using their numbers from their own auditor again?

**Mr. Strelieff:** — We're doing direct work. In the last number of years we've relied on the work of an auditor appointed by the government at the Workers' Compensation Board. Due to some concerns we had with the practices at the Workers' Compensation Board, we decided to audit that organization directly with our staff, and they may be there right now, actually.

**Ms. Draude:** — I see that there was 14 new organizations created in '95-96, and I know that you are anticipating you're going to be able to audit all the new ones for this year and next year. Are you aware of any new ones that are coming up for this year?

**Mr. Strelieff:** — In '96-97, that have surfaced in the last while?

**Ms. Draude:** — I'm just wondering if you have . . . you don't have to go into any details. I was just wondering . . .

**Mr. Wendel:** — I'm aware of one, a very small one. It was the Flax Commission that was established recently by order in council under The Agri-Food Act. And I haven't reviewed all the legislation yet out of this session. I usually do that when the session is finished and then set up any new funds and organizations and put them into our next business plan that we present in the fall.

So that's our process, but what we'll do is examine all the legislation that goes through the House this session and pick up the organizations, put them into our next plan; look at the orders in council over the past 12 months, put them in the next plan. And what we try and do if something isn't in the plan, we try and negotiate a fee with the new agency for the first year, or we just try and make do and ask for the money the next year.

**Ms. Draude:** — I understand that the health boards will be paying for their own audits. Each district health board has their audits done locally. And I'm wondering if they all use the same format and then later on you check them all over to see if comparisons can be done.

**Mr. Strelieff:** — Yes, the district health boards have hired public accounting firms and we are participating in overseeing the audits of all 30 district health boards to make sure, as you mentioned, that the financial statements, for example, that come out of the district health boards are rigorous, are comparable from one district health board to another district health board. And also that they show comparisons of what they plan to do compared to what they actually did.

It's getting close to being comparable. There's still some reporting differences that make it difficult to compare. But one of the key reasons that we're there and overseeing that is to make sure that they end up being very comparable and that the audit approaches are similar. It's getting better that way.

**Ms. Draude:** — Some of the district health boards that had their own audits done more quickly, they paid for that. And those that were a little slower, the Provincial Auditor still did them and paid for them last year. Is that correct?

**Mr. Strelieff:** — No, I think all the district . . .

**Ms. Draude:** — You said there were some savings from some people who actually were . . . I can't remember the term you used, but I understood it to mean that they were organized more quickly so there were some savings.

**Mr. Strelieff:** — Okay.

**Ms. Draude:** — So they paid for their own audit. So the ones that didn't work quickly, we paid for their audit.

**Mr. Strelieff:** — Well it hadn't to do with the timing of that. In the first year or two that we were involved in district health boards, for some of them we actually paid for the work of some of the public accounting firms. And then the next year I think,

which was '95-96, we no longer paid for them and the district paid for them directly.

Now the general practice out there is that the district does pay for the costs of their public accounting firm that's there. And most of the public accounting firms that are working with the district health boards are from the region or from the district.

**Ms. Draude:** — But there was a couple that may have had one extra year paid for by the provincial . . .

**Mr. Strelieff:** — Yes, that's right.

**Ms. Draude:** — Okay. I just have one more other question. You said that there was a number of auditors that were appointed to do the work for a number of different departments. How were these appointments determined? Are they tendered? Or how do they get to be on the list of government auditors?

**The Chair:** — While we're waiting for an answer, I would remind the committee that we have to vacate the room at 9:30 so I would sort of quickly want us to see if there are other questions. We're early this morning to accommodate the Provincial Auditor, who won't be with us tomorrow, but we could arrange another meeting, keeping in mind that we must report our estimates back to the Legislative Assembly while in session.

**Mr. Sonntag:** — She's looking at you but she's addressing her comments at us.

**Ms. Draude:** — Yes, because I'm done.

**Mr. Strelieff:** — In general, most of the selections are done by a request for a tender.

**Ms. Draude:** — They are tendered.

**Mr. Strelieff:** — Yes. And then they will make a selection on some basis. But that there usually . . . there is a tendering process.

**The Speaker:** — If I could just respond very, very briefly to the unanswered question that Ms. Draude asked regarding the question of which is the appropriate body to wrestle with the question of who pays for the Provincial Auditor's involvement in Crown corporations. The Board of Internal Economy is the appropriate body to wrestle with that question.

**Mr. Sonntag:** — In the interest of time, I'll be very brief. You would have thought that I gave my list of questions to Mr. Goohsen this morning as we walked up the steps because he asked lots of the same ones.

Just to be clear — either I misunderstood you or I didn't know this — with respect to the agencies that are audited, at least with what you had said this morning, you left the impression to me that there are some agencies that are not audited at all. And it was always my understanding that either your . . . the Provincial Auditor or a private auditor audited them. There were never any agencies or boards that were not audited.

It's clear to me that you don't audit all of them, but there must . . .

**Mr. Streliaff:** — That's right. In past years, where we never received sufficient funding, we didn't . . . there were some organizations of government that weren't examined. And we tried to limit those to perhaps programs, some of the programs within a department. So that we might be at say the Department of Social Services and decide . . . They may have say five programs — I don't know how much they have — but say they have five programs, and for this year we will examine three of those programs and not the other two. And then next year . . .

**Mr. Sonntag:** — Okay. Good. And the only other question that I had was with respect to the students as well. Are they a net — just financial, because I know there's long-term gains — but financially, are they a net gain or loss to the taxpayer in terms of cost? Are they being paid a salary all the time that they're here?

**Mr. Streliaff:** — Yes. Their salary, compared to say if they got hired by the Department of Finance at the same time, we pay them probably 40 per cent less. Why they then choose to work with us is that they can get, through our office, a chartered accountancy. Whereas they're not able to . . .

**Mr. Sonntag:** — I guess what I'm getting at then: do you see a good value for money?

**Mr. Streliaff:** — Yes. Very much so. Very much so. In the short term and long term. And a lot of our people are recruited right away, as soon as they get their designations, in various departments, agencies, corporations. I know in the last few months we've lost a couple to the district health boards, as their chief financial officers, that are very valuable people in our office.

But part of what we do is train people for work elsewhere, and particularly in the public service. And therefore, when we are recruited, or people are recruited from our office, that's a signal that we're doing a good job. But they're valuable.

**Mr. Sonntag:** — So if they've been hired as chief financial officers and now under your tutelage, I'm sure that the Public Accounts will never ever see a problem with CFOs (chief financial officer) again.

**Mr. Streliaff:** — We'll be watching those ones in particular.

**Mr. Sonntag:** — That's it, Madam Chair.

**Mr. Aldridge:** — Just with respect to the work plan we're looking at here, could you just outline for us very briefly, why are you spending so much less time with Greystone Capital Management? Why are you spending so much more time with CIC (Crown Investments Corporation of Saskatchewan)? And then thirdly, if you ever can get to it, is: could you just give us a brief explanation of what it is . . . what we refer to here as Crown corporation cyclical audits? And then I guess emphasis on special issues, I see there as well.

**Mr. Streliaff:** — Okay. Greystone, we're not planning much work there because they haven't allowed us access to their books and records. Greystone Capital Management used to be the Investment Corporation of Saskatchewan. There's a chapter in our spring report explaining that since Greystone was created they have not allowed us access to their books and records. So we don't plan now.

The Crown Investments Corporation, we have this past year — certainly '95-96 — we've increased the amount of work that we did compared to what we planned to do because they're into a lot of complex agreements and renegotiations of agreements. And when that happens our staff have to find out what those new agreements mean, and how they therefore should be accounted for and reported and in the financial statement. So CIC is a complex organization, and every time they renegotiate or get into a new agreement it takes a lot of our effort.

The cyclical audits or government-wide audits . . . in our spring report and fall report we have chapters on issues like the pensions — the \$3 billion on pension liability. Well that's a government-wide kind of examination that is not particular to one organization and therefore it's something that we call government-wide, or that we do on a cyclical basis in terms of bringing it to your attention. Or the annual reports of Crown agencies or Crown corporations or departments; we look at those annual reports on a cyclical basis. And they're government-wide and they end up in the spring report as issues related to issues and assurances that we bring to your attention.

Another example is the information technology security risks that are being managed by the government. Again that's a government-wide and also a cyclical issue that we examine and bring to your attention. So there's Greystone, CIC, and the cyclical, government-wide ones. There was a fourth one.

**Mr. Aldridge:** — No, they actually have that covered.

**Mr. Streliaff:** — Those are the three? Okay.

**The Chair:** — All right. Seeing no further questions and being really short of time, I would ask that everyone . . . the motion before us would be:

To approve the voted item no. 1, the sum approved on page 108 of the budget, Provincial Auditor, vote 28, for the sum of \$4,288 million.

Moved by June; agreed by committee.

The next, be it:

Resolved that there be granted to Her Majesty for the 12 months ending March 31, 1997 the following sums — General Revenue Fund, budgetary expenses for Provincial Auditor, \$4,288,000.

Someone needs to move this. Mr. Trew. All those in favour? Opposed? Carried.

The next motion?

**Mr. Sonntag:** — I would move:

Towards making good the supply granted to Her Majesty on the account of certain expenses of the public service for the fiscal year ending March 31, 1997, the sum of \$3,216,000 be granted out of the General Revenue Fund.

**The Chair:** — The difference of course being that there has been some allocated by the Legislative Assembly under interim supply. To the motion before us, all those in favour? Opposed? Carried.

**The Speaker:** — Madam Chair, if I can just, on my behalf and I think also members of the committee, thank Mr. Strelloff and Mr. Wendel for their capable response to your questions and to thank you for your questions today.

**Mr. Strelloff:** — I also just thank you for your support today, and ongoing support. Very much appreciated.

**The Chair:** — On behalf of all committee members, I'm sure, we would like to thank Mr. Speaker for being here to present the audit, and also the overview by Mr. Strelloff and supporting information from Mr. Wendel. We thank you for your presentation this morning and for your time and patience in answering our questions. Thank you.

The committee adjourned at 9:30 a.m.