



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2000**

Ken Krawetz, Chair
Canora-Pelly

Pat Lorje, Vice-Chair
Saskatoon Southeast

Rod Gantfoer
Melfort-Tisdale

Debbie Higgins
Moose Jaw Wakamow

Carolyn Jones
Saskatoon Meewasin

Carl Kwiatkowski
Carrot River Valley

Lyle Stewart
Thunder Creek

Kim Trew
Regina Coronation Park

Milton Wakefield
Lloydminster

Mark Wartman
Regina Qu'Appelle Valley

The committee met at 9:30 a.m.

The Chair: — Okay, ladies and gentlemen, if I could call the meeting to order. In light of the motion that was at the session appointing another person to this board or this committee, we now do not have a Vice-Chair, so that will be our first item of business for this morning — the election of a new Vice-Chair. And I would call for nominations for a Vice-Chair.

Mr. Gantefoer: — Thank you, Mr. Chairman. It would be my pleasure to put into nomination the name of Pat Lorje as the Vice-Chair of the Standing Committee on Public Accounts.

The Chair: — Thank you. Further nominations? Nominations cease, Mr. Wakefield. All in favour? Carried.

Okay, formal motion moved by Mr. Gantefoer:

That Pat Lorje be elected to preside as Vice-Chair of the Standing Committee on Public Accounts.

All those in favour? Carried.

Purpose of this meeting which we've tried to have a number of times, of course, was to receive the recommendations that were put forward in the *Report of the Provincial Auditor*.

And subsequent to that we've had, through the Minister of Finance, a further advisory committee has been struck that has produced a report on tying the two things together as far as the recommendations put forward within the auditor's recommendations, as well as the whole appointment process of a new auditor. And the advisory committee, and I'm assuming that each and every one of you has the draft of the report of the Provincial Auditor Advisory Committee.

We did have one member here this morning, and I don't see that person here any more. We understand that there will be two people here that will be able to advise us on some of the things that are put forward.

But first, the report that was put forward back in February of 2000 is this special report by the Provincial Auditor to the Legislative Assembly of Saskatchewan regarding changes to The Provincial Auditor Act.

Mr. Paton: — Mr. Chairman, I might want to advise you that the individuals are here. They were just waiting for you to dispense with the first item on your agenda. So I believe they're waiting in the hall.

The Chair: — Excellent. Thank you very much. We'll deal with the first part of the agenda item which was the whole process for the appointment of Provincial Auditor. And that is to have Fred, as the Acting Provincial Auditor, walk us through the recommendations as put forward in the special report; a chance for you to understand what was put forward in this report and to question the auditor — the acting auditor — on the recommendations that are put forward. So I'd ask Fred to go ahead with your presentation.

Mr. Wendel: — Thank you, Mr. Chair. As the Chair said, we

made a special report to the Legislative Assembly in February of 2000 regarding changes to The Provincial Auditor Act. We think that generally the current Act is adequate to ensure the Assembly receives independent, relevant, and reliable information from the Provincial Auditor. However, if the Act is to be changed and we have an opportunity to propose changes, that will strengthen the accountability of the government to the Assembly and our office to the Assembly.

We prepared this special report to obtain the Public Accounts Committee's views on changes to the Act that will help the committee carry on its role of holding the government accountable for its performance. The committee states it needs to work closely with the Provincial Auditor to hold the government accountable for its performance.

Respect for the law makes our parliamentary system of government work. The Act should address all the risks to the Assembly of not obtaining independent, relevant, and reliable information from the Provincial Auditor. This will help to prevent actions that may result in the Assembly not obtaining the information it needs to hold the government accountable.

We assess the adequacy of the current Act by identifying the risks that would prevent the Assembly from obtaining independent, relevant, and reliable information from the Provincial Auditor about the government's performance. We used a framework established by the Canadian Institute of Chartered Accountants to help us identify the risks.

We identified 15 risks. For some of the risks the Act already completely addresses the risks. These risks relate mainly to the independence of the Office of the Provincial Auditor. Also for many of the rest of the risks, the Act addresses the risks for the most part but could use some minor changes.

We recommend several changes to the Act that would help to strengthen the government's accountability to the Assembly and our office to the Assembly. Many of the changes relate to strengthening the accountability relationship that this office has with this committee.

Also, several changes relate to clarifying the authority and responsibility of the Provincial Auditor to examine and report on the performance of government agencies and recipients of transfer payments.

Beginning on page 20 of the special report — if you have it before you — is a schedule to help you work through the 15 key risks. It's a simple way to get through the report. So we identify the 15 risks, we talk about our assessment of the current laws and the reason for the Assembly to address those risks, and our recommendations for changes.

Now for the purpose of this meeting, I understood that we were just talking about the process for the appointment of the Provincial Auditor. What we're recommending in here is that this committee should be the committee that selects the Provincial Auditor, and if the committee needs resources, it should hire whatever resources it needs to do that job. That's what's being recommended in here.

If I could, I think if you want to read that section it's page 26 and that's where we make that recommendation. It talks about why this committee should be doing it.

Ms. Lorje: — It seems to me that while narrowly speaking we . . . the agenda item is to deal with the process for the selection of the auditor, probably several of the recommendations that the acting auditor has with respect to changes to the Act are so interwoven in all of this. And given practical logistics we're unlikely to open the Act simply to make changes for the selection of the auditor; we're going to want to make all the changes that this committee might recommend.

So perhaps we should simply have Mr. Wendel go through all his report and then we can deal with the advisory committee's review of his report right after that; and then I'll open it up to questions.

The Chair: — Yes I think that is our intent. As Mr. Wendel has indicated, we're actually not getting into discussions of making, I think, recommendations today as to which path we're taking. Today we want to receive both reports from Mr. Wendel as well as the special advisory committee, and be able to then lay out our agenda and our plan as to how we're going to move forward with the two reports in our hands.

So the purpose I think is very clear as Ms. Lorje has indicated. We would like Mr. Wendel to outline what is in his report and then we'll be looking at the advisory committee and seeing what's in their report and where the similarities and the differences occur and then we'll make the plan.

Before we do that, I would ask Mr. Wendel if he would introduce — my error — would he introduce his members of his team; and then I'd ask Mr. Paton if you would . . . and as well as the witnesses that are present as well, for the record please.

Mr. Wendel: — Thank you, Mr. Chair. I have Brian Atkinson with me this morning. He's an executive director and is currently looking after my duties. And Rodd Jersak a manager with our office who will be attending all Public Accounts Committee meetings. He helps coordinate what we do with the committee — agendas and so on.

Mr. Paton: — Mr. Chairman, I've got Chris Bayda with me and in addition to staff members from Chris's office are Lori Taylor who assisted the advisory committee and Lisa Healy who is also assisting the committee today.

The Chair: — Thank you.

Mr. Aitken: — Mr. Chair, my name is John Aitken. I'm accompanied today by Nola Joorisity who was one of . . . with me a member of the advisory committee. Absent today but interested nonetheless, two other . . . the Chair of our committee was George Baxter from the . . . professor of accounting at the University of Saskatchewan. And also absent, Anne Parker a lawyer with the IPSCO, was the fourth member of our committee.

The Chair: — Great, thank you very much, John. Okay, back to the suggestion made by Ms. Lorje that we review, not

necessarily in complete detail, but give us an overview of the kinds of recommendations that are put forward in the auditor's recommendations.

Mr. Wendel: — So if you want to turn to page 20, that's the beginning of the special report where you can deal with each of the risks. And I can talk briefly about each one, if you wish. Or I can read them. Just . . .

The Chair: — Rather than reading them, I think just go over them; we've all read them I presume.

Mr. Wendel: — Okay. Well the first risk is that the objectives for the Provincial Auditor should be set out in the law. And that's something we asked for for all government organizations, and it should be clear what the objectives are for the Provincial Auditor. So we're suggesting some wording there.

And the objective we think that should be there is to ensure the Assembly receives independent and reliable and relevant information about the government's performance of the public resources entrusted to it by the Assembly. So wording to that effect, that would be the Provincial Auditor's objective. So if the Act is to be changed and opened up, that would be a useful thing to put in there.

We think the Act should exclusively govern the Provincial Auditor. In other words, it shouldn't be other Acts that determine what the Provincial Auditor should do. That's been a very important principle that we've tried to maintain at all times. So that when there are changes being made to what we do, they're always made to The Provincial Auditor Act so you're aware of what's going on. So that's an important principle. The Act does that now, we're not recommending any changes to the Act for that.

Page 22, there's another risk there; that the Act should clearly set out the information that the Provincial Auditor is responsible to provide to the Assembly and the information should be consistent with the Assembly's objectives.

So when we were looking to trying to figure out what the Assembly's objectives might be, we looked to the mandate of this committee which has . . . I've listed in the report. And we say that the Act . . . we say the Act is sufficient to provide this committee with all the information it's looking for; but it's not clearly written in some places, and sometimes there gets to be a debate as to whether or not we can provide this information. So we recommended some changes to clarify things.

And we recommended that these items be added to a section . . . one section of The Provincial Auditor Act, which is when the government's . . . we recommend that we should have to give information to the Assembly when the government's use of public money has not been efficient and economical, when the government has not established satisfactory procedures where procedures could appropriately and reasonably have been used to measure and report on effectiveness of programs; whether the government's performance reports are reliable and include measurable objectives; the risk to achieving those objectives; how the risks are managed; and the planned and actual results.

This will become even more important — this particular one —

as the government moves forward with its new accountability project which has been announced in the Throne Speech and in the budget address.

And we look very favourably on that, and I think this will be an important thing to be bringing forward all the time to this committee when recipients of transfer payments do not have adequate systems and practices to safeguard and control public money and have not used money for the purpose intended, and when tax expenditures or credits do not have appropriate financial controls and do not have appropriate procedures to measure and report on the effect of these tax expenditures.

That's our recommendation for that risk so we have . . . We're clearly required to provide what this committee wants — information to do its job.

The Act should give the Provincial Auditor the authority to provide this information. Our assessment of the Act is, you know, it does. However, sometimes there's — with the exception of transfer payments — and there's a need to clarify some of the provisions. Specifically there's confusion about the Provincial Auditor's authority and responsibility when the government appoints its own auditor to audit a government agency. There was a lot of debate about this issue many years ago. It created a lot of public controversy.

This committee recommended that the Provincial Auditor work out a process to work better with the public accounting firms when they're appointed. So the Provincial Auditor and the president of the Crown Investments Corporation some years ago established a task force to set in place some protocols to clarify the roles, responsibilities, and duties of auditors when there's two auditors involved to make sure that the government's served with its appointed auditor and to make sure the Assembly is served by our office.

And those protocols have been working fairly well for the last several years. What we're recommending in here is the conclusions and protocols should be included in The Provincial Auditor Act to make sure that this process continues into the future.

There's sometimes confusion about our authority to examine and report on government organizations established under The Business Corporations Act or Non-profit Corporations Act, 1995. We're recommending clarification on that.

The government's beginning to get into more partnerships with other governments to deliver programs. There may be a problem with access in the future and we're recommending changes to the Act to make sure that that access for our offices is there in the future, if it needs to be.

And at the moment we don't think we have the authority to go into the records and business of recipients of transfer payments. So let's say at Social Services, they may have a program where they've given a non-government organization some money to deliver a program, a Social Services program for them. We at the moment don't have any authority to go into that organization and see whether they properly safeguarded control of the money that they received and used the money for the purpose intended.

What happens now is we go to the department and we would look to see what processes and practices they put in place to make sure that the money's used for the purpose intended, and they've complied with all the necessary laws and they've safeguarded and controlled the money. And when they don't, we report that to you and then they can appear before this committee and explain what it is . . . why they didn't do that.

So what we're suggesting, and there may be cases that it might be useful for us to be able to go into these organizations and report back to the Assembly. So that's something this committee can think about and decide whether it wants to give us that authority to do that.

If it did, I think that would be something . . . if we were planning to do that kind of work in any particular year we would be bringing that forward to this committee with our business and financial plan annually and you would have a chance to discuss that with us at that time.

On page 26, we're on another risk, and this is . . . the risk we say here is the Act should ensure the Provincial Auditor shares the same values as the Assembly. And we set out some ethical values for the conduct of public business, which is selflessness, integrity, objectivity, accountability, and leadership. And that might be something useful to have in the Act.

Six, the Act should ensure that the Provincial Auditor enjoys the protection of the Assembly, and in there we explain what that means. And this is the recommendation here for having this particular committee select the Provincial Auditor, make sure he can work closely with you, that there's a fit.

The Provincial Auditor should be an officer of the Legislative Assembly; that way he enjoys the protection of The Legislative Assembly and Executive Council Act. So if the Provincial Auditor is prevented from doing his work or is attacked, you as members have an opportunity to engage in debate on that because he's an officer of the Assembly . . . he or she, I'm sorry.

We think the Provincial Auditor's salary should be set in law so that committees and boards of the Assembly cannot change the Provincial Auditor's salary. The Provincial Auditor needs the protection of the rules of the Assembly which ensure full public debate on the Provincial Auditor's salary.

All of these protections help ensure the Provincial Auditor can examine and report on difficult issues in a credible manner.

To be of value we have to be independent and perceived to be independent. And we think the current Act provides all this independence, and we do enjoy the protection of the Assembly the way the law is written. The only thing we're suggesting is that this committee be involved with the appointment.

The next risk is, the Provincial Auditor needs to have the required resources to carry out his duties. We think we have . . . the Act currently addresses this risk very well. The only thing we recommend here is that we should come to this committee to obtain our resources.

The moment we go to the Board of Internal Economy . . . we

think that board has a conflict of interest. Previously we went to Treasury Board; the Board of Internal Economy is better because it is a public meeting, okay, but there's still a conflict of interest there. We audit the board, the board has cabinet ministers on it, we audit what cabinet does.

So our recommendation is this committee should be the committee that decides our resources.

One of the other things we talk about here is the autonomy of the office to use revenues such as audit fees and retain unspent resources at the end of the fiscal year to pay for expenses into the future. We have that authority similar to other many government agencies and we think we should continue to have that authority.

The Act should ensure the government, the Assembly's committees and boards cannot intrude on the Provincial Auditor's responsibility to decide what should be audited and how it should be audited and reported to the Assembly. This is a key safeguard to ensuring the Provincial Auditor can examine and report on difficult issues in a credible manner, and enjoy the protection of rules of the Assembly which ensure full public debate.

If those that are audited by the Provincial Auditor decide the Provincial Auditor's work plan, they have a conflict of interest. If others decide the Provincial Auditor's work plan, it means it is no longer accountable for the work plan.

At the moment the current Act addresses this risk very well. We're not recommending any changes to the Act for this.

The next risk we identify is on page 30. The Act should ensure the government and the Assembly's committees and boards cannot interfere with the Provincial Auditor's authority to decide and acquire the necessary people and tools needed to meet the Assembly's objectives.

We have the necessary independence to acquire the people and equipment and tools, whatever we need to do our jobs, and we're not recommending any changes to the Act for that risk.

On page 32, the Act should ensure the Provincial Auditor's access to people, places, documents, and electronic information to provide the Assembly with the information it requires. We have adequate access under the Act, with the exception of recipients of transfer payments which I've spoken to you about earlier.

Now there is a problem when we don't get access, and that's something that I discussed in the spring report to the Legislative Assembly for, say, an organization such as the First Nations trust fund.

And we're suggesting a change to the Act that would require when this happens that there would be a debate in the Legislative Assembly about this matter under The Legislative Assembly and Executive Council Act. So a change that would require that debate.

Number 11, the Act should ensure the Provincial Auditor provides reliable information to the Assembly. The current Act

ensures the reliability of the information the Provincial Auditor provides to the Assembly. The Act requires the Provincial Auditor to be a chartered accountant.

The Act also requires the Provincial Auditor to follow generally accepted auditing standards as set out by the Canadian Institute of Chartered Accountants. And the Institute of Chartered Accountants of Saskatchewan have processes for ensuring chartered accountants do their examinations properly. And we're not recommending any change on that risk.

Number 12, the Act should provide for the periodic renewal of the position of Provincial Auditor. The current Act makes the appointment to age 65, or if the Assembly removes the Provincial Auditor for cause, or the Provincial Auditor chooses to end his or her tenure.

And we're recommending here the Act should make the appointment of the Provincial Auditor for a 10-year fixed term. There's a transitional provision that was in here when Wayne was still here and we thought that it should be something that should be decided by this committee, what would happen. So that's no longer an issue. So in here we would just say, the recommendation is that it be for a 10-year fixed term.

And we're recommending 10 years because it . . . to effect positive change it takes sometimes a great deal of time for major things to get through. Like I know some jurisdictions have six and six renewable. And we're recommending a 10-year fixed term.

And then we're thinking here that the Act should require the Standing Committee on Public Accounts to monitor what's happening within Saskatchewan and in other jurisdictions and to re-evaluate the Assembly's objectives for the Provincial Auditor.

The current Act doesn't require that. That's just good practice for public sector programs, or whatever you wish to call them, that they be reviewed occasionally and make sure that they're still fulfilling what it is you wanted them to do.

And 14, the Act should clearly set out the Provincial Auditor's accountability to the Assembly for the use of authority and the discharge of responsibilities. The current Act doesn't require the Provincial Auditor to give the Assembly an annual business and financial plan setting out planned performance and an annual report on operations setting out actual performance.

We currently do provide those to the Assembly and table them each year. We think though that that should be a requirement, that it be in law, and that we are required to table it and provide it to the Assembly so it can be debated.

Also to make sure that somebody's, as I say, watching the watchdog, there should be audit provisions that we're subject to the same audit as any government organization that we go out to audit. The Act currently provides for that. It requires a report at the moment to be made to the Standing Committee on Public Accounts about how well we stack up. And we're not recommending any change on that.

And the last risk is they actually require this committee to

monitor the Provincial Auditor's performance. To ensure the Assembly is receiving information, it needs to hold the government and the Provincial Auditor accountable.

We think the committee should go over our annual report and over our business and financial plan and advise the Provincial Auditor on where he might do things differently to better serve the committee. And we're recommending that the Act be changed to require the committee to review our planned and actual performance and provide advice to the Provincial Auditor.

So that's kind of a general summary of what's in this special report, and I'd be happy to answer any questions you may have.

The Chair: — Thank you very much, Fred. I'd open it up to questions, I think of clarity first of all. If there are things that you want to expand on in recommendations 1 to 15 or ask specifically of Fred, now would be the time to do it.

Ms. Lorje: — I think there certainly are a lot of questions that could be asked of the acting auditor. But what might be most useful for all of us is to hear from the advisory committee as well, and then simply engage in a free-flowing discussion. Because it seems to me, having read both reports, that there are significant points of agreement and a few points of disagreement.

So rather than us get into debating some arcane meanings of words, maybe we should let both groups present their reports and then committee members could have a free-flowing discussion.

The Chair: — Acceptable to the committee members?

Members: — Agreed.

The Chair: — Okay. Thank you.

Okay. We'll now look at the report of the Provincial Auditor Advisory Committee. And I would like to first indicate a couple of things. One, for the record, I'd like to read into the record a letter that I received from the Minister of Finance. It's dated May 25, 2000, addressed to myself:

Dear Mr. Krawetz: On May 15, 2000, I appointed an advisory committee to provide me with recommendations on Legislative amendments to *The Provincial Auditor Act*. This Committee is chaired by George Baxter . . . and is also comprised of; John Aitken . . . Nola Joorisity . . . and Anne Parker . . .

This Committee has been working on their report and I expect to receive recommendations from them later this week.

I understand that the Public Accounts Committee plans to discuss the process for appointing a new Provincial Auditor at your meeting on June 1.

The Advisory Committee would be pleased to arrange for members to attend the Public Accounts Committee on that day to discuss their recommendations on this and other

matters relating to amendments to *The Provincial Auditor Act*.

I would request your reply at your earliest convenience so that we can arrange for attendance by as many Advisory Committee members as is possible on that day. Sincerely,
Eric Cline.

With that, I also want to mention that the report that each of you I think has in your hands, that was forwarded by Greg's office to each of you, is a draft report, number one. And number two, it's marked confidential.

So for us today as a Public Accounts Committee, it is a piece of information that we are looking at. It is not a report that we will receive because it is a draft and it is confidential, and if it's received as a report, it would become public information immediately. So today this report is just for discussion purposes, it is confidential, and it is a draft.

And we do have, as indicated in the letter, we have two members that have already introduced themselves. I want to welcome Nola and John. And as we've done with Mr. Wendel and his report, or the auditor's office's report I guess — I should qualify that — I'd ask Nola or John to take us through the draft and your recommendations and discussion of the report.

Mr. Aitken: — Thank you, Mr. Chair. We will be sharing that responsibility. And in terms of the letter from the minister, at this point I agree, a process we have spent two heavy days of discussions and meetings, followed by a couple of conference calls, beginning to draft our report. But at this stage we are looking for feedback, comments, errors, omissions, from this committee. So hopefully that's what comes out of this process.

We will try to be as brief as possible taking you through, like Mr. Wendel did, taking highlights of the process first, and then some of the recommendations. I think we have 30 recommendations in all.

I think it's first important just to give you the background of the committee. George Baxter was our Chair. He's a professor of accounting at the University of Saskatchewan, but Mr. Wendel made reference to the task force of several years ago dealing with the relationship between private sector auditors — and I would count myself as being one of that kind of a private sector auditor — dealing with the protocols of that. And so George brought that perspective, historical perspective, to the committee.

Myself, I'm a partner with Deloitte & Touche, working in Regina here, with some experience working with Crown corporations and other agencies.

Nola is the executive director . . . sorry, is the chief executive officer of the Institute of Chartered Accountants, so there are several chartered accountants in this room. Nola is the recipient of our annual fees and that's what she does with them — keeps us all on the straight and narrow.

And not to be without a lawyer, we had Anne Parker who is the vice-president, trade and communications, with IPSCO,

spending a lot of time back and forward. So she was distraught that she couldn't make this meeting, but nevertheless sends her regrets, as does George.

Nola actually . . . It's the annual meeting of the Institute of Chartered Accountants going on this next couple of days, so Nola has some anxiety around when she has to catch a plane up to attend that function. I'm going to be . . . I will come later, Nola, if necessary.

Okay. Getting into the process. Two days of heavy meetings. I should say this was just last week. The scope of what we looked at was an analysis of the existing Provincial Auditor Act. We worked with the officials from the Department of Finance — many of whom are in attendance today — dealing with amendments that were being considered by the government, as well as what Mr. Wendel has just taken through the special report of the Provincial Auditor regarding changes to The Provincial Auditor Act.

So when Mr. Wendel made that presentation, we had something similar, a little bit more depth obviously, in one of the days that we met. So we have that perspective of the Provincial Auditor on the amendments that his office has been contemplating, as well as legislation of provincial auditor in other jurisdictions. Finance could provide us with here's what happens in British Columbia versus Alberta, etc., etc.

As well as we did look at the mandate of the Standing Committee on Public Accounts, this particular committee. Because, as you could see, we had great designs both from the Provincial Auditor's perspective and as you'll hear from our recommendations, the focus of attention did begin to narrow in on the standing committee, so we did look at your mandate in terms of compatibility with some of the recommendations that we were making.

Just in terms of process as to who we then consulted, I have made reference to the folks here from the Department of Finance who were very helpful in leading us through some of the history and present of the provincial audit role. Mr. Fred Wendel, the Acting Provincial Auditor as well as Brian Atkinson, who are both here today, as well as the legal counsel, Gordon Neill, who discussed during one of the days, the Provincial Auditor's special report.

The former Chair of the audit committee of the province of Saskatchewan, we have . . . going to make mention of that audit committee which exists in law at present but apparently is, I think the word we called it was dormant at this point. Mr. Brennan could bring historical perspective of that audit committee and provide some advice on enhancing the role of the audit committee. So we did have his perspective as well as some guidance from the legislative processes. The chief Legislative Crown Counsel has provided some input to the process.

The committee, given that time frame, did not get into word framing or detailed content of, and perhaps we're going to have him cover some of the ground that Mr. Wendel dealt with in terms of, you know, specific rules of the road around mandate. You'll hear that from our recommendations, but the Crown counsel did give us some guidance as to . . . we primarily are

looking at what is an intention. The drafting of legislation is something that we've generally stayed away from really, just to give that comment.

Before I . . . there are as I say, 30 individual recommendations and they fall within basically five areas in our document. One is dealing with the appointment of the Provincial Auditor. The second area is the appointment of the audit committee of the province of Saskatchewan. As I said earlier, that's the one that Mr. Brennan had referred to that is presently dormant but the mechanism is in the legislation.

The third area is recommended procedures to be conducted by this particular committee, the Public Accounts Committee, with reference to the Provincial Auditor's budget, funding, and financial reporting. And I think, generally speaking, I didn't hear Mr. Wendel saying anything that is particularly contrary to our recommendations around that area. The devil may be in the detail, but my sense was we're fairly close there and it shouldn't be that controversial.

The mandate of the Provincial Auditor we have dealt with but not in great detail. So we would rather deal with process rather than content in that area.

And fifthly, amendments to The Provincial Auditor Act relating to the revenues and appropriations for the Provincial Auditor's office. So that's the five areas, generally speaking.

I would say that the 30 recommendations are mainly structural or procedural in nature. Their objective is primarily to sustain and enhance the independence of the Provincial Auditor. And we've made great reference . . . or continuous reference, both with Mr. Wendel and ourselves, to auditor independence.

So perhaps just a word of context around auditor independence. There are many chartered accountants around this room. It depends on which role . . . People meet chartered accountants and they think you're a tax person. So when you work as a tax accountant, you're an advocate for your client. You're preparing somebody's income tax return and you're trying to assist that person get through the loopholes — and Dave, I shouldn't use that term, whoops; no, Mr. Anderson was very against that — advocating for your client in filing the self-assessment income tax return. So you're acting on behalf of the client. The client is the taxpayer.

When you're an accountant in industry, you are acting . . . you're an advocate for the company that you work for, and so your client therefore is the company that you work for.

But when you're an auditor . . . We actually make a mistake as auditors. We often talk . . . when you leave the office, you say I'm going to a client's. What I mean when I say that is, I'm going to a particular organization in Regina — oh, it could be SaskTel or someone — I'm going to a client. But actually the client, when you get into the level of detail, the client isn't SaskTel. The client is whoever SaskTel is issuing its financial statements to.

So we ourselves create the mistake of this independence, this kind of fuzzy thinking around it as to what's the role of accountants. Sometimes you're a tax accountant and sometimes

you're an accountant.

But when you're an auditor, independence is the crux of the matter, because we really are not very useful to anybody if we're not independent. Because the whole thrust of auditor independence is that people want assurance around the financial statements that are prepared by management, and then that financial report to be credible, there's added assurance as to its credibility rendered by the auditor.

And in some respects these are consistent between whether we're talking private sector auditors or auditors of government or auditors of any nature. Your whole existence as an auditor is premised on independence.

So that's the whole reason why both Mr. Wendel and our report keep talking about independence because it's not just the independence, it's the perception of independence, because the whole utility is based on credibility that you're not being bought and paid for. So our recommendations of this committee deal with how he's appointed, and the perception of how he's appointed, and who should appoint within government.

The second piece is how is he paid? And the more distance that you can create between executive government driving these processes, then you enhance and auditors feel more comfortable. I cannot say that in the world of private sector . . . it's not pristine clear. There are some inconsistencies. It's not absolutely nailed how this is achieved because frankly you get paid by management.

When you do an audit management writes the cheque, but you have avenues of people to go talk to, committees to talk to, particularly an audit committee which has an interest in trying to resolve the various issues before they approve the financial statements and issue them. So all I'm saying is there is no magic rule, no magic ways.

So that's a context, I think, around independence because it's at the heart of a lot of what the Provincial Auditor's report is speaking to and it's exactly what's at the heart of most of the work of this committee.

Perhaps now I will turn over . . . we're going to now cover the 30 recommendations very briefly just to try and give you a flavour for what's in there. And, Nola, you've got the starting point I believe.

Ms. Joorisity: — I do. Good morning. As John said, our committee has made a lot of recommendations and some of those key changes will strengthen accountability and ensure an independent process. And a number of our recommendations see an enhanced and increased role for this committee. And so here's some of our recommendations briefly.

We believe that the appointment of the Provincial Auditor should be based on the recommendation of this committee. The committee is recommending legislation be amended to provide for the appointment of the Provincial Auditor by the Lieutenant Governor in Council upon the unanimous recommendation of this committee, and that's our recommendation number one.

And our rationale for that is we believe that this change is

needed to ensure the Provincial Auditor's independence is both in perception and fact. And we believe that by having this committee unanimously recommend on that, that will enhance that independence.

We also believe that this committee can use technical expertise or other committees to help them in the selection of the Provincial Auditor. And we're recommending that you use our non-dormant audit committee. And that we would require legislative amendments to allow this committee to seek advice in the selection process. And we believe that by having that background information, this committee can gain whatever information and whatever comfort it needs to be able to select unanimously the new . . . the next Provincial Auditor.

As far as the Provincial Auditor's selection, its terms, salaries, and qualifications, we are in agreement with the Office of the Provincial Auditor and we would also recommend a 10-year non-renewable term. We, along with Provincial Auditor, believe that there is a time frame where you need just to be able to get up and understand the process; and then to make enhancements, you'd need the 10 years — 10 years is also consistent with other jurisdictions and what terms that they're presenting.

And we're not suggesting at this time that there be a renewal clause. It would be 10 years non-renewable and then the individual would be able to go off and do other things with their life.

Salary. We're recommending that the legislation clarify the definition of salary so it's not subject to interpretation. There's some history behind what's happened in the past, and we believe clarity will avoid that happening again.

And next, on the issue of qualifications, we will again be supportive of the Provincial Auditor's recommendation or the current Act which requires that the Provincial Auditor be a chartered accountant, and so we're not recommending any changes in that.

There is an issue that the Provincial Auditor, when he was at our committee, did point out. And my background with the institute would let us know that by not having the Provincial Auditor as a chartered accountant, it has significant implications for the ability for the Provincial Auditor to actually have training positions, for the government to have access to the talented pool of CAs (chartered accountant) in his office to be used in other government departments. So we're recommending the status quo and that the Provincial Auditor be a CA.

Mr. Aitken: — Okay, the next several recommendations deal with this particular committee, the Standing Committee on Public Accounts, and some perhaps roles and responsibilities that either are there exist today, or certainly we're looking for it to be enhanced.

The first one is that, as Nola's just mentioned, this committee would in effect approve the appointment of the Provincial Auditor, or it would be your recommendation on a unanimous basis.

In terms of the actual process of engaging in terms of, you

know, selection committees, etc., that would be an administrative function that you wouldn't necessarily all . . . But the intention was that the approval on a unanimous basis is the magic, because again it has the concept of an all-party consensus that this is the Provincial Auditor, and we all agree and will live with that decision.

Second role is the auditor of the auditor. Mr. Wendel indicated that he himself — his office — you've prepared financial reports and these are audited by a private sector firm of accountants that . . . We think that that report of that auditor and the appointment of that auditor should again come through this committee in terms of ratification and approval or tabling.

Perhaps the single most important recommendation, if you like, that we think is coming out of our report, would be the creation of an audit committee concept as a subcommittee of this Public Accounts Committee.

The general direction in the last, oh, could be 15 years in corporate Canada has been the evolution of the audit committee, which is a smaller four to five people subcommittee of boards of directors. And that, continuing on today, the Toronto Stock Exchange and into the United States, there is a general movement towards the utility and the effectiveness of . . . financial reporting is generally viewed as being enhanced through the work of audit committees. And so many jurisdictions have grabbed a hold of the concept of an audit committee as being a useful development.

Speaking as an auditor, my own sense is that the work that one does is better done when you've a client with an audit committee, simply because you've got to get ready for something like this; be very clear in what the position is that you've taken. So the mere formality of going through your views and findings in front of an audit committee enhances the work that you do.

So this perception was confirmed with discussions with Mr. Ray Brennan, as referred to earlier, who had been on that committee a number of years ago. And his point was very often, you know, management or government is just as interested in ensuring compliance with good accounting practices as the auditor is, as is with the government, as is with all members of the Assembly.

So clarity in our own financial reporting is a common objective of many people. His perspective, Ray . . . John Brennan's, was there were issues that would come in front of that audit committee that they would consider. Sometimes it was the Provincial Auditor was right on the mark and it was correct and it would go forward. Other times there was an accommodation made in the sense of, well, on second thoughts or on a reflection maybe that's less of an issue.

My only submission is their good accountability. Sometimes it is good to hear both sides of the story cause life is not always black and white. There are, you know, circumstances. I mean, we talk about the First Nations issue. There's a good example of where it's unclear. It could perhaps be grey, or be viewed to be grey.

So sometimes accountability is enhanced that an audit

committee is hearing both sides of the story before, let's say, it goes public. So that kind of is the single most important, I think — maybe I'm speaking personally — independent . . . initiative which we believe is there.

To provide for an independent audit committee, our recommendation is that it is this, this committee would have a subcommittee of appointed individuals perhaps with accounting or different skills, but you would choose the skills that you require. And its objectives would be one, to receive the Provincial Auditor's draft reports and review them. That was a process that is already in place in legislation, we believe.

Secondly, to facilitate resolution of audit issues and that facilitation role was something that Mr. Brennan indicated appeared to work to him.

And thirdly, to advise Public Accounts on the Provincial Auditor's business and financial plans. Just almost what Mr. Wendel was advocating there, that somebody goes through your financial needs and the office's needs and bring forward a recommendation to Public Accounts Committee so that you can then make that recommendation. It just keeps that arm's length from executive government driving the bus.

I guess I should perhaps since it is so important just read what the recommendation 15 was:

To enhance accountability processes, the committee recommends that legislation be amended to provide for the audit committee (which I've described) to continue to receive draft reports of the Provincial Auditor and meet with the Provincial Auditor and management (management being Department of Finance and others), facilitate discussion and resolution of issues.

To advise the Standing Committee on Public Accounts with reference to the Provincial Auditor's business and financial plan, annual report and operations, and with respect to other issues at the request of Public Accounts Committee.

To facilitate discussion and resolution of issues with the Provincial Auditor, provide advice to the Provincial Auditor, the Minister of Finance, Minister of CIC, or the Standing Committee on Crown Corporations as requested by them.

So in other words it's a little bit of a funnel of issues. That's recommendation no. 15.

Ms. Joorisity: — Just a little more about what our . . . what we envision is the enhanced role for this committee. When reviewing the Provincial Auditor's budget by this committee, we think that this is the right committee to do that. You're involved in all the other processes involved with the Provincial Auditor — it just makes sense to complete the loop.

We also have another recommendation that there are instances where the provincial audit will come up against the need to do a special project or a special investigation that was never contemplated when they put their budget forward to you in the first place. And right now there's a provision to do special

warrants, but as we understand it that makes it quite public. And there are instances where they may be working on a lead or a phone call, and until they do some work they're not sure if it really warrants public attention. So . . .

Mr. Aitken: — No pun intended.

Ms. Joorisity: — No pun intended. I think my comment was: you mean they're innocent until proven guilty. And Fred agreed with that. But what we would like to see is the ability for the Provincial Auditor to include in their budget a provision for these unforeseen costs that may come up during the year, so that they have the resources available to them. They can do the work when they need to. They don't need to make it public if necessary.

And from your point of view, you would know the money was there but at the end of the term you would get a full accounting . . . accountability from the auditor as to whether the money was spent, and if it was spent, in what areas it was spent. That doesn't hinder the auditor from being able to do the work it needs, but you still get the accountability by knowing how that money was spent.

And we ran that idea past Mr. Wendel when they did the presentation, and they thought that that would actually . . . probably could work quite well.

Now we also understand that there's also the opportunity to have special warrants and that that may still need be. If something major comes up in the year that we . . . that isn't covered in that unforeseen budget amount, and we might suggest that they would still have the opportunity to special warrants, and might suggest in some cases that the committee consider them in camera so that the Provincial Auditor is given access to the money without making the issue public when it may not warrant being made public.

Then just let's see . . . The review of the annual report of operations by this group, we believe that that review should be done here again. Because you've approved the budget, you should see the end of the cycle which is how that money's been spent.

I see Fred's eyebrows going up, so let me clarify a comment I made so we make sure that it's not an issue of controversy. My comment about whether budgeting in your estimates for unforeseen costs, we did — there is a way that they are funding those activities right now — and we did suggest when you were there that would it help if we just had extra money in the budget. And that's what I was referring to, Fred. Not that you jumped up, well not that you jumped up and down and said that would be the best, but you didn't see any violent opposition with that at the point. Okay.

Mr. Aitken: — Turning to the mandate, to the question of mandate, I think the committee in its deliberations with Mr. Wendel and Mr. Atkinson and legal counsel, we knew that the existing mandate of the Provincial Auditor, its primary focus is on sections 11 and 12 of The Provincial Auditor Act where the scope of his review and how he reports is dealt with in legislation.

And we asked and took some comfort from the office's response that the words may not be beautiful but the — and completely symmetrical in the existing legislation — nonetheless the office does not feel in any way inhibited or restricted from taking on an audit role or responsibilities that they feel they should be.

In other words, they're not bursting at the seams saying we've got to get a broader mandate. I think the reaction was the mandate that we have been able to conduct is sufficient.

We do know that these things change. So we were somewhat, as a group . . . we stood back from the opportunity to get the pens out and redraft a whole scope of, scope and mandate of the Provincial Auditor. We thought perhaps best that these things evolve, and in the fact that it is evolving in practice maybe says, let's leave well enough alone.

There are specific issues, and Mr. Wendel's brought up one this morning which is: do I have jurisdiction, or does our office have jurisdiction to go look at that group or that group? And frankly we said to ourselves, can't imagine ourselves being so all wise that we could draft principles that catches everything under the umbrella, that creates clarity in every single instance to say, yes, you are going to be audited by the Provincial Auditor and, no, you're not.

Circumstances of each one probably are going to be involved. And obviously this is happening out in the community so it's at the risk of controversy out there.

But we just, to be honest, couldn't come to . . . didn't think that we could articulate principles that dealt with every single instance so I'm repeating myself really. That is to say, perhaps this is another role for this audit committee and PAC (Public Accounts Committee) to deal with this on a case-by-case basis on both the access and on the scope of work and the type of work that the Provincial Auditor is doing. That would be an evolving thing over the years. And we thought perhaps best left that way.

I think we perhaps have . . . if you've anything else? No, I think we've covered the main components of our recommendations and we'll now leave it to entertain questions.

I'm sorry. We do have one last piece. Why don't you go now?

Ms. Joorisity: — Thank you. This does tie back to the budgeting of those unforeseen costs in the initial budget so that's why it'll tie the whole piece together.

Our committee is also making recommendations that the government introduce legislative amendments to The Provincial Auditor Act to clarify that the spending for the Provincial Auditor is limited to the amounts appropriated by the legislature. And so what that means is whatever you approve is what they get.

But it would also require that any unspent appropriations at the end of the year be returned to the General Revenue Fund. And that we also believe that there needs to be clarity in the revenues received by the Provincial Auditor are paid back.

Now we're not talking about when a Provincial Auditor is able to allow one of their professional staff to go off and help another government department and that government department reimburses them for the salary costs. We're not talking those kind of revenues.

But there is a part in their Act that allows them to charge fees to outside agencies. We believe that those fees should come back into the General Revenue Fund because that's in fact where their money came from in the first place.

And here's just some background, I guess, on this. We understand that, from our discussions with the Provincial Auditor, that over the past years there has not been a return of the unspent funds to the General Revenue Fund, and these unspent amounts plus any revenues they received for services, like audit fees, have been retained by the Provincial Auditor with the purpose that these moneys would be available to them if a special investigation or a special audit came up. And that would give them the flexibility to be able to do that work without going public with a special warrant. So I mean . . . (inaudible) . . . for very good reason.

And then it became that the size of that contingency, or whatever word you want to use, became sufficient that it warranted perhaps getting involved in investment activities.

So our committee believes that the Provincial Auditor needs access to those funds, needs the ability to be able to undertake those special investigations. But we also believe that that can be done through budget . . . through the budget process and by having an allocation in there for unforeseen expenses that gives the auditor that flexibility. And then on the off chance it's not enough, that the special warrants money is available.

We believe that this is a much more effective way to give the Provincial Auditor the funding that they need without having to operate outside The Financial Administration Act, 1993. And it also allows them to focus their activities on the independent work that they do and not have to get worried about investments and that kind of thing.

So I think that is the end.

Mr. Aitken: — Mr. Chairman, that's our report.

The Chair: — Thank you very much. Okay, now as we determined at the very beginning, we'd be able to have questions of both Mr. Wendel from his report, and for both John and Nola from their reports.

Mr. Gantefoer: — Thank you very much, Mr. Chairman. And welcome, committee members. And I'll be as brief as I can, recognizing that you're anxious to catch a plane, Nola.

There's a couple of areas that I think are pretty significant in your committee's recommendation in terms of changes of the roles and responsibilities of the relationship between the Public Accounts Committee and the Provincial Auditor's office. And certainly one of the main ones that I see is the reactivation of the audit committee, I guess, and looking at its roles and responsibilities.

As I understood your presentation and in reading your report, I understand that you foresee the audit committee working with the Provincial Auditor's office when the Provincial Auditor's office actually has a report to the legislature in draft form. And that the audit committee then would meet with the Provincial Auditor's office to go over some of the issues that are contemplated to be raised in the auditor's report to see if there is obvious and simple resolution of the issues raised, and therefore may pre-empt, if you like, some recommendations that the auditor would make. Because if they were a housekeeping nature or misinterpretation or things of that nature, they may be able to be clarified beforehand.

Is there a danger, from the Provincial Auditor's office I guess, that this process would somehow minimize the auditor's report and concern from this committee whose obligation is to review those recommendations, that somehow we would be abrogating our responsibility to an audit committee and sort of a behind-the-scenes accommodation.

And I would ask comments on that question both from the Acting Provincial Auditor and maybe from yourself, Mr. Aitken.

Mr. Aitken: — Mr. Gantefoer, I guess we've done a job of reporting what our recommendations are because you were right on the mark in terms of what we thought we were envisaging from our perspective.

The issue that you raise is a genuine issue. In other words, could the Provincial Auditor be swayed from making a recommendation or an observation that he might otherwise want? I don't see that danger. I think we've been well-served with provincial auditors who, if they've got something on their mind, they typically say it and they're not easily swayed from making that statement.

But I think it's from the perspective of this committee, would it be wise . . . What I often hear is we're arguing about accounting issues on position A and position B, and some of these are frankly difficult to resolve.

I don't think the committee is particularly interested in resolving accounting issues. And if that was one of the things that this committee achieved, I think you would be well-served because then you're dealing with issues that are real issues as opposed to accounting judgements one way or the other.

So I think on balance, from my part, we did identify that issue in saying, could there be that thought. But that the clarity of financial reporting, if the lack of controversy results in better clarity, I think everyone is better served through this process.

That is in fact what, in the corporate model, the audit committees seek to do. Because again I point out the utility of an audit committee in this process says management always does have a perspective that's worth listening to, because they have the same objective. They want management — unless it's a very bad management — management wants to issue financial statements and financial reports that are in compliance with best practices and accounting standards.

So they are taking a position that is possibly legitimate in their

own minds, as well as the auditor who can then come and says, well, you know, I don't think I agree with that. But it's an accounting issue. The process, if you're going through that — you know, position A versus position B — eventually it's one last go to come up with a consensus, then it comes to this committee, and at least you're dealing with something that has been rigorously challenged and viewed back and forward.

Ms. Joorisity: — And maybe we need to clarify that the audit committee is an advisory committee; they're not necessarily a decision-making committee. So they don't have . . . they can provide the recommendations to this committee, but that's all they'll be is recommendations. And then this committee will make due process with them.

So think of the audit committee as someone to be there to bounce questions off, to hear both sides of the issue, and to provide . . . to be as a resource to this committee, as opposed to a decision-making party to this.

Mr. Gantefoer: — Could I ask the acting auditor to comment on that issue?

Mr. Wendel: — Yes. I think of this committee as the audit committee for the Legislative Assembly. That's what this committee is. So my view is it's probably a misnomer to call the other committee an audit committee; it's probably better called an advisory committee as Nola has just said. And it could be the Public Accounts Committee's advisory committee if you want.

And you can take advice from whoever you want to take advice from. I mean that's . . . if you want the advice of that particular group, that's fine. Or if you want advice from another group, I mean that's fine too. You need to get whatever advice you need to make your judgments and make your recommendations to the House.

Mr. Gantefoer: — Well, Mr. Chairman, if I'm allowed to continue. What I hear from the committee making the recommendation, that advisory committee, audit committee would have a role in meeting with your office when your spring report for example would be in draft form, to go over the recommendations you're contemplating and the issues that you're raising in regards to those recommendations, and to see if, from a technical standpoint I guess and things of that nature, that there may be a way of mitigating these recommendations.

It strikes me as that you already, if you're reporting on a given department or entity, you already, do you not, have those meetings with those organizations that you're anticipating making recommendations about before the report is finally released — or am I mistaken in that regard? — so that issues of potential clarity, issues of interpretation issues have an opportunity to be resolved currently. Or am I mistaken?

Mr. Wendel: — We meet . . . when we go out and do an audit, we would do . . . we send a group out there. They examine the records and talk to people. It comes in, it's reviewed by our senior people. Our senior people go out and meet with the organization, senior management, discuss the issues, make sure we understand the issues, that we really do understand what's happening before we make our report.

And then we would write, then we usually write a letter to the minister in charge advising what we found. And we use those letters and what we found to prepare our annual reports and our spring and fall reports to the Assembly.

What also happens is we meet with the "audit committee" with our draft report. Sometimes it's in draft. Sometimes we just provide to them the day we table, depending what the issue is. But generally, if it's the large spring report and a large fall report, we want the opportunity to meet with the committee because what we also get there, is we get senior people from Finance there advising the committee, and we get the senior people from CIC there. That helps to make sure that what we're saying is factual.

Like they may bring something to the table that a government organization may not be aware of so it's a useful process. The only concern I have is that there should be no time limit on that. Like if something's time sensitive, it shouldn't be that the committee can hold it up. That if we need to report, we can report. Like if it's time sensitive, we need to be able to put the report on the table so you have it.

But generally there is enough time. We provide the reports in draft form. Okay? We think it's a useful process. We want it to continue, but we also want to be sure that the report can't be held up. So it has to be timely to be useful to the members and some things just can't wait.

We'll talk to the organizations in any event if we can. So that's all I would counsel you on that. And it should again be an advisory committee to you if you want it as an advisory committee.

The Chair: — Ms. Lorje do you have . . . Terry, do you want to make a comment?

Mr. Paton: — If I could just expand just briefly on this, Mr. Chair. Currently that committee is a dormant committee, and when the Provincial Auditor meets with Department of Finance officials and CIC officials, there is currently no outside representation on it. Mr. Paul Boothe, our deputy minister, is secretary to the committee, so that's kind of the official member, I guess, of the current audit committee.

The main change that I think is being contemplated here is the members that will be appointed to that audit committee. Currently the Act contemplates those members being appointed and reporting to the Minister of Finance. And the main change that the committee is recommending here is that you have members on that committee that are appointed by the Public Accounts Committee.

So I think that's something that the committee should be aware of. And just from my perspective, we have used that committee to help resolve issues, to help understand issues with the Provincial Auditor's office, even in its kind of dormant stages now. And we find it very useful.

Ms. Lorje: — Well I am glad, Mr. Paton, that you intervened there because that was an issue that I was concerned about. It seems to me what we're talking about in both the acting auditor's report and in the advisory audit committee's report —

we're going to get all hopelessly confused with all these A-words here — is a major change to the role and function of the Public Accounts Committee and also a major change to a dormant committee that has been a committee of the Minister of Finance.

And so I think we have to get it really clear in our minds that the principle that we're trying to strengthen in all of this is the independence and autonomy of the Provincial Auditor. And so we have to make sure that what we're doing is setting up a process structure that will do that.

I think the idea of having . . . and I will continue calling it an audit committee because I come from the Crown Corporations perspective and I find that having a consistency in titles rather helps me at least. So I think the idea of having an audit committee that is advisory to PAC is extremely important, particularly if we are going to be the body charged with overseeing the budget of the auditor, picking the auditor, and all that sort of stuff.

We are professionals as politicians, but we are not professionals in terms of the accounting world. So I think that having the audit committee will be extremely important.

I would like to know though, if you intend to be just voluntary people. Is this altruistic service? It seems to me we're going to have to have some resources to this committee. We also are going to have to be very clear that this is no longer a committee that would be struck by the Minister of Finance.

I appreciate the initiative that the Minister of Finance has shown in establishing your committee and everything, and in giving us some guidance. But we need to make absolutely certain that this audit committee would be a committee chosen by and resourced by Public Accounts. Are you recommending that?

Mr. Aitken: — That's exactly what we're recommending, yes.

Ms. Lorje: — Okay. Well I think that definitely makes sense. I have obviously a lot of questions, but I think that many of my questions can be dealt with as we move this through this process and as we try to get legislation drafted.

I guess I would just close off by asking if both of you would feel comfortable at this point in talking . . . assuming that we're accepting the principle that Public Accounts Committee will be assuming a much more major role in terms of the appointment of a new auditor; that it will be a unanimous recommendation going forward to the House and that we will be making changes to legislation; and that we will be having a committee that is advisory to PAC that acts as a special process watchdog to the auditors, that is going to require some change to legislation.

And I'm assuming that what we will want to be doing, Mr. Krawetz, is getting that legislation through in this session because we don't want to be without an auditor for a year, for instance.

So I think a lot of the nitty-gritty detail is going to have to be worked out in the next few days or weeks. And it may be that we'll be establishing a special sub-committee to review these

sorts of things.

So most of the detailed questions that I would have, I want to hold off for later.

The Chair: — I know, Mr. Trew, you're on next but I'd just might make a comment. I think as far as committee members, I know we've received your committee's recommendations, I believe, as of yesterday afternoon. We've had the recommendations of the Provincial Auditor for a while but we've not had the opportunity to actually listen to a presentation of those recommendations. So we have technically before us 45 recommendations in the space of about, you know, an hour and a half.

So I think it's wise that we as committee members take the time to look at this report, to analyze what we see as the direction that we see Public Accounts going.

Yes, I agree with you, Ms. Lorje, that we have to move, you know, quickly on this because we cannot wait if there's going to be legislative changes required. But I do want this meeting today to be one of clarifying a recommendation put forward by Mr. Wendel or clarifying a recommendation put forward of the committee so that you understand in your mind what a particular recommendation is saying.

And if I might, I would like — and it's on your point, Ms. Lorje — if I might, Mr. Trew, would you turn to recommendation no. 14, and this is the question that Ms. Lorje asked as to the independence of the audit committee as to who's paying the bill, if someone is paying the bill, etc., etc.

We see there that you're recommending that the members of the audit committee upon unanimous, I guess, consent at this committee level, be appointed by the Lieutenant Governor in Council. Which still means, I think, it's connected to government and that the responsibility or the group that you would be responsible to if that . . . as an audit committee would still be cabinet. Is that what I see here?

Mr. Aitken: — Yes. But the general premise was, we would envisage the way the Provincial Auditor is engaged and appointed is exactly the same way that the audit committee of the PAC is. In other words, if we make the Provincial Auditor appointment an independent appointment by virtue of this unanimous agreement of an all-party committee and we create the audit committee in exactly the same manner, then both are independent.

And that was a point that Mr. Wendel made during your discussions, was if the Minister of Finance appoints the audit committee, it's just another committee of the executive — that's management; they're the accountability piece. How do we get something created that is a stance removed, that everyone agrees is independent. We're back to this independence thing.

And we believe that is accomplished by having, as is recommended here, the same process conducted for one is also conducted for the other.

Mr. Trew: — Thank you, Mr. Chairman. I'm interested in both

of the reports, but I want to funnel to the audit committee's recommendation on the hiring process. I'm not positive I understood — I think I did. Let me feed back to you what I thought I heard.

The audit committee feels that it could have a very useful role in the initial selection, and I'm not sure if you were thinking as far as the interviewing of potential . . .

Mr. Aitken: — Perhaps I'll leave this one to Nola.

Ms. Joorisity: — I think this audit committee could be . . . play whatever role you want it to play.

Mr. Trew: — Okay.

Ms. Joorisity: — So if you wanted it to sift through the resumés and select for you the top six people that meet the criteria that you've put in place, then the committee could sift through qualification and experience, all that kind of thing, and fine-tune that list to something that you want.

Mr. Trew: — Okay.

Ms. Joorisity: — I mean, if you want them involved in interviews, they could do that, but I think you would make the audit committee your resource for whatever you thought you needed them for.

Mr. Trew: — Good. Thank you, because I'm valuing the independence of PAC in the selection process. But I'm reminded that when I was growing up on the farm I knew more about farming than what we called the town kids. And I know I hear that . . .

A Member: — Don't go there.

Mr. Trew: — Well I hear that from opposition members every day, and I think we can go there in that we have the potential creation of an audit committee that certainly understands accounting. It seems to me to be fairly reasonable that PAC could utilize the audit committee to some extent greater or lesser in the selection of, as we go down the trail, in the selection of the next Provincial Auditor.

Mr. Aitken: — Mr. Trew, the decision around the process this committee wants to go through in terms of the appointment of a Provincial Auditor is the same issue around what about all the other things that this committee does. As Ms. Lorje said, there are certain things that this committee does and wants to focus on; other things which perhaps you want to leave to somebody else to go through the process and come with a recommendation.

You want to hear it back. You're not going to delegate it and it never comes back. It always come back. So the work of the audit committee under you as a sub-committee is exactly the same motivation that corporate Canada is saying — we don't want the entire board dealing with, you know, litigation issues. And we all go through the same thing.

So there was in the last 10 to 20 years, sub-committees of the board. It's the same motivation that we see at play here. In other

words each Crown corporation has an audit committee, but the province of Saskatchewan doesn't have an audit committee. And we're just saying, I think if you asked most Crown corporations have they been well-served by having an audit committee, they would say yes.

And in fact corporate Canada has found the same thing. And so when people are trying to elevate corporate . . . financial reporting, it's now looking to the audit committee or its substitute for being the right way to accomplish these things.

Mr. Trew: — Good. And I just want to end by saying I'm delighted that part of what I hear you recommending is not that in any way the committee loses . . . like the recommendation is that it be an unanimous recommendation from the committee. And I just wanted to salute that. So thanks, Mr. Chairman.

Mr. Gantefoer: — A couple of issues that I'd like to raise. Certainly in this appointment, I understand the appointment of the audit committee process would be on our unanimous decision or recommendation.

Would the audit committee — as I understand it now, the current audit committee is accountable to the Minister of Finance — would this audit committee's role then change so it's accountable to the Public Accounts Committee? Or would it still be accountable to the Minister of Finance even though it is struck on the recommendation of the Public Accounts Committee?

Because I note in your recommendation 15 that the mandate is very much clear to receive draft reports, to act as an advisory committee to the Standing Committee on Public Accounts. But it also is available for advice to the Provincial Auditor, the Minister of Finance, Crown Corporations, etc.

So I'm wondering if it's clearly intended that the accountability or the responsibility of this committee as a committee of Public Accounts and then is available in that role to other things, as opposed to being a Committee of Finance.

And I would assume then in terms of the financing of that advisory audit committee, if you like, if that's the role that it be accountable to Public Accounts, it would be part of the submission of the Public Accounts budget. Am I correct in that?

Ms. Joorisity: — Yes. It is your — in big terms — it's your sub-committee. And it would be your . . .

Mr. Gantefoer: — So it would move from Minister of Finance to this committee?

Ms. Joorisity: — Yes.

Mr. Gantefoer: — Okay. I think that clarifies a lot of issues and makes sense.

The other broad issue that I would like your committee's response to is I notice in broad terms where your report differs in some substance from the Provincial Auditor's report, is addressing those issues which the Provincial Auditor identifies as access and clarity. And in your comments, you said you looked at that and didn't feel that you were able to provide

recommendations that would provide absolute clarity in some of those issues.

Another area that I think over time — and I'm sure Ms. Lorje would appreciate it — where there has been some misunderstanding as terms of how issues would be held is the relationship between the Public Accounts Committee and the Standing Committee on Crown Corporations. Particularly in so far as the auditor has always viewed his responsibility, or her — but in the past recent memory at least in my experience, his, so I'm sure Ms. Lorje will forgive me for that — in terms of saying the responsibility to report is to the Public Accounts Committee. And then we were always caught in terms of saying should recommendations then be referred to the Standing Committee on Crown Corporations, and they may or may not be addressed there. And were we fulfilling our mandate appropriately by just shuffling them off if you like?

Have you looked at some of those issues? And I wondered if rather than the possibility of looking at our specific resolution to all minute detail, as the First Nations funds or things of that nature, that you would recommend some process that would resolve them other than the Public Accounts Committee having a bunch of . . . As much as I appreciate lawyers or accountants being here, it's even worse when we ask lawyers to come and give clarity as to who should be responsible. And it gets quite confusing and I wondered if you thought of at least a process that might resolve some of these issues?

Mr. Aitken: — There was a lot in your question, Mr. Gantefoer, and . . . (inaudible interjection) . . . You did kind of. At one point I knew I was going to leave this question alone when you were referring to Crown Corporation Committee Chair and recent history. But we did not go through a lot of deliberation on this particular issue other than to say that is a matter again that may well evolve out of, you know, the . . . Once you set the structure in place, some of these things will fall in place.

But we clearly understand, and understood at the time, that there are issues that can happen within the government's accounts, government department accounts, and there's a ripple effect over in the Crown Corporations.

So we did realize that from an audit perspective, the Provincial Auditor needs to have a kind of an umbrella ability to say: and I'm putting something and I'm dealing with something over here, but there's another piece of this particular issue over there within the Crown sector.

So the two committees . . . that's why there's that provision around some reference back from one committee to the other. Beyond that, Mr. Gantefoer, I don't think we got into too much detail, but it would be something for this committee to continue to monitor.

Ms. Lorje: — Yes, and I would certainly agree with that. I think that speaking from in my former role as Chair of Crown Corporations Committee, I think we were very well served by John Brennan's 1994 report, the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. And it would seem to me that if we follow these recommendations that are coming forward and establish an audit committee responsible to PAC, that one of the things we might do, since we know this is

an outstanding irritant, has been somewhat resolved but not sufficiently resolved.

We might ask both the Provincial Auditor and the audit committee to take this on as a special task, to give us some advice, and to give the Crown Corporations Committee some advice on finally getting it straight and getting our ground rules straight. I think we can probably leave the issue today, but I think it's very exciting to potentially have a formal audit committee as a resource to pack, that could help us to finally resolve that long-standing issue.

The Chair: — In reference to Mr. Gantefoer's question, I'm going to ask Mr. Wendel also to make a comment just to see how the two reports tie together.

Mr. Wendel: — Sure. As I said earlier, or as John said, he thought there was no provincial . . . or an audit committee for the province of Saskatchewan. That was a comment he made. I believe there is an audit committee for the province of Saskatchewan as I said earlier. It's this committee.

And when we talk about the province of Saskatchewan, I think you should look to the summary financial statements. And that's the financial activities of the entire government, and that's what we're auditing. And that includes Crown corporations, boards, commissions, departments.

So when we report, we really are preparing a report, if you like. If you wanted an analysis to the private sector, well we're making a report. It gets referred to this committee by the House. So they've delegated this down. Rather than House deal with the whole thing — the whole board of directors if you like, the House, deal with this — they refer it off to this committee, which is a committee, an audit committee of the House.

So now whether this committee wants to then deal with this specific topic or further delegate it, somehow get it over to another public accountability committee, well that's certainly the committee's choice if it wants to do that.

But somebody needs to look at the entire package to be a full-fledged audit committee. I mean you can't just, no one look at the total. Someone has to look at the total, okay, and that has to be this committee. And then if you want to hive things off and have somebody look more specifically, say for SaskPower, refer it to some committee, I mean that's, that's acceptable. But it needs to be considered in its entirety by the audit committee, if you like.

And again, back to the audit committee. If you want to use this audit committee for advisers, fine. That's entirely up to the committee.

Mr. Wakefield: — Thank you, Mr. Chairman. I guess from a comment, it kind of focuses on what you just said, Mr. Wendel, and I believe when I look at the comparison of the two reports, there's a lot of similarities and a lot of consistencies.

This is probably, the audit committee, advisory committee, is probably the main difference. I don't think I want to consider it as a change of our mandate as you referred to earlier or alluded to. Maybe I misunderstood you. I think it should be an

enhancement of our role here.

And the comment that I would have is that I think it's a very important role, and whether it's a . . . we call it whatever the name of this committee is, I think the establishment of this committee is very important. From my previous life I've found that these committees are not only important, they're vital. And in fact this committee may even want to consider ad hoc committees as we move into other areas of review. And so I'm very supportive of this in a pretty major way.

My question, I guess, and I'm not sure who could answer it and maybe it's not relevant; I think you maybe referred to it a bit. The audit committee that is in place already, why was it established? What was its function? Why did it go dormant? Is there something we could learn from what happened to it or why it was constructed . . . or why it went dormant? Does anybody know?

Ms. Lorje: — Mr. Wakefield, before they answer, I wonder if I could just clarify . . . I'll have to back and review *Hansard* to see what I said because when I get in full flight of fancy sometimes I might not be being clear in what I'm communicating.

I do not believe that this committee should be changing its mandate. What I was trying to say was I think that the function of the committee is going to be changing, if we follow these recommendations.

Before when a new auditor was hired, it came through the Minister of Finance. Now the recommendations from both the acting auditor and the advisory committee are that it should be coming through PAC. I entirely agree with that. That is changing the function of this committee. It's strengthening this committee and giving us a lot more work to do, which is why I said I believe that there's extreme value in having an audit advisory committee to PAC that's properly resourced.

Mr. Wakefield: — I thought that's what you meant and if I took it the wrong way . . .

Ms. Lorje: — I just wanted to clarify it.

Mr. Wakefield: — Thank you.

The Chair: — Okay, I'd ask Terry to comment, I think, is where we're headed.

Mr. Paton: — Yes, Mr. Chair, I might be able to provide a little bit of background on this.

I wasn't here when that committee was established, but my understanding was that it served two purposes. One was to get an advance copy of the report before issues became public and provide for an opportunity to review, and hopefully resolve, some of those issues. And also to provide advice to executive government on major issues and trends in issues.

And as John Aitken pointed out, John Brennan was the previous Chair of that committee and I think he supported the processes and the activities that were underway back in the late '80s, early '90s, when he was the Chair. And he thought it did serve a

purpose.

The reason . . . or maybe I'll tell you what happened, is there was a view of the audit committee at that time, that they could perform a stronger role in advising government in general. And John Brennan actually looked at expanding the mandate of the audit committee and wanted to become a resource to this committee — to the Public Accounts Committee. And without going into all the details of his recommendations, they are very similar to what you are seeing coming from the auditor, from the advisory committee today. So there is a kind of an expanded mandate being recommended.

For some reason, those things didn't proceed and the committee kind of became dormant at that point. So while they thought they were performing a useful function, they wanted to become more useful, they wanted to become more active and proactive in helping government resolve issues.

And it didn't go forward and I think it was late '93, early '94, was about the last time the committee met, and as I say, as John Aitkens pointed out, they did have discussions with John Brennan. And the things that you are seeing today being proposed for the audit committee were the same ideas that John Brennan proposed roughly eight years ago.

The Chair: — Thank you, Mr. Paton. Mr. Wartman, followed by Ms. Higgins and before I ask Mark to go ahead, Nola your plane flight is . . .

Ms. Joorisity: — About ten minutes, I can be here. Thank you.

The Chair: — So if there are any questions directed to Ms. Joorisity, would you do that now.

Mr. Wartman: — Okay. I have two questions and they're relatively general, just to try and help me get an understanding, a more clear understanding of where we're headed.

One that comes up for me is, are there some clear differences between the audit committee's report and the acting auditor's report and recommendations regarding the oversight and the audit of the auditor's office?

Mr. Aitken: — No, the auditor of the audit would . . . That report . . . I don't know, maybe ask Mr. Wendel for a point of clarification. Our understanding is that the auditor to the Provincial Auditor submits his report and that's tabled as part of the Provincial Auditor's annual report on operations.

All we're suggesting that to make the role of the audit office, the Provincial Auditor's office the same as . . . consistent with all the other pieces, that that report should be tabled with this committee.

Mr. Wartman: — Is that how you perceive it as well?

Mr. Wendel: — I haven't had an opportunity to read what they have here. I just got this, this morning so I don't know what's in here.

But if you're talking about the current practice of what our auditor does now or what reports he submits, the auditor is

required to do exactly what we do. So if we're required to report on compliance with the law, he's required to report on our compliance with the law.

If we're required to report on whether they safeguard and control public money properly, they audit for the same purpose at our office. We put up a set of financial statements. We have that audited.

And the way the information gets to you is for the financial statement report, it's included in our annual report on operations. That report is tabled in the Legislative Assembly and then automatically referred to this committee for review.

With respect to the information on compliance with the law and safeguarding, controlling our money — that we're doing what we're supposed to be doing — that gets sent directly to this committee by the auditor, okay. We don't . . . We put it in our reports for information because we want to be able to say that we're doing a good job, so we put it in to advise you. But he reports directly to this, to this committee, okay, for those. Just like we report directly on safeguarding, controlling public money in compliance with the law with our spring and fall reports.

But our reports on the financial statements come in with the government organization's financial statements, and you get them that way. So does that answer your question?

Mr. Wartman: — It does. I was really just asking if there were some significant differences there that we needed to be aware of.

Mr. Wendel: — Well I'm not sure what's here, so I couldn't comment.

Mr. Wartman: — I think in terms of process, part of it is that this committee would then appoint, appoint the auditor to the auditor's office.

And the second question: what are the significant issues and the difference between practice and recommendations regarding the release of funds to . . . from the auditor's office to the General Revenue Fund at year end? Right now that money is not released, I gather?

Ms. Joorisity: — No. Right now the money that is unspent at the end of the year is not being returned to the General Revenue Fund. And our committee is saying that it should be, and that we will find another avenue to give them the flexibility to have those funds available for special investigations.

Because right now the money that's not being returned, that's in fact what its purpose is for, is to have funds available for those special projects. We just have a different suggestion as to how they'd have access to that money.

Mr. Wartman: — Okay. So there's a call for us to make a decision around, around changing practice here. And what I'm asking for is are there some . . . from your perspectives, are there some issues that we need to consider as we're making that, that decision?

Mr. Wendel: — Well from my perspective, I think the business of lapsing appropriations is archaic, and it drives poor decision making. So it's something we're going to be looking at as we look to the, to the accountability system that the government's trying to put in. I think it may be an impediment to managing for results, okay — a barrier. And we'll be again looking at that in detail. So I wouldn't want to support it at this time. Like I don't think it's a good thing, okay.

The other thing is limiting our expenses to the amount of the appropriation. I don't think any government department has that. I think the way The Financial Administration Act, 1993 reads, is they can overspend. It allows them to overspend. They just can't write the cheque, okay. And that leads to managing cash flow as opposed to expenses. So I'm not sure I'm in agreement with that.

Ms. Lorje: — I think this is a really key issue and I . . .

The Chair: — Ms. Higgins is next please. I have to cut her off or we're going to be here till 2.

Ms. Higgins: — Actually I'm changing the gears here. I have a question on the 10-year non-renewable term and why the preference in both reports is for the 10-year non-renewable? Why would you not go with something shorter, renewable? But both agreed on the 10-year non-renewable.

Mr. Aitken: — I have one perspective on this, but it was unanimous in our committee that we judged, we looked at . . . you don't want to be . . . We didn't want to be out of sync with the prevailing mood out there in Canada, prevailing practice in Canada. Otherwise you would say, geez, why would Saskatchewan be out of sync with everybody else.

But also the other motivation was, when you choose a Provincial Auditor, it's not like choosing somebody who's going to do the audit this year and then you might invite them back the next year. The fact that you're going to have to strike a unanimous agreement that this is the individual. It's like choosing a doctor, perhaps a little bit more. You're going to be there for 10 years.

In other words, it places an onus of responsibility on this group to say, yes, we've thought about it and we're not just going to get rid of you next year or the year after that. It's a two-way street. It's a commitment from both parties.

So that's why the selection process is important, because you're going to have this person for . . . Because if you don't give long enough, then lack of tenure can be used to undermine the Provincial Auditor who might be two years away from having to be replaced. So you're setting in place a fairly significant long-term relationship and that's an environment where accountability is best served probably, rather than, you know, if you don't do what we tell you, we're going to make sure you don't get renewed next time. You know, that kind of a thing.

The Chair: — Do you want to respond to that 10-year term?

Mr. Wendel: — As we say in the report, we think it needs a longer term to effect positive change. So I think 10 years is an appropriate term. Six years . . . you know, the government's a

very large, complex organization. If it's somebody coming from outside of Saskatchewan's jurisdiction it takes a while to learn that. And I think 10 years is appropriate just for that reason, just because it takes a long time to affect change.

Ms. Higgins: — I guess our kind of a question is too: are we restricting the people that are available to fill the position when we are looking at a 10-year fixed term and removal at what? — 65? So we're also restricting ourselves to some extent, are we not?

Mr. Aitken: — Some of us are 60-some, going . . .

Ms. Higgins: — Well in some cases we may.

Mr. Aitken: — Yes you're probably right. It probably goes with the territory. Is it mandatory retirement at 65?

Ms. Lorje: — Unless you're a judge.

Mr. Aitken: — It is an issue. It is an issue.

Mr. Wendel: — It does restrict it too if a person's in their . . . say their early 40s or late 40s, what do you do when you come out of here at 55? It's difficult. It's one of those things that it may limit your options in that case.

Ms. Higgins: — Why would you even apply for the job if you're 59?

Mr. Wendel: — Yes, well you'd have 10 years at that point I guess. I don't know whether that would supersede the pension Act or not. The pension Act says you have to go at 65, so I don't know how that goes together.

Ms. Higgins: — Thank you.

The Chair: — I'd like to back up to Mr. Wartman's comments if I might. We heard from Mr. Wendel and I know, Nola, you had said some things about the issue that was raised. Could you make any further comments on that second question that was raised?

Ms. Joorisity: — I know that Mr. Wendel had mentioned that he thought that the Act was archaic now and it needed some revisions. Our committee didn't really spend a lot of time on that. What we did spend time on was the rules and regulations that were in place right now and thought that those were the ones that, until legislation change, we should be abiding by.

So we're not necessarily in disagreement that it's archaic, although our committee had never discussed it. We are basing our recommendation on legislation that's in place at this time.

Mr. Aitken: — I think we were led by . . . our motivation is, let's not place . . . inhibit the Provincial Auditor. If he needs funding then he's got somewhere to go to ask for more money and that's what we think this committee and the audit committee could help in that regard.

I think we were . . . the thinking was — and we maybe don't understand exactly all of the processes involved right now — but surely the Provincial Auditor's funding shouldn't be on the

basis, I happened to have been able to put this money aside and have built up a kind of a kitty. It sounded informal.

And we said, the key principle is whatever is required and can come to this committee on an all-party basis and say, I need more money. Let's not have lack of clarity about, well how much have you got in the kitty? It's just . . . it facilitates clarity around a runner of cash, then you need to fund me and here's what extra thing I want.

I think that's facilitated the request by the fact that you don't have any hidden reserves around. I'm not saying they're hidden, Mr. Wendel, but . . .

Mr. Wartman: — Thank you. It's helpful for, particularly I think for myself and maybe for some of the others who are just beginning this process, to get the differing views.

And I think, in terms of whether or not it's archaic, whether it complies with what the current legislation is, those are important issues for us and we need to know whether we need to pursue the process in terms of legislation, whether we want to have compliance. And if we want to have compliance, then that means we do need to change the process for making sure that the auditor gets an adequate budget.

The other side of that I think always is the accountability of funds that are built . . . for funds that are built up. And I think we always need to watch that.

The Chair: — Thank you very much.

Mr. Paton: — Mr. Chairman, if I could just make a brief comment on the references to an archaic Financial Administration Act.

I'd like to support Mr. Wendel in part in saying that I do believe that he's correct in saying that sometimes lapsing of appropriations doesn't necessarily support good management practices.

And it's an issue that has arisen a number of times. We've actually had presentations to the Department of Finance in the past where groups have studied, you know, how do you improve management performance? And lapsing appropriations is usually an issue that's brought up and probably one that will continue to be of concern.

And, you know, there may be changes to The Financial Administration Act, 1993 some time in the future. So just supporting the concept that some of these things could be looked at in the future.

The Chair: — Thank you. I do not have any other speakers on my list. Are there any other questions from members of either Mr. Wendel or Mr. Aitken?

Mr. Wartman: — I just have a short hornet's nest that I'd like to open up. It just had to do with a comment that was made in terms of the designation for the Provincial Auditor as a CA and the inability of one of the other accounting designations to be able to then teach or train people who are CAs as they're moving into government.

If I understood the concern appropriately there, I just wondered if there is not, and this comes out of my background in the church, in the United Church, where the president of conference doesn't have the ability if they're a lay person . . . pardon me, let me put it this way, a lay person doesn't have the ability or the right to administer the sacraments. But in the case of the president of conference, who can be a lay person elected to that position, they are given that right by designation of their appointment as president of the conference.

So if we chose — and I'm not sure of all the designations, but a registered industrial accountant who was very gifted — if we chose a person like that to be our Provincial Auditor, by designation as Provincial Auditor, could the CAs' association regulatory body make exemption so that that person could do the training?

A Member: — She just flew out the door.

Mr. Wartman: — She's the one who would answer that. Oh, I'm sorry.

Mr. Aitken: — I know that she actually, on this issue, Mr. Wartman, Nola had the issue as we were talking about it. The general intent of the group was, we were sympathetic to opening up to non-CAs. So that was our starting point. Our starting point was maybe we shouldn't be so restrictive because that doesn't appear to be public policy. It seems very restrictive.

We got into the mechanics of it. This issue came up from the Provincial Auditor's office about well if it's a non-CA, what's the impact on our ability to train students with the Institute of Chartered Accountants.

The response came back that says yes, there could be a problem because remember the structure of the Provincial Auditor is such that there is ultimately one deciding person. It is a personal office. It is the Office of the Provincial Auditor — an individual. That means you're into a one partner equivalent, which in the private sector, and if that partner was not a chartered accountant you couldn't train under our existing strategy.

So our original intent of trying to broaden up hit a mine field along the way because that would . . . the Provincial Auditor was concerned that that . . . didn't want to lose that ability to train students. So that's the long-winded answer, but it was something that we identified and dealt with as best we could. So it does appear restrictive, yes.

Mr. Wendel: — And I agree with what John is saying. We thought it was a matter of policy. I mean it's up to whoever is recommending changes to the Act whether they want to open it up to a certified management accountant or a certified general accountant. But all we did when we talked to your committee was point out a risk that if you did this, it may impact on our ability to recruit at the universities and train chartered accountants.

Now just for the record, we do have certified management accountants. I am one, and I'm also a CA. But we do hire CMA (certified management accountant) students; we do hire CGA (certified general accountant) students. So we do that and we do

train them there and we turn out some good people — CAs and CMAs and CGAs. But it would limit our ability to train chartered accountants I think. But again I'd have to ask . . .

Mr. Wartman: — We'd have to ask the society actually to make all provincial auditors designated CAs then in order for that to work.

Mr. Aitken: — And United Church ones at that.

Mr. Wendel: — One other thing that may happen some day is there may have to be a licensing of public accountants at which point then you'd have to have a licensed public accountant and that could be a CMA, a CGA, or a CA, depending on what training they've had and how they got their licence.

So it may just be a little premature, like it's hard to say where the industry is going. There are changes happening in the CA profession right now. They're changing how we'll be able to train students and it may be just a little premature. So just keep that in mind too.

Mr. Aitken: — There's one other piece I would add to what Mr. Wendel said. We also discussed, well what if a CPA (certified public accountant) — which is the US (United States) designation — what happens if you get an excellent candidate coming forward?

There are some reciprocities involved so that the person may not be a CA right now but depending on their designation and where it came from, etc. That's not to say that that is no longer a candidate simply because right, as of today, they're not a CA.

The Chair: — Thank you very much. Are there any further questions of our two reporting committees this morning? Clarification then. John, I guess my question is directed to you. This is a draft and this is of course a report that is being prepared for the Minister of Finance. You are the committee of the Minister of Finance.

Mr. Aitken: — He is the client.

The Chair: — He is the client; we are not. We have a . . . We value the fact that you've shared your draft recommendations with us which will help us determine maybe the course that we take. When will you be preparing your final report for the Minister of Finance?

Mr. Aitken: — We were . . . I'm willing to go much further until we had this input, because frankly for all the reasons that you're not aware of we didn't want to go too much further without getting this form of input.

Based on your reaction we thought if it was . . . I think as it's turned out to be we think we are scheduled to meet Monday, Tuesday of next week. And hopefully by that time we will then be submitting our report to the minister in the middle of next week — end of next week.

The Chair: — The reason I asked that question, colleagues, is I think in our planning of our timetable and our agenda as we move forward, and in determining what kinds of recommendations we as a PAC committee will put forward to

the Assembly and how extensive they are — I think we've heard this morning about the need to be very, very sincere about the process of appointing an auditor, and if there are legislative changes that are required there, we have to act on those quite, quite soon.

The other thing is we've heard about a lot of questions about clarification of the other types of possible amendments that might be necessary to the current Act and whether or not we can get those kinds of things done within this session.

So my comment is, when we structure our meetings I think we want to be aware of what the final report might be so that when we're dealing with the recommendations of the auditor, which is our responsibility, and our recommendations, we may also have the benefit of knowing what is in that final report. So that we're aware of it if we make a recommendation to the Assembly that conflicts with the minister's report, that we'll be aware of that, if that's the direction that this committee so chooses.

So if that is true, I'm looking at possibly a meeting then by next Thursday, a week today. Mr. Wendel's indicating that he can't be here for that meeting.

Ms. Lorje: — Is that a major impediment to us meeting? Would you perhaps ask a person that you could designate to come or would you prefer that we not meet next Thursday?

Mr. Wendel: — I prefer you not deal with the legislation unless I'm here.

Ms. Lorje: — When would you be available?

Mr. Wendel: — I made this commitment months ago; 7th, 8th and 9th, I'm away, out of the city.

The Chair: — What about the following Tuesday?

Mr. Wendel: — I'm available Tuesday, yes, or the Tuesday before that.

The Chair: — Well the Tuesday before that, I think . . . What I would like to see also happen and I'm sure that in both government and opposition committees now, it will allow us the opportunity to digest the recommendations of both, and we've heard comments from the members of the committee about the flags that they've raised on certain issues, and the opportunity I think for each of individual members to be able to digest the recommendations and be able to come forward then to participate in determining what our recommendations will be. And I think we need a little time, but not a lot based on the fact that we have to move forward with some amendment.

Mr. Gantfoer: — Thank you, Mr. Chair. I certainly appreciate this digestion time, if you like, but I'm also very concerned about how the practical ponderance, if you like, of potentially getting legislation together that would be considered and approved within this session and I know we talk about being here until fall. Practically speaking, we may not be able to count on quite that long a time.

And so I am a little bit concerned about, you know, delaying it

because time is going to slip out of our fingers very, very quickly. And I certainly would be of the mind that we should consider perhaps next Tuesday in terms of rather than a week later because we're talking 10 days. The calendar is going to start turning over leaves real quickly.

I think that there is an imperative here that this committee needs to accept the challenge of, if we're going to open legislation to change the process, that has to be done. And then the committee, if the process is such that is envisaged here, we have our work to do going into the summer and things of that nature. But I think it's very important that that process be clearly defined before the end of this session. So I would suggest if it's possible, next Tuesday as the meeting rather than the following one.

The Chair: — Thank you.

Ms. Lorje: — I totally agree with Mr. Gantfoer. I would prefer that we meet next Tuesday. I think this is an issue of some considerable public importance.

And I think just the very practical realities of getting legislation through the House would require that this committee put this as a priority. I appreciate that it will be difficult for the advisory committee to get their report to the Minister of Finance and so forth, but I would ask, since it seems you've already done a crackerjack job in getting together in less than a week perhaps you could be doing that.

I want to put one further question though that was not addressed. And I'm hoping that it will be addressed by both the Auditor and the advisory committee. As I understand it, what's going to happen if we follow through on these various recommendations is that the Public Accounts Committee will be taking over responsibility for dealing with the budget, for reviewing the budget of the Provincial Auditor, we'll be taking that responsibility over from the Board of Internal Economy.

The Board of Internal Economy has the advantage or disadvantage, depending on your point of view and who the people are, of having a minister of the Crown on it. So it's fairly clear who advances the budget for the officers of the Legislative Assembly. We do not have any ministers of the Crown on this committee. And so, just under the rules of the Legislative Assembly, we can't really advance that budget.

So in the recommendations that either or both of you are coming up with, I hope somebody is going to deal with the question of who would be the most appropriate body to take forward the recommendations from Public Accounts Committee regarding the budget for the Provincial Auditor?

The Chair: — Comments, Mr. Wendel or Mr. Aitken?

Mr. Aitken: — I'm just asking for guidance at this point on this question. I know we talked about it and it's . . . Mr. Wendel, maybe I'll defer to your better knowledge on this one.

Mr. Wendel: — I'm going to defer to the Clerk.

The Chair: — Yes, Mr. Paton, you have an answer.

Mr. Paton: — I have an answer. Just to recall John's memory, we did discuss this and considered that probably the most appropriate method for this to advance would be for the Board of Internal Economy to take forward the approved budget of the Provincial Auditor that is approved by this committee, by the Public Accounts Committee. And that somehow the legislation be drafted that their responsibility is to forward that budget without amendment.

In other words you've had a committee of the legislature review it in full. You now need a mechanism to get it into the Standing Committee on Estimates. So your Board of Internal Economy is more your . . . I don't want to say, it's more like an administrative process. You do need a minister. So somehow the legislation should imply that this committee is empowered to review and approve the budget, and the Board of Internal Economy would be required to present that budget as approved by this committee.

The Chair: — Great. Thank you very much for that clarification. And as pointed out by Mr. Gantefoer, I think that's the type of diagram that we see in Appendix IV which suggests that that is the level that we'll move on.

Any further questions? Hearing Mr. Gantefoer and Ms. Lorje's comments about next Tuesday's meeting and seeing no objection, that is then we will meet at 10 o'clock on Tuesday next as a Public Accounts Committee and we will be able to begin discussion.

Keep in mind also that, as I indicated, that the recommendations that Mr. Aitken's committee will be working on are recommendations that are going to the minister. And they're not our recommendations as far as recommendations coming to PAC.

Mr. Wendel: — Before you adjourn, I've got a couple of documents you might find interesting to read as you're thinking about the process for appointing an auditor and changes to legislation. But there's a paper put out by the Canadian Conference of Legislative Auditors on legislative audit, kind of explaining what it is across Canada, and another one on Special Committee to Appoint an Auditor General in British Columbia.

So I'll just have the Clerk hand those out. You might find them useful reading. I don't know if you have them already?

The Chair: — No we don't, thank you. I apologize, Ms. Jones, did you have a question?

Ms. Jones: — You mean way back when?

The Chair: — Yes, when I didn't see your hand, and I apologize.

Ms. Jones: — If it had been important, I would have yelled at you.

The Chair: — Thank you, thank you.. Please do that.

Ms. Jones: — It's been answered. Thank you.

The Chair: — Thank you very much. Motion for adjournment?

Ms. Lorje: — But . . .

The Chair: — Sorry, before I entertain that motion, Ms. Lorje, again.

Ms. Lorje: — Perhaps what you could do as Chair is request that the Minister of Finance forward the final committee report directly to us so that we can deal with it formally.

The Chair: — But we may not see it by next Tuesday. If I listened correctly, we won't see the final report by next Tuesday morning.

Mr. Aitken: — I doubt . . . I have no idea of our . . . with Monday, Tuesday, I'd have, we still got the . . . I think we're struggling for Tuesday.

The Chair: — Right, and we as a Public Accounts Committee may require at least a couple of meetings to finalize what our recommendations might be on limited changes or full changes or whatever. So yes, I'm taking that under advisement. We'll request that . . .

Mr. Aitken: — . . . our best efforts in timing.

The Chair: — We'll request that of the minister. I will now entertain that motion Mr. Kwiatkowski, that we adjourn. All in favour? Carried. Thank you.

The committee adjourned at 11:40 a.m.