



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Canora-Pelly

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Saskatoon Southeast

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Melfort-Tisdale

Debbie Higgins
Moose Jaw Wakamow

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Mark Wartman
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The committee met at 9:15 a.m.

The Chair: — Good morning everyone. It's a little past 9:15 so I think we can get started. As indicated on the agenda, it's very general in nature in that we want to continue our discussions on The Provincial Auditor Act and the necessary changes that we would, as the Public Accounts Committee, recommend to the Assembly. If we wish to have legislative changes we will need to make some recommendations.

And our discussions have centred around I believe concepts in a general nature without having real specifics in what the wordings might be. That will be for the people much better than ourselves to actually phrase those concepts, and I think that's where we would like to continue with today.

We have, since our last meeting, received the final report of the advisory committee to the Minister of Finance. Does everyone have a copy and did receive a copy? Good. So you've had a chance to look at that in relationship to the draft that we had before. So we now have, I guess, two final copies, one being the auditor's recommendations as far as the changes that that office would like to see; and now to the advisory committee and it's recommendations, I believe 30 in number.

Ms. Lorje: — Yes, thank you very much, Mr. Krawetz. In reading this report of the Provincial Auditor Advisory Committee two things came to mind. First of all . . . well I guess backing up before even that, I think that I would hope that we would extend a letter of thanks to Mr. George Baxter, Mr. John Aitken, Ms. Nola Joorisity, and Ms. Anne Parker for the excellent work that they've done. And they obviously laboured long and hard to get this report together in such a short time frame.

So I hope that you as Chair will send out a letter of thank you to them. Even though it was a report for the Minister of Finance, we will be the beneficiaries of their thinking.

Secondly, I'm wondering if it is possible to have someone go through these reports and cross-reference them so that it is fairly simple for the committee members as we go through our deliberations to refer to both the auditor's recommendations and this advisory committee's recommendations so that we're not thumbing through a lot of pages and we can see at a glance what the key issues of agreement and disagreement are.

And then which brings me to my main point. I'm wondering . . . we did hear from Mr. Aitken and Ms. Joorisity on a preliminary basis when they were drafting this report. I believe there would be merit if it could be arranged in having at least Mr. Baxter, the Chair, come to this committee and discuss some of these issues so that we don't have to second-guess what they might have meant when they make recommendations that are somewhat different from what the Provincial Auditor is making.

I think that it would be helpful for us to hear first-hand what the thinking in the academic and private sector is about these matters.

The Chair: — Two suggestions there. Are there comments, discussion of the suggested two plans by Ms. Lorje regarding a

letter and regarding asking the Chair?

Mr. Gantefoer: — Yes, thank you, Mr. Chair. Certainly in terms of cross-referencing the recommendations between the two reports, I think that that is handy. They're not totally cross-referenceable. I think there's some that stand alone that are a little bit different in each instance that we'd have to look at independently, it would be the first thing.

But I do think that as we go through one or the other we should perhaps be apprised, perhaps by the Provincial Auditor because I believe that — or the Acting Provincial Auditor — because I believe Mr. Wendel has done a little bit to look at the two reports.

In terms of bringing the Chair in, I understood that that was the purpose of our last meeting where we had Mr. Aitken and Ms. Joorisity here, who pretty well explained their thinking and the background as to what their recommendations were. And I realize there's been some technical adjustments coming out of our conversation and from the comments by the Provincial Comptroller and the Provincial Auditor and ourselves. So I think that we'd be in many instances just going over the same ground again in terms of trying to understand where they're at.

I think what we should try to struggle with today is to see where committee members really are at in terms of general concepts. I have some reservations about the report and the directions it's going. I have more instances of support for what's going on.

And I'm wondering if we shouldn't look to see where we may have common ground that could fairly quickly be agreed to. And where we either are in a disagreement and if we are, what steps we could take to clarify our points of disagreement and maybe arrive at points of consensus out of it all. Because I think that's the thing that we're interested in accomplishing here so that we can hopefully make a recommendation in a timely way. Or at least relatively quickly explore if there is ground for that or not.

The Chair: — In light of that comment and since we do have a meeting set for Thursday, what about going back to that suggestion at the conclusion of today's meeting to see whether or not we have a number of questions that we require someone from that committee to answer. If we don't, well then I guess that's our answer. If we do, then we need someone else from that committee too to come in Thursday. So let's maybe proceed in that light.

And I was wondering, Mr. Wendel, if you have, in light of the auditor's recommendations and in light of the draft now changed to the final report, have you had the opportunity to compare Mr. Strelhoff's recommendations with the advisory committee's report?

Mr. Wendel: — Yes, I've compared them.

The Chair: — Can we start maybe in that respect? Is there . . .

Mr. Wendel: — I don't have a written comparison to provide you, but if you want to go to the special report we've made, on page 20, I'll go through the recommendation we've made; I'll

point out where the advisory committee to the Minister of Finance has agreed or disagreed with what we've said here.

The Chair: — Sure. Is that in agreement? Can we start there and start to do some comparisons? Okay, go right ahead.

Mr. Wendel: — Okay on our first recommendation, we've recommended that the Act should explicitly set out the objectives for the Provincial Auditor.

And just before we go into that, one of the . . . as we said at the beginning of this report, what we do when we audit government organizations is we look to the governing body, it might be the board of directors, and we say how are they, how is the board of directors making sure they manage their risks? And we look to the criteria of control board of the Canadian Institute of Chartered Accountants that sets out a process for evaluating risks.

And what we thought would be an appropriate method to evaluate what changes are required to The Provincial Auditor Act is to assess what risks does the Assembly have to receiving relevant and reliable information from our office. And we said, well the Assembly's the governing body and the governing body, in this case, it sets out its policies through law. So we then look to say, well what risks does the Assembly have, has it addressed those risks in the laws that govern getting relevant, reliable information from the Provincial Auditor.

So the first item we looked at is, has the Assembly set out specifically the objectives? And we, you'll recall in our spring report, we talk about the need for government agencies to clearly set out their objectives. So what we're recommending here is they actually clearly set out the objectives for the Provincial Auditor. Okay?

So that's our recommendation no. 1. And the advisory committee doesn't . . . disagrees with us on that recommendation. And you can look to their recommendation no. 30. Okay?

Mr. Gantefoer: — May we ask as we're going along here and for clarification, Fred, you said that the committee's recommendation no. 30 is in agreement with this. I don't see that . . .

Mr. Wendel: — Disagreement.

Mr. Gantefoer: — Oh, it's in disagreement.

Mr. Wendel: — Right.

Mr. Gantefoer: — I misunderstood.

Mr. Wendel: — Yes, that's right. They don't agree with us on that.

Mr. Gantefoer: — They believe that the current wording is sufficient?

Mr. Wendel: — I think their comment is the committee doesn't believe these provisions belong in legislation. That's what they've got as a comment.

The Chair: — Okay. Any further comments on that comparison?

Mr. Wendel: — Our second recommendation is the Act should exclusively govern the Provincial Auditor. In other words, it shouldn't be changes to our responsibilities and duties that come through other Acts of the Assembly. Okay? And that's a very important concept that we . . . that that stay there. And the reason for that is to be sure you're aware any time there's going to be a change to what we do. Okay? It shouldn't happen through some other Act.

And I haven't seen anything in the recommendations about that, so I guess we're in agreement on that.

A Member: — Stand alone?

Mr. Wendel: — Stand alone, yes.

On page 22 we have several recommendations there. And what we were recommending here — on the far side, on page 23, is the recommendations — is to make the requirements in section 12 of The Provincial Auditor Act parallel to the mandate of this committee.

So at the moment the mandate of this committee is in the second column. Okay? It's got about 10 items listed that require us to report specific things to you. Okay? And when we go through the list, five of them are covered specifically, five are not.

So then it becomes a decision of this committee whether you want us to have the specific . . . that you want this information specifically from us. We do provide it now generally, okay. If we've done enough work we'll provide the information, but we're not required to.

So you need to look at those items that are there, okay. There's 10 on the one side and we have five are covered by the existing Act. Five are not covered by the existing Act specifically, but the general provisions are large enough to encompass them. Like we have the flexibility to report them if we want to.

One of the new things that's being proposed here when you're going through your discussions is, this committee says, in its mandate, it wants to make sure their systems and practices determine whether transfer payments are used for the purpose intended.

One of the proposals or new initiatives we're talking about in this special report is that our Act doesn't allow us to go into the recipients of the transfer payments. We audit the government agencies that manage these things and tell you whether or not their systems and practices are adequate to make sure money is used for the purpose intended.

The question is, what is it this committee expects? Do they want to inquire further into how recipients are using the money or are they satisfied to know just whether the departments have proper systems and practices to control this. So that's something you can discuss. That's a new initiative for our office. If you want that done, that's a policy thing you should decide.

The Chair: — Fred, for that one, can you give me an example

of what . . .

Mr. Wendel: — The transfer payment?

The Chair: — Right. Transfer payments. Are you talking something like transfer payments to school boards?

Mr. Wendel: — Could be, yes.

The Chair: — And then by changing, you would suggest then that the Provincial Auditor be the auditor for the school boards?

Mr. Wendel: — No. There would be still the appointed auditor for the school boards. The question is, do you want to know when the school boards got the money, they used it for the purpose that was intended by the Department of Education. Do you want to go that deep? The school boards; there's non-government organizations through Social Services; there's universities; there's a number of organizations. And that's something that you should talk about and decide.

Now the audit committee disagrees with this. They don't want any changes to the Act on this, and that's in their recommendation 24 and 27.

The Chair: — 24 and 27.

Ms. Higgins: — Would that include all transfer payments that the government makes to any organization, say municipalities, then you would go in and make sure that money was used by the municipality . . .

Mr. Wendel: — If it was for an intended purpose. Like some of them are just outright, here's the money, okay. There are . . . how to explain that . . . there are no conditions attached to the money.

But if there are conditions attached, do you want to know they were used for those conditions? Do you want to get to that level, in other words?

Ms. Lorje: — Would that include crop insurance payments too?

Mr. Wendel: — No, that wouldn't include crop insurance because it's an indemnity. It's not a transfer payment.

The Chair: — Okay, good, thank you. Not seeing any other comments. No. 4.

Ms. Lorje: — Excuse me, I just want to back up. You're saying that on page 22 and 23 of your report, the appropriate recommendations that we should refer to on Baxter's report . . . and if you don't mind I'm just going to call it Baxter's report because I think we get too many audit committee, advisory committee, auditors, and that sort of stuff. So for clarification, I'm going to call it Baxter's report.

We refer to recommendations 25 and 26, is that what you said?

The Chair: — No, 24 and 27.

Mr. Wendel: — 24 and 27 is the one I had flagged . . .

Ms. Lorje: — 27, okay.

The Chair: — Case by case and then the other . . . (inaudible) . . . No. 4.

Mr. Wakefield: — Mr. Chairman, I guess without having Mr. Baxter here, why would they recommend that no changes be made? Do they feel that there is enough authority now from the auditor, Provincial Auditor, to be able to do this?

Mr. Wendel: — We've said that in our report too, that we — as I said earlier — we think we have the authority to report these items, okay. The question is, we don't have to report them. We don't have to bring them to your attention; not required by law to do so, with the exception of transfer payments. Okay, the transfer payments we don't have the authority.

The Chair: — If you look, Mr. Wakefield, at the top of page 16 in the advisory committee's report — or now known as the Baxter report — you will note that it says, that he's, the committee is saying this is an issue for the legislature to consider.

So the committee is suggesting that it is not possible to legislate the access that the Provincial Auditor is suggesting, and he said the Assembly may wish to consider whether or not they would require it.

Mr. Gantfoer: — Mr. Chair, that would largely be upon our recommendation, one way or the other.

The Chair: — Oh, sure.

Mr. Gantfoer: — So I mean we can't duck considering this.

The Chair: — However the recommendations of this advisory committee to the Minister of Finance may prompt the Minister of Finance to also make suggestions to the Assembly and/or require legislative changes. Am I right in that? Yes, okay.

And we, as the Standing Committee on Public Accounts are working as an entity in itself, but so is the Minister of Finance who has received some advice by way of a report, and he may recommend legislative changes based on what the minister would require.

Let's move on. We've now flagged 24. I think you're right, Mr. Gantfoer, I think 25 and 26 tie in a little bit as well.

Mr. Wendel: — Yes, actually our recommendations three and four are quite interrelated. One goes to what we have to report; one goes to our authority to go in and audit, okay. And they kind of go hand in hand so I'll be flagging the other ones as part of number four, but they're all interrelated.

Number four deals with clarifying some sections of The Provincial Auditor Act to make sure that we do have authority to get access to information to be able to provide you with relevant, reliable information about the government's performance.

And we suggest here that there was four areas that needed change. One was when there's appointed auditors. There's sometimes confusion as to whether, you know, what people's different

responsibilities are. And sometimes the Assembly is not well served if there's not co-operation and the following of the task force recommendations for the roles and responsibilities due to the auditors. So make sure that the government is served and the Assembly is served.

So we've recommended taking those task force recommendations and putting those concepts and recommendations in law so that there's no confusion in the future.

Again, in the second item we recommend . . . there's sometimes confusion about our authority to audit government organizations that are created under a Business Corporations Act or a Non-Profit Corporations Act. And we're recommending that the Act . . . the definitions in the Act be changed so that it's clear that we have to audit those. They are public money.

Ms. Lorje: — Are you recommending then that those other Acts be changed or that The Provincial Auditor Act be changed?

Mr. Wendel: — The Provincial Auditor Act, yes. There's going to be some times government agencies create other government agencies under these different laws. Like say SaskPower has Channel Lake — had Channel Lake — and this . . .

Ms. Lorje: — Right. That was a very unfortunate reference.

Mr. Wendel: — Whichever one. But they have different subsidiary companies; that came to mind. And SaskPower again has a non-profit corporation and I think it's called northern enterprise fund. Right, and that's under The Non-Profit Corporations Act. Now there was debate as to whether that's a government agency under our Act.

Now in the end we resolved that we do audit the northern enterprise fund and we provide you our reports on it, but sometimes there's confusion on those and we thought it would be appropriate to change the law to make sure that confusion doesn't exist in the future.

Ms. Lorje: — But you're very clearly saying we don't have to go and open up a whole bunch of other Acts.

Mr. Wendel: — No. Just The Provincial Auditor Act. And we're saying . . . Like the Act as far as we're concerned is clear, but there gets to be debate.

And the next item was, as the government moves towards more partnerships with different . . . other governments, we were looking for some changes to the Act to make sure that there's no problem with us gaining access to the partnerships, to the accounts of the partnerships, so we can also report on the government's activities through the partnerships.

And the last . . .

Ms. Lorje: — Could you give us an example.

Mr. Wendel: — There was the infrastructure program recently with the federal government, like where there's kind of a joint arrangement.

Ms. Lorje: — So now you would be auditing the federal

government?

Mr. Wendel: — No. Just that part that we would . . . Somehow there needs to be some way of making sure we have access to what the government's doing through that partnership. No, I don't want to audit the federal government . . . (inaudible interjection) . . . That's part of that infrastructure program.

And then the last item we talked briefly about already was our access to recipients of transfer payments.

Now just to clarify, at the moment we say generally that we don't have access to recipients of transfer payments. But I think if we wanted to follow the inquiry provisions under The Provincial Auditor Act — like we have . . . the office has the power of a commissioner under The Public Inquiries Act; we've never used that power and we're reluctant to use it — that we probably could use that power to examine this public money in an organization.

But we've never used it. We think it should be a better process than that for dealing with public money. It should be rarely used. So you can keep that in mind.

I think they do allude to that in the Baxter report — that we have that power. And they disagree with us on these recommendations. They propose no changes for this. And their recommendations are 25, 26, and 27.

Mr. Wartman: — Mr. Chair, is that disagreement based primarily on the sense that we can do . . . this Public Accounts Committee can authorize those on a case-by-case basis?

Mr. Wendel: — I don't know if the Public Accounts Committee can authorize it. Our authority comes from the law, and we can only do what's there.

Now you could call for a special, a special audit by our office under section 16 of The Provincial Auditor Act. Now we would still then have to have the authority to carry it out, like within the law. So I'm not sure how that would tie together.

Mr. Wartman: — Okay. I'm not clear because . . . And maybe it would help if we had the specific recommendations or the specific questions that the committee has raised around that — that the advisory committee has raised around that.

Mr. Wendel: — Actually recommendation 31 also talks about that.

Ms. Jones: — 31 of the Baxter?

Mr. Wendel: — Right. The Baxter report, where they talk about The Public Inquiries Act.

The Chair: — Fred, when you were talking about the partnership, could you look at recommendation 26 in the advisory committee and tell me how that's a lot different than what you're suggesting? I see the word audit provisions. Now does that then not include the Provincial Auditor?

Mr. Wendel: — They're saying in there that that's . . . they wouldn't change the law for that. They would encourage . . .

The Chair: — Encourage.

Mr. Wendel: — . . . these two organizations, or the CIC (Crown Investments Corporation of Saskatchewan), is it?

The Chair: — Yes, and the Department of Finance.

Mr. Wendel: — Department of Finance to ensure that all agreements would have these standard provisions in them. And again, it doesn't say that they would be provisions for the Provincial Auditor. It just talks about audit provisions.

The Chair: — Okay. So that's the difference.

Mr. Wendel: — Yes. So I don't think there's an agreement on that.

Ms. Higgins: — On page 25, recommendation for change to the Act, in the first paragraph there are conclusions and recommendations of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* should be included in the Act. Can we get a copy of that?

Mr. Wendel: — Oh, do you not have that?

Ms. Higgins: — No.

Mr. Wendel: — Yes. We can make that available, yes.

Ms. Higgins: — Okay. Like is it the recommendations that are in that column or is there more included in that?

Mr. Wendel: — There are many recommendations in that particular report. Now . . .

The Chair: — That's the 1994 task force.

Ms. Higgins: — '94.

Mr. Wendel: — If you're wanting to understand how all those recommendations might appear in The Provincial Auditor Act if they were accepted, like one of the things I've had our lawyer do, Mr. Neill, some time ago was to take the recommendations we've made and to draft legislation and note where things would have to change and what could be added and not added. So you can see what the words would look like in law. Okay.

So I have those available. Those can be made available to the committee if they're useful to you. And Mr. Neill can speak to them; he's here for that purpose. So if you wanted to know how those task force recommendations — I'll provide you a copy — and if you wanted to know how that would look and what would be done with them, we have that available to you, and you can see that.

Ms. Higgins: — Okay, thank you.

Ms. Lorje: — So you will be providing committee members with copies of that at the end of the meeting, so that we can . . .

Mr. Wendel: — If you wish I can provide it today if you like, yes, certainly.

Ms. Lorje: — . . . read it, and then perhaps discuss it at our next meeting.

Mr. Wendel: — Yes, sure.

The Chair: — You're asking for the copy of the task force, correct?

Ms. Lorje: — No.

The Chair: — No?

Ms. Lorje: — I believe there's already an undertaking to provide committee members who don't already have that task force report. No. I'm referring specifically to the draft legislation that the auditor has apparently already made.

The Chair: — Well could we proceed through everything first and then go back?

Ms. Lorje: — Yes, exactly. No, no, no. I'm just . . . that's at the end of this.

Mr. Wendel: — Okay. No. 5, okay, I am on page 26. One of the things the institute of chartered accountants recommends is that governing bodies should set out the values that organizations should have when they do their business.

And our recommendation here is that the law should change to set out the ethical values that the Assembly wants the Provincial Auditor to follow the conduct of public business. And on this one the advisory committee disagrees — that's at recommendation 30.

Number 6 is a very important recommendation here. The risk here is that the Act should ensure the Provincial Auditor enjoys the protection of the Assembly. And what we say here is for the Provincial Auditor to have the ability to report difficult issues in a credible manner he has to enjoy the protection of the House, the rules and procedures of the House.

So before anything can happen to the salary of the Provincial Auditor or his removal from office or any of those . . . (inaudible interjection) . . . Removal from office — that there would have to be a full debate in the Assembly. It needs that protection. It wouldn't happen in committee or a board of the Assembly; it would happen in the Assembly under those rules and procedures.

And I think the only recommendation we've made on this one is that they actually require this committee to select to recommend to the Assembly a person for the appointment as Provincial Auditor. You've already discussed that and agreed to that.

And while I'm on that one though, there is a recommendation that the advisory committee is making that we haven't made a recommendation on, and they're recommending a change to the Provincial Auditor's salary provisions.

Recommendation 21. Now their recommendation 21 states that the Provincial Auditor's salary should be clarified; legislation ensures it's not subject to interpretation in the future. Now we think the current Act is clear. And the Act has ensured rules of

the Assembly which ensure full public debate is needed to change The Provincial Auditor Act. So there's no need to change the Act for the risk that's being managed.

Now we think the Act should continue to ensure the Provincial Auditor continues to receive a pay package equivalent to the average of all deputy ministers. If deputy ministers receive in the future as part of their pay package a deferred salary, well then the Provincial Auditor should also receive a deferred salary if there's going to be equivalency.

Now if a decision is taken that in future there'll be now deferred salary, then there needs to be an amendment to this Act to also remove it from the Provincial Auditor, okay.

So I don't think there should be future provisions, like looking for the future. It could be that there will be a decision made to compensate deputy ministers in the future on a different basis. It might be a regular salary and a deferred salary. Well if you're going to keep them as an equivalent salary, then they should have the equivalent salary.

I think what was being discussed in the Baxter report was pre-'91 all deputy ministers received deferred salary. In 1991, there was an Act passed by the Assembly to remove those provisions, for the specific provisions, and say they received something under The Proceedings Against the Crown Act, I believe or — I'm not sure of the actual Act — as to how much money they would actually receive when they left office. It was under common law.

The Provincial Auditor Act wasn't changed for that provision. And if the Assembly intended it to apply, they should have changed it. That's all I'm saying here is if in the future deputy minister is compensated in a different way, the Provincial Auditor should be able to be compensated that way, okay.

If you change . . . like governments change, they change their decisions. Well they have to remember to also change this Act if that's what needs to be done. And I'm not sure whether you should look into the future and try and stop all of those pay provisions in the future. That's all I'm saying. Like, you'll have to debate that and make your decision. But the committee . . . that was the recommendation made by the advisory committee.

Ms. Lorje: — Well I think I'm almost ready to debate it now but I will hold off for a bit. I guess I would ask you then what happened if the deferred salary provision was deleted in 1991. And as I understand a deferred salary provision, what that really is, is sort of a golden parachute; that's a severance package that deputy ministers would have got when they left the job whether they needed it or not. Is that correct?

Mr. Wendel: — It could be that, or it could be there was an agreement when they came on that that's how you got your salary. It had two elements to it.

Ms. Lorje: — All right. But it was deleted in 1991.

Mr. Wendel: — There was an Act passed, yes, to remove those provisions. Yes.

Ms. Lorje: — So then it seems to me if there was an Act passed

to remove those provisions and the Provincial Auditor's salary when he first came was . . . said that he would have what the provisions were for the deputy minister, then when that Act was passed that those provisions were removed, then they would have also been removed for the Provincial Auditor. Is that correct?

Mr. Wendel: — No, that's not correct.

Ms. Lorje: — But why not?

Mr. Wendel: — Because there's . . .

Ms. Lorje: — You can't have it both ways, can you?

Mr. Wendel: — Well, the way the Act is structured is that the Provincial Auditor's salary does not go down. There is an actual revision in the Act that says, if he's paid a certain amount, is the Act, the salary is not reduced. Okay. They calculate the salary once a year. If the calculation results in the salary going down, he stays at his current salary . . . or she.

That's the way the Act currently reads. That's section 4(2) of The Provincial Auditor Act. That was a downward protection for the Provincial Auditor's salary.

Ms. Lorje: — So am I correct then in assuming that when the former auditor left, he received a deferred salary package?

Mr. Wendel: — That's correct.

Ms. Lorje: — Well it seems to me then that makes it all the more relevant that recommendation 21 of the Baxter committee should be applied, so that we don't have this kind of interpretation.

Mr. Wendel: — And if you do that, all I'm pointing out to you is that should compensation pay packages or pay packages for deputy ministers change in the future, you've excluded the Provincial Auditor from that. That's all I'm pointing out.

If you . . . if someone decides later on they shouldn't have that package, well I guess you can come forward to this committee, propose changes to the law to make sure the Provincial Auditor also doesn't get that package. I mean that's all I'm saying.

Ms. Lorje: — But realistically a major Act is only opened every three or four or five years. And it would seem to me we need to be clear about what the salary provisions are rather than relying on opening up a major Act.

Mr. Wendel: — Well you'll be opening a major Act if you decide to do away with those benefits for people in the future again. Just like happened the last time. Like there is a major Act being opened. I guess it means that you have to open two Acts at the time.

Ms. Lorje: — Surely the Baxter recommendation that says, clarify what the definition is of salary in this legislation, and then we don't have that problem in the future.

Mr. Wartman: — I was basically going to say that if — as Ms. Lorje just said — if we've got the definition clearly laid out, it may account for those types of changes that could arise in the

future. And I think that it would be wise for us to have it laid out with the conditions in there, so that if there are changes like happened in the past for the deputy ministers, it would automatically apply to the Provincial Auditor as well.

And I think we can do that through definition. And hopefully that would not mean . . . it would lead us away from the kind of confusion that I think there was this last time around here.

So I guess I'm just saying, I agree with recommendation 21. I think we've defined it as clearly as possible and hopefully that will keep us away from confusion.

The Chair: — Any further comments? I know we'll have further discussion on that one.

Mr. Wendel: — Okay, on page 28 and 29, our recommendation no. 7, or risk no. 7. We talk about the need to involve this committee in ensuring we have the adequate resources to do our job. And our recommendation is the Standing Committee on Public Accounts should recommend that resources for the Provincial Auditor, and the Baxter committee agrees with that in recommendation 4.

Now there's some . . . Also in this section we talk about our ability to retain audit fees, to retain unspent resources, and to use that money to finance the cost of audits. We're recommending no change to the Act; we have the independence to do our job. The Baxter committee is recommending that that independence be taken from our office in recommendations 18 and 19. And I made a report to you last meeting discussing that.

The Chair: — Any questions of those three recommendations on the advisory committee versus . . .

Ms. Lorje: — I would like to ask members of the opposition if they have any thoughts on this because this is . . . First of all, there's two major issues here. One is the question . . . I mean it looks like it's nothing, but these are two major issues.

First of all is the question of whether or not it should be Public Accounts that's doing the budgeting for the auditor. So I don't know. Are any of the members of the opposition on Board of Internal Economy? Do they have any thoughts on it or have you discussed it?

Mr. Gantefer: — We have members on Board of Internal Economy but not the members present here.

Ms. Lorje: — Not the members present. That's what I'm asking. Who are your members?

Mr. Gantefer: — Dan and Bob, Dan D'Autremont and Bob Bjornerud.

I don't know, Mr. Chair, like there's a number of issues that I think we needed to talk about in terms of where we stand on these things. So I think that I'd appreciate getting through this comparison and I really do think we've got to start saying, okay, where are those areas of agreement and disagreement. But I don't think we should sort of approach it sort of dysfunctionally here, that we're chopping this one thing apart and debating it and others are not doing it. I'd appreciate

finishing this.

Ms. Lorje: — My only point is that this is not a recommendation that simply impacts on us. I think we have to have some consultation with our members on the Board of Internal Economy as well, and also with the Speaker. So that's why I was wondering who your members were.

The Chair: — That discussion has not taken place yet. No. 8.

Mr. Wendel: — No. 8 is the . . . (inaudible) . . . we identify if the Act should ensure the government and 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.

And we think the current Act provides us with all that independence. We're not recommending any change.

Now the advisory committee recommendations 14, 15, 16, and 17 — we're not quite sure how that would impact on us. Recommendation 14 of the advisory committee recommends a process that the appointment of the members of the audit committee shall be by cabinet on the unanimous recommendation . . . the members to be on the unanimous recommendation of the Standing Committee on Public Accounts.

So what we think is that that recommendation results in an inappropriate accountability relationship and the independence of the audit committee is not clear. On the one hand the committees are selected by this committee; on the other hand the committee is appointed by cabinet.

Now it's trying to be part of the executive branch of government when it's appointed by cabinet. So the accountability relationships are — if you're appointed by cabinet, the cabinet has to answer for what committees do. And that's our system.

And it's not really part of the legislative branch, but you're recommending the members. So I think it should be either one or the other. If PAC (Public Accounts Committee) . . . maybe it should be set up that PAC appoints the audit committee and then it becomes part of the legislative branch of government. So that's something you should think about as you're going through that recommendation.

It could impact then on the next recommendation of theirs which is 15. If it becomes a committee of the Assembly — in other words if it becomes your committee and legislative branch — I'm not sure it's appropriate for us to discuss draft reports with a committee of the Assembly.

You know, I think committees of the Assembly should get final reports. And they can have their advisers, whatever, you know, whatever advisers they need. Like, let's say they get a report . . . you get a report from us. We're here as an adviser on what we reported. Government officials are up there to tell you what they think about a particular issue, and if you then think you need more information, well certainly you can get whatever advisers you need. And we recommend you should have that. Whatever other advisers you need. If you want it to be the audit

committee, that's fine. Okay? Or any other advisers on an ad hoc basis.

So that's all we're pointing out so if . . . trying to get back to . . . If a legislative committee receives a draft report and they say, don't report something, pretty difficult for a Provincial Auditor to then report. So whose report does it become at that point? It's, you know, like if the Provincial Auditor doesn't report something, well it's really the committee's report.

Mr. Gantefer: — Can I direct a question? Mr. Wendel, in trying to understand what Mr. Aitken I believe spoke to at our last meeting in this regard, and I do share . . . One of my major concerns about this whole issue that I have to confess is the whole role and structure of this audit committee — even the name of it.

But if we make the assumption that there would be agreement that the Public Accounts Committee could structure a committee appropriately under its direction and that, as I understood it, that as you go through audits you actually sit down — using any government department or any agency as an example — but before your final report is actually tabled or drafted, that there is a meeting that occurs between the agency and your office, the purpose of which, as I understood it, was to discuss the issues that you were going to raise.

And my understanding was is that potentially this committee of Public Accounts, and I'll leave out what it's called right now, may have a role to help mediate or I don't know — mediate suggests confrontation — but to facilitate the clarity that may be required between your office and the department in terms of saying, okay, this is exactly . . . we agree on the facts and now here is the recommendation.

Does that happen now without the help of this extra body getting involved in it so that the facts are pretty well understood by both sides, even though there may be disagreement or there may be an issue raised in your final report. But are there circumstances whereby when you had this meeting and this further clarification given by the department, that that takes away or modifies what your recommendation may end up being and in fact could make it go away by your agreement.

Mr. Wendel: — The way the current Act is structured, there is an audit committee established under The Provincial Auditor Act that's appointed by cabinet. That committee has the power to receive our reports before they are tabled in the Assembly. We can choose to give them the report the day we table or we can choose to give them the report two weeks in advance.

Our practice has been to give them the larger reports — the spring report and the fall report — in advance so there's an opportunity to meet with them in draft form to make sure that we have all the facts before us, before we make our public reports. And we go through quite an intense process to make sure what we report is factual.

And we meet with individual government departments, we meet with the central bodies if they're involved — the Department of Finance, the CIC. And then as a final meeting we meet with the audit committee and discuss these draft reports on the spring and the fall reports to ensure we do have all the facts before us.

Now we have no problem meeting with the departments or the audit committee as presently constituted because they have no power to interfere with what we report. We are completely independent of executive government. We have the independence to report difficult matters in a credible way. Okay.

If this committee becomes part of the Public Accounts Committee, then it becomes a different issue. They would have to be sure that then we'd have the independence from this committee that you can't influence what we report, so the final report that goes to the Assembly is the Provincial Auditor's report. So that's the comment I was trying to make.

Now on occasion we make reports where we give the report to the audit committee on the day we table. The ones that come to mind now at this time are, we make two reports on our involvement when there's appointed auditors — there's special reports so they know whether they've been involved with the CIC Crowns, which ones we've been involved with, or the Treasury Board Crowns, which one we're being involved with. There's two reports come down on that. When we tabled the special report, we just provide that the day we table. Okay.

And there may be an urgent matter that the Assembly wants information from us, well we would make a special report on that. That would not also follow some two week process. Like we would report that.

So we choose to discuss these more detailed reports to make sure what we're reporting on our audit conclusions and findings with the audit committee and want to continue that process and take the time to make sure we have a schedule for this. There's a date we establish early on. We'll let people know what's happening in these meetings and we want to continue with that. Okay.

Ms. Lorje: — Is part of the problem that you call everything that you write in your office a report?

Mr. Wendel: — It's all a report, yes.

Ms. Lorje: — Maybe part of the problem is also semantics. You're saying if you want to make a comment on the application of The Financial Administration Act, 1993 for instance, that that is as far as you call it a report, and that what the Baxter committee is recommending is that they should get that 10 days in advance and that that would cause you some inability to be able to be flexible to report to this committee.

Mr. Wendel: — We may not be able to report urgent matters in a timely way.

Ms. Lorje: — And surely what the Baxter committee is commenting on is your spring and fall reports.

Mr. Wendel: — I can't comment on that. It could be on an urgent matter that we want to report. It isn't specific . . . (inaudible) . . . concerned here. It's not specific that it just deals with these two reports, okay.

The Chair: — Anyone else?

Mr. Paton: — Every once in a while I think I should provide some input to this committee. I don't want to be providing opinions but in regards to the issue that you're currently discussing, I agree with the Acting Provincial Auditor that perhaps the report isn't as clear as what he would intend that it should be saying.

But I would like to clarify that from government's perspective, that we're proceeding with drafting instructions partly on the recommendations of the Baxter report. And as it relates to the issue that's on the table now, the changes are being made or being contemplated as they address what's currently referred to as the spring and fall report and providing those inadequate time frames for the committee to review, with recognizing fully that there are special reports that that time frame could not be addressed. So it wouldn't inhibit any special report by the Provincial Auditor being tabled with no notice.

So that's . . . I agree that maybe this report doesn't say that but in terms of how we're working with the drafting instructions, we've attempted to separate those two issues. The spring and fall report which are the larger issues and traditionally go to the audit committee for discussion will be anticipated to be received in a timely fashion for their review and help to facilitate resolution of issues, but there'll be no requirement for those special reports that the auditor may want to table.

Mr. Gantefoer: — Yes, I'm directing a question to Mr. Paton.

Mr. Paton, in your drafting instructions have you discussed or dealt with the issue that's been raised by Mr. Wendel in terms of the perceived or potential conflict of responsibilities if this audit committee is now a function of the Public Accounts Committee? Does that somehow impede the auditor's independence. Is that addressed or has it been raised?

Mr. Paton: — I'm . . . just going . . . don't have the draft instructions before me right now. I understand your concern and definitely the intention is, I guess, to further the independence of the audit committee.

The process I believe is still such that an order in council is required to set up the committee, but it is on the unanimous recommendation of this group here. So I guess if you read the Act, my interpretation would be that the Act says there shall be an audit committee — that's one of the things that's in there.

Mr. Gantefoer: — Which Act?

Mr. Paton: — The current Provincial Auditor Act.

Mr. Gantefoer: — The auditor's Act.

Mr. Paton: — The Provincial Auditor Act indicates that there shall be an audit committee and the Act indicates that . . . or will indicate that it will be based on unanimous selection of the Public Accounts Committee. So it would be impossible for the government to, I guess, to not establish it on that basis.

Mr. Gantefoer: — But it also could be established by resolution of the Assembly rather than by order in council?

Mr. Paton: — I'm not aware if it could or not.

Mr. Gantefoer: — But the bigger, the bigger issue is that if that's resolved in terms of that we would set it up in such a way that we're all in agreement, the audit committee or this committee is responsible to the Standing Committee on Public Accounts, rather than Executive Council.

Like, never mind the semantics of how that happens, there's still I think, in listening to what the auditor is saying . . . or the acting auditor, then you have the potential conflict of does this committee representing Public Accounts get into a conflict by entering into discussions with the Provincial Auditor about the final outcome of a report that's going to be tabled to this very same committee.

The auditor has indicated that as long as this audit committee was in a branch of Executive Council, and that the auditor's authority came from the Assembly, there was a clear separation of authority and jurisdiction and that conflict does not exist now.

But if we change that, the concern is that we're putting ourselves and the audit committee and the auditor in an awkward position of prediscussing a report that's to be tabled to us.

Mr. Paton: — Well, Mr. Chair, the only thing I might note is that the intention here is definitely to establish a committee that I think is more independent, and is structured very similar to the way it is in the current Act, with the changes that it does report to this committee. Its primary function would continue to be resolving issues between management and the Provincial Auditor, whether there may be some issues that haven't been put on the table for one last look before the report gets tabled.

This committee doesn't meet on a routine, regular basis. So if you're talking about the possibility of this Public Accounts Committee prejudging issues before they get to the Legislative Assembly, I would think that that would be unlikely.

As the auditor states, usually the audit committee might get the reports two weeks in advance to their actual tabling. The likelihood of the committee reviewing those reports, issuing a report, having it come before Public Accounts prior to his tabling, I think is unlikely.

The Chair: — Mr. Kwiatkowski, thanks, but if I might before that . . .

Mr. Paton, on recommendation 15, the third bullet then. If you're looking at, you know, the current legislation and how changes will be required, clarify for me if this is to be a committee unanimously selected by the Public Accounts Committee regardless of how that actual placement of the committee takes place. Whether it be through Executive Council or a resolution in the Assembly, that committee now is an advisory committee to two ministers, to the CIC committee, Standing Committee on Crown Corporations, and others as requested . . . how do you put that together?

Mr. Paton: — That's in part a continuation of the way that the committee currently is established.

I think the way the advisory committee saw this is you have

currently a tool that's available to help resolve issues. Sometimes those issues are ones that are coming up in the auditor's report and are potentially going to be reported on to the legislature and subsequently to this committee.

But there could be other issues that either the Minister of Finance or the ministers responsible for Crown corporations or the auditor would like to get the various groups together, would like someone to have an independent view at it and provide some advice.

They have no authority under that last section that's being contemplated. It would just be a group that you have selected some independent individuals selected by this group for their technical expertise, their broad backgrounds, that might be able to have a different look at things before they actually get reported by the auditor. It could be something that's being contemplated by government where they would like to seek the advice of a separate group.

But they don't have any authority for decision. It's simply an advisory group. They could advise the auditor as to what their opinion might be on the issue, or the Minister of Finance or whoever is requesting that assistance.

And that is a little bit of a departure. I think the committee saw the group as being well-rounded, knowledgeable, and able to provide advice to resolve issues before they could become reportable issues, not after.

Mr. Kwiatkowski: — Thank you, Mr. Chair. I have some very real concerns around the entire concept of audit committee. I think at our last meeting, Mr. Wendel articulated very well his understanding of what our role as a Public Accounts Committee is, and I in fact agree with that. I think that for all intents and purposes we are the audit committee of the legislature.

And now after having seen some of these recommendations, I am even a little more concerned that we're getting off into an area where in fact the independence of the auditor could be compromised. But I think the larger issue here is that if we are going to follow the definition of an audit committee in its truest sense, then we, as we exist as a Public Accounts Committee, are for all intents and purposes the audit committee of the legislature.

And this audit committee that's being recommended here, I see as basically being redundant. If we want to avail ourselves of expertise from time to time — and I think once again Mr. Wendel articulated this at the last meeting as well — then we certainly have the ability to be able to form subcommittees, call on individuals, whatever it takes in order to be able to avail ourselves of the expertise to be able to do our job.

But as it exists now, given what I believe the role of the Public Accounts Committee should be — and certainly as a new member I could be incorrect — but I think that we would be creating something here that would for all intents and purposes be redundant.

The Chair: — Comments?

Ms. Lorje: — Well I think this could potentially be a major

point of disagreement amongst committee members. And I think we, all of us, have to think through the implications of these recommendations very carefully and think through what the structure is and what, quite frankly, our own abilities are — none of us are chartered accountants.

And there are some major changes being recommended by both the auditor and the Baxter committee in terms of what responsibilities and tasks this Public Accounts Committee would be charged with. I have some real concerns that we might be leaping into areas where we really don't have sufficient expertise.

So I would hope that all committee members would go away and think very carefully about both the Provincial Auditor's position and the recommendations in the Baxter committee before we dig ourselves into hard and fast positions on this.

This I think is going to be key to any potential legislative change. So I think we have to really think this thing out very carefully.

The Chair: — Could you clarify what you meant by this is going to be key? You mean the creation of an audit committee, or what were you referring to?

Ms. Lorje: — Yes, yes — the creation of an audit committee.

The Chair: — Okay. Any other comments? Okay, thank you. Let's move on to no. 9.

Mr. Wendel: — I hadn't quite finished my comments on . . .

The Chair: — Oh, sorry. Sorry.

Mr. Wendel: — The discussion got going . . .

The Chair: — It got going. All right, we'll back up.

Mr. Wendel: — I didn't want to interrupt.

The Chair: — All right, no. 8 again.

Mr. Wendel: — I had mentioned that we had some concerns with 14, 15, 16, and 17. I hadn't discussed my concern with 17, and 17 talks about requiring the Provincial Auditor to provide any information that's necessary to enable the audit committee to perform its duties.

Now this is a change from what's there now, okay. And what's there now is the Provincial Auditor can decide what information should be made available to the audit committee to carry out its duties, okay. So that sets up, along with recommendation 15, the potential for an interference by the audit committee and what we do. And it also sets up that there could be a possibility that our working papers might have to be made available to the audit committee. So I just want to point that out that that's a concern for us.

Mr. Paton: — Mr. Chairman, just to support Mr. Wendel's comments. We recognize that concern as well. And again the drafting instructions are not quite in line with the Baxter report and are more in line with the current legislation that allows the

auditor to provide information but also expands it to allow government officials to supply information as well. But the shell report information is not as anticipated by Baxter. We had the same concern as he does.

The Chair: — Anyone else? Does that conclude no. 8? Okay. Let's move to no. 9.

Mr. Wendel: — Number 9, yes, the risk there is that we want to ensure that the government and the Assembly's committees and boards cannot interfere with the Provincial Auditor's ability to decide and acquire the necessary staff and the other equipment and tools necessary to fulfill our role. The Act does that now. We're not recommending any changes and there's no recommend . . . no changes that I can see in the Baxter committee that dealt with that.

The Chair: — Anyone have any comments on no. 9? Okay. Number 10.

Mr. Wendel: — This one is . . . We're recommending the Act should ensure that we have access to all of the things that we're required to audit and report to you. And what we say in here is that the current Act provides us with all that authority except for transfer payments. And I discussed that earlier with you. That's a policy decision you need to talk about and make a decision as to whether or not you want us to pursue that. If you do, then there will be a change required to the law.

Ms. Lorje: — Could you just expand a little bit on what you mean by electronic information?

Mr. Wendel: — Would be the various computer systems, what's stored in the computers. I mean, a lot of things aren't stored in paper copy any more when we audit. We just need access to the computers besides just the pieces of paper.

Ms. Lorje: — Does the current Act refer to electronic information?

Mr. Wendel: — Yes, yes. The second part of that . . . Oh, sorry.

Ms. Higgins: — Sorry. I just have a question. Can we back up to 9 just for a quick question?

Mr. Wendel: — Sure. Okay.

Ms. Higgins: — I was just wondering . . . I mean I realize the importance of that. Can you give us just, just for a bit of background and something to go by. What kind of increases, like percentage-wise, or how much has the Provincial Auditor's department or . . . what has it grown over the last, say, five years? I mean just, like, percentage of increases over the last . . .

Mr. Wendel: — I'm not sure if I've got that. I can provide that. I'm not sure I have it with me.

Ms. Higgins: — . . . into the auditor's budget.

Mr. Wendel: — This is our total resources, you mean?

Ms. Higgins: — Yes.

Mr. Wendel: — I think we have something in our business plan. We provided that as ongoing information to the Board of Internal Economy so they could see how our . . . what our trend line was on our expenses.

Ms. Higgins: — Oh, okay.

Mr. Wendel: — I'm pretty sure we provided that. I carry a lot of stuff around in this old briefcase.

Ms. Higgins: — If you don't have it accessible, I mean that's fine. I can . . .

Mr. Wendel: — I'll see if it's in here.

Ms. Higgins: — Okay. It was just kind of a curiosity question, give me something to go by.

Mr. Wendel: — It's one of the appendices in the report. It may not be exactly what you want. It has a trend line running from 1995 to 1999 showing kind of a flat line — it's on page 66 of our business and financial plan. If you don't have a copy, I can make that available to you. Do you want copies for the committee, our business and financial plan? Is that the wish of the committee?

Ms. Lorje: — It only goes back the last five years . . . last 10.

Mr. Wendel: — Last five. We've got it for . . . If you want it, I have that historical information. We used to put 10 out and then we reduced it to 5.

Ms. Higgins: — Could you provide us next meeting even just with a copy of the last 10, 10 years?

Mr. Wendel: — Sure.

Ms. Lorje: — And under recommendation 9, if you strictly . . . if you read it very, very coldly, are you saying that nobody including Public Accounts Committee can make any comments on your budget? That you just present them to us and that's the way it . . .

Mr. Wendel: — This isn't our budget. This is our ability to actually hire people and to spend the money, like, no . . .

Ms. Lorje: — Well isn't that the budget?

Mr. Wendel: — No, the budget was dealt with earlier.

Ms. Lorje: — I mean your resources . . .

Mr. Wendel: — The budget was dealt with earlier — recommendation 5 . . . Oh no, sorry — 7.

We recommend that this committee should establish the budget for this office, like, the total resources. Once you've established the resources for this office, then the Provincial Auditor needs to have the independence to decide what kind of people you should have to do the job, what kind of equipment he needs, what kind of supplies he needs, or she needs, sorry.

Ms. Lorje: — Yes. But that's within budgeted amounts.

Mr. Wendel: — Within whatever you make available to us, right.

Ms. Lorje: — I'm really glad you clarified that. Because when I read recommendation 9, it seemed to me to read that you will just present us with a bill.

Mr. Wendel: — No.

Ms. Lorje: — I didn't think you could possibly be saying that, but . . .

Mr. Wendel: — And we've tried in these business and financial plans to be as transparent as possible. So if you ask questions, we try and provide a written answer to that the next time, so that it's there; it's before you. We want you to know what we're doing with the money.

Ms. Lorje: — So what you're really saying then is that, let's suppose that you were hired as the Provincial Auditor not just the Acting Auditor, and then you decide that we've given you the resources to hire two extra people. We don't have any say in who those two extra people would be — you do that independently.

Mr. Wendel: — That's right. Right.

Ms. Lorje: — So it's the independence of your hiring process that you're talking about. I agree with that.

Mr. Wendel: — That's all that's dealing with. And you've given us that independence in the past. And we then like to make sure that you're aware of what we're doing with the money.

Ms. Lorje: — Okay. So recommendation 9 means you are independent once the budget has been discussed by the appropriate body.

Mr. Wendel: — Right. Once it's gone to the House, yes.

Ms. Lorje: — Okay.

The Chair: — Whether that budget has gone through Board of Internal Economy or this committee is the question that we'll deal with through 7.

Okay. Let's move on, please. No. 10 then.

Mr. Wendel: — The last item on 10 is at the moment there are no penalties imposed on government officials who don't give us access to their books and records. And what we're recommending here is that the Act should require . . . the Provincial Auditor should be changed so that it would require a debate about this matter as provided for in The Legislative Assembly and Executive Council Act.

Now the committee disagrees with us. The advisory committee disagrees with us on that one and no. 31. And the committee also disagrees with us on the access to transfer payments on 27. That's their recommendation 27.

Ms. Lorje: — Did you have any thinking as to what the penalty

should be?

Mr. Wendel: — Just a debate in the Legislative Assembly, a required debate under . . . And there's a provision in The Legislative Assembly and Executive Council Act where an officer of the Assembly has been interfered with in the conduct of their duties, and as a requirement . . . there could, you know, be a requirement that there would be a debate under that section. That's all we're asking. It's up to the Assembly to deal with it.

The Chair: — Any questions? No. 11.

Mr. Wendel: — No. 11 is they actually require the Provincial Auditor to provide reliable information to the Assembly. The Act currently ensures that — because the Provincial Auditor is a chartered accountant and the institute of chartered accountants has processes for ensuring we report reliably. And we're not recommending any change to that, to the Act. This was discussed by this committee I think one or two meetings ago. And the audit committee agrees with us on recommendation 28 . . . or the advisory committee rather.

The Chair: — No change.

Mr. Wendel: — No change.

The Chair: — Okay. Any questions? No. 12.

Mr. Wendel: — No. 12 deals with the periodic renewal of the position of Provincial Auditor. And our recommendation — there should be a fixed ten-year term. Your committee discussed this last meeting and agreed with that. The audit committee . . . the advisory committee also agrees with that on no. 20.

The Chair: — No. 20?

Mr. Wendel: — Right.

Ms. Lorje: — And your transitional thing is now irrelevant?

Mr. Wendel: — That's irrelevant, right.

The Chair: — And no comment by the advisory committee on whether or not the person is eligible for rehiring, right? As I read it.

Mr. Wendel: — I'll just see. You have to go to their comments before. No re-employment. They say no reappointment provision, but we had a . . . There was a debate in here the last time and it got kind of confusing what with reappointment and what was a renewal and what was . . . you could put your name in again for a second term. Now that was a . . .

The Chair: — I think we had concept clarification on that, right?

Mr. Wendel: — Yes.

Ms. Lorje: — We landed on the you're eligible for rehire.

Mr. Wendel: — That seemed to be the view of the committee.

Now I'm not sure what . . .

Mr. Wartman: — And it should be clearly defined that that is what we mean.

Mr. Wendel: — There was debate on this and people had different views on it. And I hadn't really thought about it in those terms when the debate got going and so . . .

The Chair: — If I might ask, Mr. Paton, is there any discussion at your level in the draft preparation on recommendation no. 20?

Mr. Paton: — My recollection of the drafting instructions is that it's just going to speak to a ten-year term and it won't be specific as to whether or not a person could be rehired through a due process.

The Chair: — Any further comments on 12? No. 13.

Mr. Wendel: — No. 13 is a . . . we're suggesting here that the Act should require this committee to monitor what's happening in Saskatchewan and around the rest of Canada to see whether the objectives for our office continue to be relevant.

And it's one of the things that's recommended by the Canadian Institute of Chartered Accountants — when you set objectives you should continue to revisit them to make sure that they are still appropriate for what you're requiring. And we're suggesting that this committee should be required to periodically review the Assembly's objectives for the Provincial Auditor, and they would come forward from us and ask you to consider them and you make your decision whether you want any changes depending on how the world is evolving.

Ms. Lorje: — How does that relate to your recommendation no. 1 which you want enshrined in an Act?

Mr. Wendel: — Right, and they should then be reviewed.

Ms. Lorje: — So you're asking for the Act to be opened up regularly?

Mr. Wendel: — Yes, on a periodic . . . it should be reviewed on a periodic basis. You make the decision whether you need to change the objectives. If you feel they're still fine, there's no need to open them up. If things need to change, well I mean that should be discussed and debated and if it needs a change . . .

It's just a process to make sure that it is considered periodically. And not every year but periodically to make sure that they're still what you want from us. That's still the objectives you have for this office. That's just good business practice.

The Chair: — And the committee's recommendation?

Mr. Wendel: — Well the committee disagrees. Recommendation no. 30.

The Chair: — It's . . . (inaudible) . . . 30.

Ms. Lorje: — Mr. Wendel, do you have any thought on what you mean by periodically? Is this every year, every five years,

every ten years? What is periodically?

Mr. Wendel: — I don't think we've got any legislation for that. I think we have those details in that draft Bill. But it would be . . . it wouldn't be, I don't think, annually, but it should be reviewed though periodically, and it could be every four years. I'm not sure whether we have a specific date. We can provide that though.

The Chair: — The reason, folks, is that we also have to be aware that we have another committee coming into this very room at 11 o'clock, so we don't have a whole lot of time, and I would like to ensure that we get through 14 and 15.

Let's move on to no. 14 please.

Mr. Wendel: — This recommendation is a . . . (inaudible) . . . The Act should clearly set out our accountability relationships with the Assembly, and it discusses those things and it talks about the need for us to make sure that you receive a business and financial plan from our office in an annual report on operations. Now there's no requirement in law for us to provide that to you. We have for many years done so and we're suggesting the Act should require that.

And the advisory committee agrees with that on recommendation 7, 4, and 15. No. 15 is, I think, the first reference to actual business and financial plan but I think they intended it in no. 4 because they say your committee is going to review our budget.

The Chair: — Again that was no. 4, no. 7, and . . .

Mr. Wendel: — No. 15, in a kind of a bullet.

The Chair: — Oh, the one bullet there.

Mr. Wendel: — The one bullet talks about a business and financial plan.

The Chair: — Yes.

Mr. Wendel: — Right. There's a reference to it and I just assumed then it would be made available to the committee on that basis.

The second part . . . (inaudible interjection) . . . I'm sorry, there's two parts to this . . .

The Chair: — Yes, go ahead.

Mr. Wendel: — But if you want to go to questions first . . .

The Chair: — No, no. We'll finish off the 14 so that I don't cut it off.

Mr. Wendel: — The second part of the recommendation is there should be an audit of the Provincial Auditor. And the current Act provides for that and that auditor has to do whatever we do when audit a government department. That auditor also has to make a report to this committee about his or her findings.

And we're recommending no change to the Act on that. I think

it's okay the way it is.

Ms. Lorje: — Are you audited annually now?

Mr. Wendel: — Yes, there's an audit report in here on our business and financial plan that you can be assured that the money we're asking for in the way of resources reflects our operating plan, our goals and objectives, our strategies, our action plans. You get that assurance, okay.

We also have our costs allotted audited and our financial statements audited. Those are all provided to this committee.

The Chair: — And that second part obviously has some recommendations in the report, advisory report.

Mr. Wendel: — Yes, the advisory report has recommendation no. 12, and the recommendation there talks about the need for an engagement letter that this committee, or the advisory committee or the audit committee, like, would help this committee direct.

Now we're not sure what the purpose of an engagement letter is because the terms of the engagement are set out in law — you can't change that. I'm not sure what it would be included in an engagement letter that wouldn't already be set out in the law because they are required to do what we do, okay. That's the engagement.

Just like our engagement, we don't necessarily have an engagement letter with every government organization that we go out and audit. What we do though is provide them an audit planning memorandum telling them what we're going to be doing as information. But it isn't an engagement they have with us. Okay.

The Chair: — You've indicated that currently there is a process where an auditor audits your account.

Mr. Wendel: — That's right.

The Chair: — Could you talk about no. 11 and no. 13 regarding why the advisory committee would be looking then at a series of three recommendations that . . . Is this just to put in . . . Yes, no. 11, and then no. 12, and no. 13, we're talking about specifically a change to the legislature to allow the Assembly to appoint the auditor that would audit the Provincial Auditor.

Mr. Wendel: — They're recommending that this committee hire the auditor. Yes, right, I'm sorry I missed that point.

The Chair: — Yes, that's no. 11. Right.

Mr. Wendel: — I have no concern with that. That's no. 11?

The Chair: — Yes.

Ms. Lorje: — Do you agree?

Mr. Wendel: — Yes.

The Chair: — How is that different than what is in practice today?

Mr. Wendel: — Cabinet hires the auditor today.

No. 12, as I explained, I'm not sure the purpose for an engagement letter. And no. 13, the report is currently tabled with this committee. I'm not sure what they intended here — like, was the intention that they be tabled in the Legislative Assembly? I'm not certain. So what was no. 13? But I had no concern either way so . . .

Ms. Lorje: — These were just . . .

The Chair: — You — sorry, Ms. Lorje, if I could just clarify — you state that the auditor's report of your office is tabled through the business and financial plan that you present.

Mr. Wendel: — It's tabled two ways. The auditor reports directly to you as we do to the Assembly, okay, with a report, and that's just one page I believe about his audit of our office. The auditor also reports on our financial statements in our business and financial . . . the information in our business and financial plan. The audit of the financial statements, the auditor's report, is included with our annual report on operations and that's tabled in the House.

The Chair: — Is that required in the auditor's Act? Is there current legislation there that says that this will happen?

Mr. Wendel: — No. That's the recommendation we're suggesting that you . . . the above recommendation . . .

The Chair: — Should require . . .

Mr. Wendel: — Should require an annual report on operations.

The Chair: — And that would include that.

Mr. Wendel: — Right. And that auditor's report comes to you that way just like our audit report on — I'm trying to think of a government agency quickly, but — Regina District Health Board or the Department of Health, like our . . . No, not the department of . . . they don't have any financial statements. There's some 200 of them in the report here, but there's a compendium of financial statements that you get and you'll find our auditor's report appended to those financial statements. And they come to you that way rather than us putting them all in this book. Like just . . . so that's how they come.

The Chair: — Yes, okay. Ms. Lorje, question?

Ms. Lorje: — No, just a comment. As I read recommendations 11, 12, and 13, they're simply trying to make more specific what is already in the Act. Is that correct? Trying to nail it down?

Mr. Wendel: — No, 11 is taking the appointment away from cabinet and giving it to this committee; 12 . . .

Ms. Lorje: — Again expanding our scope of responsibility . . .

Mr. Wendel: — That's right. Twelve is . . . I'm not sure of its purpose; I can't speak to that. But an engagement letter usually sets out what you're going to do for the client. That's already set out in law because they are required to do certain things.

And 13, it requires the report to be tabled. The Act already provides for that, okay, but it's tabled in this committee. Now I'm not sure whether you'll have to ask someone else what they intended with this, whether they intended it to be now tabled in the Legislative Assembly. But in either event I have no concerns with it either way.

The Chair: — Okay. Any comments, questions? Okay, No. 15. Oh sorry, Mr. Kwiatkowski.

Mr. Kwiatkowski: — Does the auditor of the Provincial Auditor provide you folks with a constructive services letter?

Mr. Atkinson: — Mr. Chair, members, as far as a constructive services letter to our office, I don't believe we've received one recently. But with my discussions with the auditor currently, I asked him to consider as part of his engagement with us that he would provide any comments he may have on where he saw that we could do things better or more efficiently, or to make improvements in how we operate. And I've asked him to consider doing that, and he's told me that he would do that in the future. He would think about providing that information to us.

Mr. Kwiatkowski: — Then that would form one part of the report and to be made available to the Public Accounts Committee?

Mr. Atkinson: — It may or may not. As we do with other government agencies, we may go to a government agency and see many things that we think may improve in some small fashion how they administer public money. It's not at a magnitude that it would be that we would want the Assembly to consider those recommendations. So we would discuss those things with management. They may not in turn end up in one of our reports to the Assembly because of the significance and magnitude of what we're talking about or discussing with them.

Mr. Kwiatkowski: — Thank you, Mr. Chair.

The Chair: — Thank you. No. 15. Our final recommendation which means we should be able to finish before 11.

Mr. Wendel: — In this recommendation about risk, we're asking that this committee review our annual report on operations, annually, and provide us with advice how we can improve performance, and you should get whatever resources you need to do that job effectively. And the advisory committee agrees with this on recommendations 8 and 9.

Mr. Atkinson: — Mr. Chair, members. This ties back to the question that was asked earlier about how we envisaged the objective for our office being reviewed and the frequency of, I guess, amendment to it or discussion on it.

We thought that the report that we make annually to this committee should also include our comments or thoughts on the objective for our office and whether or not it in fact needs to be amended. So each year we'd make a report to this committee. Our annual report on operations would include the objective for the office and whether or not we felt at that time there was any need for this committee to reconsider our objectives.

So it would be done annually. And then I don't think that there's a specific time period that we said, okay, every five years that you would have to consider it. I think it would be done annually. And if our recommendation to you is that our objective is still relevant, then it would be up to the committee to consider that and then decide for itself whether or not in fact it continues to be relevant or needs change.

The Chair: — Any questions or comments on no. 15?

Okay. Seeing that we have had the opportunity now to look at both reports and to hear from the auditor as to some of the similarities and some of the differences, there are, as Mr. Gantfoer alluded to, there are many stand-alone items in the advisory committee — that we don't have a direct tie to the auditor's report.

And the first question that I would ask committee members is for Thursday's meeting, do you wish to have the Chair of that advisory committee, Mr. Baxter, attend if he can? Are there things that you would have to have clarified or ask of the Chair of that advisory committee?

Mr. Gantfoer: — Thank you, Mr. Chair. I think that it probably would be useful to . . . and I don't know. I want to speak a little bit broader as well. And a question to Mr. Paton.

I've heard you several times today that you indicated that there were drafting instructions for amendments to this Act. Is it the government's intention to introduce these amendments in this current sitting or is that something that is not envisaged or it might even be the next sitting?

Mr. Paton: — Mr. Chair, I can't speak to whether or not the government intends to introduce them or not.

We've been working on drafting instructions since last December. And in fact that's what basically started this process, is we shared drafting instructions or information regarding draft legislation with the Provincial Auditor's office. Either December or January, we provided some of that information to the auditor for his comment. That's what started his special report that you just finished reviewing today.

Whether the government's going to proceed with the drafting instructions or draft legislation, I can't predict.

Mr. Gantfoer: — Well thank you, Mr. Paton and Chairman and members. I think that as we go through this in more depth, there are very important issues that are being raised, if you like, in terms of the office of the auditor that go far beyond the methodology of making the appointment of a new auditor. I think that clearly, when the Act is being opened, there are some pretty fundamental discussions as to changing roles and responsibilities implied in this.

And I guess what I'm getting at, in reflection from earlier meetings in terms of a timeline and our expectation of being able to do this within the constraints of the likelihood of the length of this session, clearly in my mind that's not possible. I just don't think that it's going to be possible at all to address those issues in a thorough way that will have knowledgeable input from advice from people like Mr. Baxter, etc.

And why I'm getting at this, I think it is important that we hear the opinion of the Chair and that the timeliness of this now is that I think that the committee has to accept perhaps the reality that we're not going to be in a position to be able to agree to and suggest the final report that we'd have in a way that legislation could be drafted in this session.

And so I think we should say, let's take the time we need, because it's going to spill over almost for sure, to do this properly. So that if at the next meeting we require the Chair of the advisory committee, then I think the committee actually could arrange that meeting at a date other than Thursday, if that's the next step.

I think that the two meetings a week imperative of trying to get this job completed before the end of session, I don't think that's realistic anymore at all in terms of looking at the complexity of the issues. So that we may be able to be more flexible in terms of our meeting schedule so that we get the time to allow for the proper people that we need to advise us.

Ms. Lorje: — Mr. Gantfoer, I tend to agree. It would seem to me in the best of all possible worlds, given that we have an Acting Provincial Auditor right now rather than an appointed Provincial Auditor, that we would be wanting to be able to set up our search committee and get going on it and we would want any auditor that we would be hiring to know exactly what the Act was that he or she was going to have to deal with.

At the same time, since there are so many major changes in process being suggested and recommended by both the Baxter committee and the Provincial Auditor, I think we have to really make sure that we can think these things through very carefully.

I wonder though if we're that much apart on all of this. And perhaps what we should do is take the next couple of days to think these things over and come back and see if it still is realistic to get the legislation through before the end of session.

I think we've made some major recommendations already in terms of wanting to have this be an all-party recommendation — a new appointment of an auditor — and wanting it to be a 10-year, non-renewable term with the potential for rehiring.

That could happen without changes to the legislation. I do think it's a little unfair to be going out and looking for a new auditor without that person knowing exactly what the Act is that he or she is going to have to deal with, and what the committee structure will be like and to whom they report and so forth. But we could conceivably do it.

So I think what I'm saying is I agree with you that we don't want to rush this legislation. I think we still should reflect upon what's happened today, and the discussions that we've had today, and on Thursday come to a decision as to whether or not we think it's realistic — with a lot of hard work — to knuckle down and get it done before the end of this session. Or if what we're going to do is simply recommend to the House the two major changes that we've already dealt with so that the hiring process could go ahead.

Mr. Gantfoer: — If I may comment. I think that we've got to be careful. First of all, I think that this Assembly will be well

served in the interim by the Office of the Acting Provincial Auditor so I'm not concerned about rushing into an appointment even.

I also agree with you though that I think that, before we go into that process even, that we establish what our recommendations are going to be and the legislature considers those recommendations; so that we do have a new Provincial Auditor Act for a new individual to understand before they even want to apply because there may be enough changes in the circumstances that it may affect someone's desire to apply or not.

So I really do think that we shouldn't even rush into trying to put the two things we were in agreement on in terms of the hiring process and the term. That we have to really do this whole package together and then after we've completed the package and the Assembly has debated and given us that mandate to do these things, then we go out and complete the next stage.

I realize that I'm talking about a year process from now, or more. But I believe it's important to take that and I believe that interests . . . the public interest will be well served by the Acting Provincial Auditor in the interim.

Mr. Wakefield: — Thank you, Mr. Chair. Just a comment then. I found today's comparison of the two very useful. I think I would be prepared to debate some of the issues on a more knowledgeable base now. And I think it would be really useful to be able to get Mr. Baxter to come to explore some of these other issues. I think that would also increase our base understanding.

I noticed a note from our last meeting that our priority one was actually to appoint an auditor and our priority two became to make the changes to the Act. I guess I'm having — if I copied those right — I'm having second thoughts about the way those priorities go. And it kind of follows in line with what Ms. Lorje and Mr. Gantfoer had referred to earlier.

I think I would prefer to take the time, make sure the infrastructure is in place, and then to proceed with the appointment later.

The Chair: — Are there any comments, final comments regarding that type of procedure? Are we in agreement that we would ask Mr. Putz to contact Mr. Baxter to see if he is available for Thursday?

Mr. Paton: — Mr. Chair, I'm aware that Mr. Baxter is out of the country for the next couple of weeks.

The Chair: — Couple of weeks.

Mr. Paton: — Yes, a couple of weeks. He's on a vacation to Europe. However, I'm sure that you may be able to contact either Mr. Aitken or Ms. Joorisity . . .

Mr. Trew: — It's all very important. Should the committee go to Europe?

The Chair: — Well I like your thinking. Okay, let's . . .

Ms. Lorje: — It's bad enough we have some committee members going to Puerto Rico.

The Chair: — Do you wish to have Mr. Aitken or another member of the committee present on Thursday, if at all possible?

A Member: — Yes, Mr. Aitken, if at all possible.

The Chair: — Yes, okay, I think Mr. Aitken.

All right. The second question that I have is, the acting auditor has indicated that his office has prepared a comparison chart of the existing legislation. Would you like to have a copy of that to look at over the next two days, and also, then, have Mr. Wendel present that to us formally on Thursday as to the current legislation and what changes he might see. Do you want a copy of that now or do you want to wait until that presentation is done as was suggested earlier, that we would have that at the end of this meeting, which we don't have the time to do.

Ms. Lorje: — I'd like a copy of it right now. I don't know if I necessarily want to go through a presentation on draft legislation when we haven't got . . .

The Chair: — We can make this decision on Thursday morning then if you wish to see it.

Okay, next meeting is Thursday morning, 9:15. Motion for adjournment.

Mr. Stewart: — I move.

The Chair: — Mr. Stewart. All in favour? Carried. Thank you for your participation.

The committee adjourned at 11 a.m.