



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Canora-Pelly

Pat Lorje, Vice-Chair
Saskatoon Southeast

Rod Gantfoer
Melfort-Tisdale

Debbie Higgins
Moose Jaw Wakamow

Carolyn Jones
Saskatoon Meewasin

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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 a.m.

The Chair: — If I could call the meeting to order. Before we begin this morning's agenda, in talking with the Vice-Chair of the committee, Ms. Lorje, I would suggest that by consensus, if the rest of the members agree, that we adjust the afternoon schedule to be 1 o'clock to 4 o'clock, rather than 1:30 to 5, due to some other commitments and the fact that we would only lose about a half hour of the suggested time.

Ms. Lorje has agreed with that and I'm wondering if any other members have any problems with that. Rather than have a motion to adjust the timetable, let's just agree upon by consensus that the afternoon timelines as set out will be 1 till 4. Thank you.

With that, we'll move back into the agenda where we left yesterday which was discussion of both the Provincial Auditor's report and the recommendations as put forward by the advisory committee.

And I want to welcome Ms. Joorisity. And I believe no one else has . . . no other new people have joined us. So thank you very much for making the time to be here this morning. And again, welcome to you, John.

We want to start, as I indicated, back on section no. 8 or recommendation no. 8 from the Provincial Auditor's document and its correlation to the advisory committee. And there were some discussions about the numbers of the appropriate articles in the advisory committee.

Open the floor to questions and/or comments. Any further comments on resolution no. 8 . . . recommendation no. 8? Keep saying resolution.

Mr. Gantfoer: — Thank you, Mr. Chair. I guess this is on the broad topic, I guess initially at least, of the structure and the nature of the audit, the suggested audit committee.

I believe in some of the information that was provided to us by the advisory committee on one of our last sittings on this topic that, as I recall, it was mentioned that an audit committee is a normal practice or a normal structure in a business environment; that a company, a corporate audit committee will work to provide and facilitate the work of an auditor in terms of an overview of a corporate financial position. And that this is a useful vehicle.

It was also indicated, as I recall, that there is largely a dormant audit committee that is an instrument of the Minister of Finance that has largely been dormant in recent years but did play some functions in the past.

And I guess I would like to start by indicating more of a philosophical approach to this issue than getting into the details at this stage.

I have a great concern about the Standing Committee on Public Accounts using a Finance minister's audit committee philosophically. I think it blurs the distinction and the relationship of independence that needs to exist on the Public

Accounts Committee from executive branch. I think the philosophy of the fact that the Standing Committee on Public Accounts may well merit the use of some type of an advisory committee — may be it audit or otherwise — is a secondary issue that is worthy of discussion.

But I absolutely am gravely concerned about using the existing structure or having any implication that the existing structure is somehow going to be modified to serve a twofold function — serving both the needs and the requirements of the Finance minister, and in some way being able to put on another hat and serves the needs and functions of a Public Accounts Committee. I just don't think the optics of that, or the ability of a committee to function in that role, is possible.

And so I certainly want to, at this stage, say that I would not support the use of the Finance minister's audit committee to serve in any role or function with the Standing Committee on Public Accounts as a first step. And maybe that's where you should leave the initial stage of the debate on that first point. Because I would then like to discuss somewhat, maybe later, is then if we're in agreement of that philosophical principle or not that I've outlined, is then maybe we should discuss if there indeed could be a role for an advisory committee of some sort to the Standing Committee on Public Accounts that would be useful and of assistance in us conducting our responsibility.

So first of all, I guess I would like to throw out the issue about the audit committee. As I understand it, as being proposed by the advisory committee, is to be using the Minister of Finance's dormant audit committee. And if my understanding is correct, I have a philosophical problem with that concept.

Ms. Lorje: — If I may? Yes. I'd just like to state right at the start so that we can get this over with, I agree with Mr. Gantfoer. We want to have a committee that can give us advice, that is independent from anything that the Minister of Finance may do, and any committee that the Minister of Finance may have.

So it seems to me what we need to ensure is that we have a resource that this committee could use. Public Accounts is taking on a much greater role, as I said yesterday, and so it's going to be imperative for us to ensure that we have the necessary advisers for us.

But I go even further. It's not . . . it seems to me we need to be appointing a special advisory committee or a special audit committee. I think we can get hung up on the name and I wish there were a different name that we could use.

But this committee clearly needs some resource that it can turn to that is professional, that is outside the Provincial Auditor's office but is respected by the Provincial Auditor's office, and is also a resource that we could feel comfortable with.

Also the Crown Corporations Committee needs a similar resource. And I think we might want to be talking about how we can involve the Crown Corporations Committee in the appointment of a resource for the legislators.

So I see this committee as not being the minister's committee,

and perhaps it's unfortunate that the minister currently does have an audit committee. I would point out it had been a dormant committee. As far as I know the appointments lapse I believe the end of December, and I believe the Minister of Finance is in the process of extending those appointments until May just to give the window, the timeline to keep the current people involved providing us some advice and support. But then that committee would lapse.

So I think that while I appreciate that the Minister of Finance has activated this committee and is providing us with some advice and support right now, any new committee clearly has to be independent from the Minister of Finance and should be our committee.

And I think the discussion is how can we also involve the Crown Corporations Committee and any other committee of the legislature that may want to seek advice from such a fact-finding advisory committee as is being recommended here.

The Chair: — Yes, Ms. Joorisity to comment please.

Ms. Joorisity: — Perhaps a couple points of clarity, and maybe I'm the only one that's hearing that there may be some differences of interpretation. Our committee, the committee that John and George and Parker were on that was appointed by the Minister of Finance, our job was to prepare this report.

We in no way saw that our committee would just flip into the role of the audit committee. So in fact having us appointed by the Minister of Finance doesn't necessarily mean that the audit . . . that we're the same people on the audit committee.

Secondly, our recommendation doesn't say that it's a Minister of Finance committee. Our recommendation is that the members of the audit committee . . . And if the word is getting in the way, let's just call it the "A" committee because it'll get a name at some point. Let's call it the "A" committee if audit is causing some difficulty.

Our recommendation was that it be appointed by this committee and that this committee would have to be comfortable with the membership on there and that the people that this committee appoints would have the respect, the independence, the professionalism that would be required.

What we saw was not . . . we saw is if you found a committee that had those attributes that you wanted, that it should serve as a resource for whoever needed it. But that they'd be appointed by PAC (Public Accounts Committee).

So we don't see it as having any decision-making power whatsoever. It is there to do research and to provide background, or should you have a question on something, to provide some background and some factual information for which you make decisions on. So clearly, one, we're not the same as the audit committee. And two, we don't see it as an appointment of the government committee; we see it an appointment of this committee.

And that way this committee has control on its membership and you would have to weigh independence issues. But we thought more of an advisory committee on a fundamental reason. We

believe that lots of the government MLA (Member of the Legislative Assembly) and government representative committees have a lot of things on their plate. And in order to make the best decision possible we thought this would be helpful, to have somebody helping you with the research on the issues or helping to ask some, perhaps, technical financial type or business type of questions that you might not have run into previously. And that's really what we saw its role.

The Chair: — Nola, I respect your answer. And I think you're not differing a whole lot between what the two members have just said.

I think the conflict is, if I recall the discussion before, if you turn to resolution 14 . . . or recommendation 14, the recommendation of the advisory audit committee — the other committee — is that the appointment be by Lieutenant Governor in Council.

And there was questions by members at that time, I think on both sides, as to that is an Executive Council committee appointment; who are they going to be paid for, you know, their expenses, who will pay for them? And is that not conflict with cabinet versus PAC?

I think that were the questions that I . . . those were the notes that I just have down at the time of discussion way back, I believe, in June or maybe even before that, so. I think what you just said was an appointment by this committee, yet you're saying the Lieutenant Governor in Council which means that's cabinet.

Ms. Joorisity: — But if you refer to recommendation 14, it says that it would be from the unanimous recommendation of this committee. So which . . . not that much unsimilar to the appointment of the Provincial Auditor; it would be a unanimous decision from this committee that would go forward.

The Chair: — Okay.

Mr. Paton: — Mr. Chair, this issue that you're discussing around recommendation 14, I think what I hear Nola saying is that it is a committee of the Public Accounts Committee, it's a unanimous recommendation of this committee.

Recommendation 15 goes on further to say that the audit committee is established as a committee responsible to PAC.

The Lieutenant Governor in Council notation in no. 14 might be an issue of process rather than of principle. So if you agree that it should be a committee of PAC selected by PAC and reporting to PAC, I think that's the first thing that you should get through.

The second thing is, can we find a proper process. Now if we've picked the wrong process, namely Lieutenant Governor in Council, I don't think that's the basis for the recommendation here. The basis is: whose committee, who selects it.

And then if PAC decides that that's appropriate, you might want to go on to further recommend that a different process be established for that appointment. And I don't think they were specifically saying it should be the Minister of Finance controlling it after that, this was just how do we get these things

in place. So maybe if you could divide it up into the principle versus the process you might . . .

Mr. Aitken: — And Nola, you mentioned this but — sorry to jump in — the thought process that we had was to the extent that the appointment of . . . we had recommendations around the appointment of the new Provincial Auditor, and the perception of independence is important in that regard. Therefore we should apply exactly the same methodology and process to the appointment of this “A” committee. Symmetry was important between the two appointments because it’s exactly the same independent role that we seek in that.

Mr. Trew: — Thank you, Mr. Chairman. The previous two speakers have both spoke to the process and that’s what I understood this to be and I was just going to make that point. I think the principle of it being a PAC committee advisory committee is one that I see just . . . see and hear no dissention at all in the room. It’s just a process of how do we in fact put that committee in place. And frankly I don’t think that anybody is dug in or hung up on it. If there’s a better way than having an order in council appointment then we could find it. But that’s not readily apparent, certainly not to me, and I’m not seeing anyone else with it.

So I’m just stating, I don’t think we’re dug in on it, Mr. Chairman, on the process, but this just facilitates what it is that Mr. Gantefoer and the rest of us want to accomplish.

The Chair: — There might be a suggestion in the process, Mr. Paton, and I wonder how you would respond to Mr. Putz’s suggestion on some of the things that happens with other committees which is a Speaker’s warrant.

Mr. Paton: — I don’t know the details of that. I was going to say that we could perhaps get some research on other processes available. For sure this was a process that we were familiar with but it’s not one that is key to any of the recommendations here. So we can work with Mr. Putz’s office and get other ideas. But I’d say the independence of this committee and reporting to PAC is key, and whatever process we can do to get that in place is what we would try to do.

Ms. Lorje: — Are we agreed then that this independent “A” committee is important as a resource for Public Accounts Committee because I want to introduce a separate . . .

The Chair: — Just before you do that, I see Mr. Wakefield.

Ms. Lorje: — Okay.

Mr. Wakefield: — Yes, I can hear a lot of consensus, and I think we’re pretty much there. But help me, Ms. Lorje. Your earlier . . . your comment involving the Crown corporations, I’m not sure where you’re going with that. And I might have a little problem, but pending your explanation.

Ms. Lorje: — Before I introduce that I just wanted to make sure that we had consensus on the committee, and because I do think that it merits further discussion about the involvement of the Crown Corporations Committee.

Mr. Gantefoer: — Well if I could, Mr. Chair, I very much

appreciate this clarification and that’s why I wanted to throw it out because I thought it was a little bit grey after our previous discussions, and I wanted to make sure that we were all of a similar mind in terms of the role.

I think that the “A” committee that would be accountable and responsible to the Standing Committee on Public Accounts, I think before we can say that now that we know where that committee, if it should exist, should be answerable to, I think we also got to decide what the role of that committee might be before we can say if we can make it make sense or not. Because if it’s going to be a committee that provides resources to PAC and things of that nature, then I think it has some great merits.

We’ve got to be very diligent though that it doesn’t become a vehicle that can interfere with the independence and the work of the Provincial Auditor as some pre-screening process or that sort of thing. And so before I’m willing to say that I can agree to this committee, I want to understand a little more about what we have in mind in terms of the role and function of this committee then. We’ve established who it’s accountable to, but I would like to have a bit of a discussion in terms of saying okay, now what do we really see as the role and function of this committee, with the concern about making sure we don’t get it set up in such a way that would interfere with the independence of the Provincial Auditor and the work that that office needs to do.

The Chair: — Thank you, Mr. Gantefoer. Before I recognize Mr. Wartman, I think that’s where discussion also took us into recommendation 15 from the report last time, and I have noted some of my concerns in the margins. I think many of the members had expressed a concern about what the function and the role of the committee would be, as Mr. Gantefoer has just pointed out.

The suggestion that the audit committee would indeed receive draft reports 10 days beforehand, I think was a concern for many of the members. And I think that’s maybe something we need to talk about now.

We’ve talked about a process and the principles, now what is the role and functions? Maybe we need to have all of that in our heads before we move on.

Mr. Wartman: — Yes. It was in the area of role and functions.

The Chair: — We recognize you, sir.

Mr. Wartman: — Thank you. It was in the area of role and function that I did have a question that ties into recommendation 17.

If the committee is a committee of PAC (Public Accounts Committee), how much leeway does the committee have? If we put in here that the committee recommends legislation be amended to require the Provincial Auditor and government officials provide any information that is necessary to enable the audit committee to perform its duties, is that providing too wide a scope for the committee to move? Should it be with the recommendation of PAC that it accesses that information?

I’m just . . . I don’t know the implications, and I’d like to ask if

that could be spoken to, please.

The Chair: — I'll ask Mr. Wendel to comment on that first, and then either John or Nola, please.

Mr. Wendel: — Thank you, Mr. Chair. Now that we have an agreement, I guess the committee has an agreement as to, if you like, process or how you're going to structure the committee as part of this committee, our concern then is reviewing draft reports with a committee of the Legislative Assembly or a subcommittee, however you want to call this. Now I think what they were . . . what this . . . the way this was structured, from the advisory committee's recommendation, was trying to make one committee serve two, okay.

But I don't want to lose what I have now, which is the ability to meet with the executive branch, if you like, at the Department of Finance, deputy ministers, secretary, Treasury Board, and the president of CIC (Crown Investments Corporation of Saskatchewan), where I meet with them to discuss the final report, to make sure it is factual before it's tabled, okay. I think that's useful for our two large reports. It's a useful process.

So if we could separate that somehow, okay, so that doesn't become part of this whole thing. And whether that needs to be in the Act to say it's okay to share that report with them beforehand . . . I mean that's the way the Act is now. I can share the report with them, discuss things with them. That's useful, okay. I've found it useful in the past; I'd like to continue that, okay.

But that can stay apart from what you're trying to do, is set up an advisory committee for this committee, to help it with its functions. Like that's a useful thing; we recommend that, that you have those resources.

So I'm not sure how we go about doing that, okay. Like I could talk to Terry on that. But somehow, maybe we divorce the audit committee that's there now in its current purpose which is to receive the advanced copies, okay, and set up this advisory committee to you in the Act with the resources. And there's some other clause somewhere that says we'll meet with senior officials — however you want to have in there — to discuss draft reports before they are tabled.

Maybe that's how you deal with it, and then that solves all your problems. But we can talk about that. I'm just going to put that up for debate.

The Chair: — Thank you. Ms. Lorje, followed by Mr. Kwiatkowski.

Ms. Lorje: — I think this discussion has been very useful because I now understand where you were coming from, Fred, and the concern you have.

And in my opinion we would not want to impede you from being able to discuss with ministers of the Crown the factual contents of your reports before they're tabled in the legislature. That's clearly an important thing to do and so we would obviously want to see that continue. So I'm assuming from this discussion that the drafters of the legislation will make sure that that ability is carried forward into the new Act.

In terms of the role of the "A" committee, of PAC's "A" committee — since there is consensus on that — it seems to me a couple of things in terms of the function of it that immediately spring to my mind are first of all to assist us in the hiring process of a new Provincial Auditor. We need I think, as well as looking at professional hiring expertise perhaps through the Public Service Commission and perhaps some advice from the Clerk's office, we also need I think independent advice from the professionals in the chartered accountants' community. So it would seem to me, a representative from PAC's "A" committee . . . would be obvious that we would want them there.

Secondly, we've had points where there's been some disagreements about what the role of the auditor might be — third-party audits and so forth. I think it would be really important to refer those kinds of things to our "A" committee to get their advice on, because it could be that the government is simply being bullheaded and is wrong, and to have an independent committee tell us that would be very important.

And finally, it seems to me, that really what we're doing by setting up this committee is kind of codifying the . . . we're providing for an ability to have a special advisor that's always there rather than having to set up an independent task force like had to happen in 1994 with the Baxter task force.

So that's why I said, initially, that we have to figure out some way to involve the Crown Corporations Committee because I think probably they may need this committee, once it's up and running, perhaps a bit more than Public Accounts does.

And so I would like to suggest in terms of recommendation 14 of the advisory committee report, that we look at — once we've decided what the vehicle, the process is, whether it's special warrant or appointment by Lieutenant Governor in Council — but that we're very clear that we do mean that this committee would be appointed upon the unanimous recommendation of the Standing Committee on Public Accounts. Unanimous I think is key.

And then that we consider adding something like, with advice from the Crown Corporations Committee, so that we would consult with them. I don't think that they should be ultimately deciding the membership of the committee because I'm very mindful the government has the majority members on the Crown Corporations Committee, and I want to make sure that we keep this as non-partisan a process as possible.

But I don't see that it would be inappropriate to make some reference to Crown Corporations Committee here because a lot of the problems we've gotten into, in terms of reports to the legislature and so forth, have been because those two committees seem to be running oftentimes along the same direction but never talking to each other. So it would be nice to have some consultation with the Crown Corporations Committee.

The Chair: — Ms. Lorje, would you be suggesting that one committee serve both Public Accounts and Crowns or would you be suggesting that the Act state that there be two committees — one for Public Accounts and one for Crowns.

Ms. Lorje: — No, I think there should be one committee —

one committee only — but that it should be mandated to be able to be a resource to both committees. I don't want to prejudge what the Crown Corporations Committee would be doing but it seems to me, from my experience on Crown Corporations Committee, that there would be times when it would be a very legitimate and very useful resource to that committee.

The Chair: — Thank you.

Mr. Kwiatkowski: — Well thank you, Mr. Chair. I think there's tremendous amount of merit in having a committee that can act as a resource to the Public Accounts Committee. I think that we're probably very near consensus on that.

I think we're probably into a discussion of the function and role of that group, if you will, at this point. And the terms of reference for that group I think probably could even be a separate agenda item or perhaps we could even ask you as Chair, and the Vice-Chair, to draft a terms of reference for this group or this committee that you could bring back to the Public Accounts Committee for our consideration. But the role and function will be critical and I think we need to have a good strong sense of what the terms of reference for it will be.

And I do appreciate Ms. Lorje's comments. I think that if we have a group such as that, with the expertise that will come with them, then we should probably attempt to maximize that by through an agreement with Crown Corporations, or whatever, where perhaps they can avail themselves of that expertise as well.

But I think the larger discussion here is the role and function and the terms of reference for that group. And I think we should develop a way of putting that together.

Mr. Gantefer: — Thank you, Mr. Chair. To Mr. Paton, in light of the discussion that you've heard, has your drafting committee sort of come up with what they think in structure or does what we or do the things we've discussed today lead you to consider modifying that?

Mr. Paton: — Mr. Chair, I think most of the things that we've put in the Act at this point is consistent with the discussions around the table. We'll have to look at the appointment process for the Public Accounts Committee because that's something that I've heard disagreement on and I think we can look at a better process.

I think everything that's been said can be accommodated easily within the drafting instructions that I'm looking at now.

The one thing I'd like to just expand on briefly is Mr. Wendel's comment about the usefulness of discussing his reports in advance with the Department of Finance, and we found that very beneficial as well in terms of resolution of issues. In recognition of that, something that you don't see in their report but I believe it came up in discussion in the past, is that we've included a provision where the auditor would provide the report to the audit committee and the Minister of Finance — so there's the two, two references in there — with copies of the annual report 10 days prior to tabling the report . . . or to finalizing the report.

But we've also put in a separate section that if Mr. Wendel has a special report that he has to table in accordance with another section of his Act, that there isn't a lead time required. And I know there's sometimes when certain circumstances don't allow for a 10-day period for him to provide it to either the audit committee or the Minister of Finance.

So what we're contemplating is kind of the regular reports that he prepares, usually a spring report and a fall report, volume 1 and volume 2, would be provided 10 days in advance for an opportunity to discuss and review the issues. But if there's special reports, they wouldn't need that 10-day lead period.

Mr. Gantefer: — Mr. Chair, to Mr. Wendel, does that address the issue that you raised or does it still leave concerns?

Mr. Wendel: — I'm only looking at what's here and what's in the recommendations that the advisory committee has. And I still think there has to be a separation here with . . . between the two functions. There's a function where we meet with executive branch. We have full independence from executive branch. I don't have a problem meeting with them to discuss draft reports because you know I can't be influenced, other than on fact.

We still then have to make sure that . . . you're going to now have a group of advisors. I don't think it's appropriate for me to discuss draft reports with that group of advisors. I'll be discussing a final report with you and with your advisors but that was a different function.

So I'm trying to . . . I don't know how I split it because it's co-mingled in these recommendations. You would have to look at each one separately, each of the functions that's listed here in the advisory committee.

Mr. Gantefer: — But as Mr. Paton indicated, that in the legislation as I understand, that there would be a requirement for your regular reports that that be tabled 10 days before the public release — a draft with the "A" committee and with the Executive Council representatives appropriate. Now is that problematic?

Mr. Wendel: — That's not a concern to me, as I said. That isn't a concern to me as long as I can make special reports as required.

Mr. Gantefer: — And the special reports as I heard do not have that requirement of the 10-days notice?

Mr. Wendel: — That's right.

Mr. Gantefer: — I just want to make sure that we're on the same pages here in terms of these details because, as everyone knows, the devil's in the details . . . (inaudible interjection) . . . Okay.

Mr. Wendel: — Just to make sure there's no misunderstanding, I won't be discussing that with your advisory committee though — that draft report. They won't be getting it 10 days in advance.

Mr. Gantefer: — Well that's what I had . . . (inaudible interjection) . . . Yes.

Mr. Wendel: — I just want to make sure you understand that. I won't be discussing it with PAC's advisory committee 10 days in advance.

Mr. Gantefer: — But that's in your draft legislation, is it not?

Mr. Wendel: — I will discuss it though with ... like something, just say, I can discuss it with the president of CIC and the deputy minister of Finance if you like, as a group and I'll provide it to them 10 days in advance if they need that. That's fine with me and I don't see a problem with that because I have enough independence. And it does provide good rigor to what we're reporting.

So I'm not sure how that ties in with what Terry's saying but I want to make sure that there's no misunderstanding on that.

The Chair: — Mr. Paton, please? Because I think that's where the point of contention is. I've noted here from discussions way back in June, it says that your suggestion was ... or the interpretation of the committee was that a draft report be presented to the "A" committee. And I think the auditor's office and some of the members were saying maybe that's not right.

Mr. Paton: — Yes, Mr. Chairman. There does appear to be some confusion here. What the legislation currently is proposed at — and I'll leave out the section as it relates to special reports because the only difference there is, is there leave time or is there not leave time — but currently what we've proposed is that for the purpose of allowing the audit committee and the Minister of Finance to review and comment on the Provincial Auditor's annual report, the Provincial Auditor shall submit to the audit committee and the Minister of Finance a copy of the report at least 10 days in advance.

So our anticipation was that the report would be provided to both groups. I'm hearing Mr. Wendel saying it's appropriate to provide the copies but he would be in a position to discuss it with the Minister of Finance's group but not the audit committee. I believe that's what I'm hearing.

The difference being would you have ... or would Mr. Wendel's office have the opportunity to meet with this independent audit committee in advance, and does he see that of value? And I'm hearing that he would prefer ... that he would not ... prefer not to meet with the audit committee but would prefer to meet with management.

The Chair: — Is that correct?

Mr. Wendel: — That's correct.

The Chair: — Okay, so there's a need to continue discussion on this because I think we're ... we want to ensure that we have a recommendation that's before us. Yes, Mr. Aitken.

Mr. Aitken: — Would it be helpful if I described a scenario involving an audit where the relationship of an auditor between the management, the shareholder group, and the issuance of reports because that's the world in which we're taking an example of a process and saying, geez that fits into this scenario and it may well help in a legislative environment.

The example I would choose would be the one at Saskatchewan Wheat Pool where, when I'm involved in that audit, the process involves scrutinizing management, and that goes all the way up to Mayo Schmidt and would be the chief executive officer. I would be dealing with it; and then at the end of that process I would then turn the page and you now confront the audit committee, which is the appointed committee of the board of the directors as a whole.

So I've now changed from dealing with management. As the auditor; I've conducted my management. All of the feedback from Mayo and all of his appointed people — I've addressed that and now I have a draft report. And I go to the audit committee which is producers, a farmer ... elected-farmer members, elected by the shareholders, go to them prior to the issuance of the financial statements to the world at large.

I take that process ... Mr. Wendel is saying I don't want this audit committee to in any way interfere with my ability to deal with, in my case, Mayo. I think this report is completely silent. That has remained completely unchanged — the ability to deal with the CIC president or in my case the chief executive officer of management. That's not being addressed. That remains unchanged.

What we have said is adopt that model which says but we will go to the audit committee before we actually issue the financial statements, and that happens all the time. And it's clear at that meeting I'm dealing now with the representatives of the shareholders, not management; because I'm auditing management, I'm scrutinizing management.

Mr. Wendel: — As I said at an earlier meeting, this is the audit committee for the Legislative Assembly. And if you have a group of advisers, then they're part of this committee. This is the audit committee.

Now if this committee wants me to discuss draft reports with them, I've said I don't think that's appropriate. I think you want to receive final reports. Okay? So that's the model I'm coming from. This is the audit committee.

Mr. Kwiatkowski: — Well I have to agree with Mr. Wendel. That's how I see the Public Accounts Committee, as the audit committee of the legislature.

And if we want a resource, a group, and we're getting hung up on all this terminology here, but I think ... I'm back to being a little confused again because I think when Mr. Paton was referring to an audit committee, he was referring to the committee that we had just talked about that would be a resource to us. And I think it would be totally unacceptable for a committee that is accountable to the Public Account ... has been appointed by the Public Accounts Committee and is accountable to the Public Accounts Committee to be seeing draft reports before the Public Accounts Committee does.

So I think that we have to maintain the principle that Mr. Wendel is enunciating here, that is that the Public Accounts Committee is the audit committee of the legislature. But that if that ... if we, as the audit committee of the legislature, would like a resource of some kind that perhaps we can share with another committee of the legislature, then that is where we

should be going. But in terms of draft reports being shared with a subcommittee of a committee prior to their release, I don't think that is acceptable.

The Chair: — Any further discussions? Mr. Gantefoer.

Mr. Gantefoer: — I think we're all getting confused. To go back again to Mr. Wendel, I think I heard you say that you didn't have a problem with the 10-day sharing of the draft report to the "A" committee of Public Accounts or to Executive Council, but you had a problem discussing it with them. Or am I . . .

Mr. Wendel: — I maybe wasn't clear. I don't want to send the advisory committee, your advisory committee . . .

Mr. Gantefoer: — "A" committee.

Mr. Wendel: — . . . a copy of the draft report either. Okay.

Mr. Gantefoer: — Okay. So that's in conflict with what is proposed in the draft legislation and that's where we really got to make a decision in terms of our recommendation.

If we believe that it is entirely appropriate — and I do — that the auditor's office has the opportunity to discuss a draft report with Executive Council, you know, Treasury, and Department of Finance and their respective agencies, I believe that. But I don't think I am of the opinion that this committee, Public Accounts, should be getting a draft report nor should any of its subcommittees because it's a function of our committee.

So my feeling is that I accept the auditor's position in terms of the ability to have that 10-day notice and whatever to discuss it with the appropriate government agencies and CIC, but I think that the Public Accounts Committee and/or any of its subcommittees should be excluded from that requirement.

And I think that would then clarify what the auditor is looking for. Because if we don't have any draft report ahead of time, then there's no responsibility for discussing it with us either because we don't have it.

Ms. Lorje: — I don't disagree.

The Chair: — Yes or no.

Ms. Lorje: — I'm just going to point out the downside to it and I'll give you a practical example. Crown Corporations Committee — we got into a spitting match over a report when the auditor refused to sign off on SaskPower's annual report because of an accounting procedure that SaskPower was using. Eventually the auditor's view prevailed and SaskPower changed. If we had had an ability to refer this to the audit committee or the "A" committee beforehand, it seems to me that government would . . . it wasn't government, the Crown corporation would have realized that they were going down a road that so many auditors weren't recommending; that they shouldn't be doing it and that whole fight might have been avoided. There still would have been the fight. So it's just a question of whether the fight happens internally between professionals or it happens externally and the politicians get in the way of it . . . (inaudible interjection) . . . Yes.

And I mean the timing, I'm not going to get hung up on it. If we're all that concerned — and I appreciate Mr. Wendel's concerns — if he feels that this could in any way interfere with his independence, we'll do it the other way around.

The Chair: — I'd like to have a comment from Fred, from Nola, and from Terry — in that order please.

Mr. Wendel: — Just regarding the Saskatchewan Power matter. We would have discussed that with the Finance officials and the CIC officials before we would have made our report public.

The Chair: — The point Mr. Wendel's making is that the discussion with officials would occur before the preparation of the draft, and I guess you would have highlighted the concern that Ms. Lorje has raised, right?

Mr. Wendel: — Yes.

Ms. Lorje: — And I'm sure he did. The point was that SaskPower dug its heels in and if there'd been a second body that said, hey wait a minute guys, it might have changed it.

The Chair: — Ms. Joorisity, Mr. Paton, Mr. Wakefield.

Ms. Joorisity: — Just some clarity. If this committee is in fact being considered the ultimate audit committee — I'm sure we're getting our names all mixed up — but Mr. Wendel did refer you in his mind is that you are the audit committee when it comes to his report.

There's a couple of fundamental things I guess different with this audit committee; that being you, as opposed to a corporate audit committee. And when appointments are made to an audit committee and the corporation, selection criteria are based . . . the standard protocol for appointments to audit committees is to appoint a certain number of people or certain percentage of that membership that have a very thorough accounting tax or accounting business background that would allow them to review the issues and feel comfortable that they had considered all the facts.

In this case we may or may not have that expertise at the table because that's not what you were in fact put on the committee based on. So it's fine to talk about this as you as the audit committee, but I guess our point is that we thought that the advisory committee was providing you with support and expertise that you might not have on the committee. And that's how we saw it.

Mr. Paton: — Mr. Chairman, the one comment I wanted to make before you come to deciding this is I understand where Mr. Wendel's coming from and the concerns he has. The one problem I would have with it is my past experience with working with that audit committee when it was in place — and this is going back a few years — is as Finance officials — and I hope the auditor felt the same way — it was very beneficial to have outside individuals come to our groups and listen to our discussions and provide independent advice on resolution of issues.

Everyone comes to the table with their own positions and

interests, the auditor's office and ours included. And we've had some very respected individuals — Dr. John Brennan was one — who provided us with a lot of advice in the past and we listened to it. So it's something we would lose, but I do understand what Mr. Wendel is saying at the same time.

Mr. Wakefield: — Thank you, Mr. Chair. I guess some of my uncertainty has been clarified somewhat. Ultimately I guess I have to think of what our mandate is, what this committee is supposed to be doing, and I'm not sure our committee is supposed to be critiquing or contributing to the auditor's report. If we were to be giving a draft report, we would offer our concerns and so on which would in effect be helping him develop that report. I'm not sure that . . . in my understanding, I'm not sure that's what our role is.

If in fact we wish to have an informal look at this through our "A" committee, that might be a flexibility that could be worked out through procedure. But in fact I don't think that we should be or our "A" committee — if that's the name — should be listed somewhere in this procedure as being a definite involvement in that process. That's my concern.

Mr. Gantfoer: — Thank you, Mr. Chair. A couple of points. First of all in terms of Ms. Lorje's comments of the example in SaskPower. You know again I think under what has been indicated by the auditor and my understanding has been: when the auditor speaks to CIC about SaskPower issues they would discuss the accounting process or whatever, and if they were in a deadlock I don't think that anything that would preclude the two of them at that stage getting outside advice in terms of saying we need a third set of eyes on this thing to give an independent opinion. That could be by agreement between those two agencies, a possibility, but it shouldn't be put into statute that it is a requirement. So if they were in this irreconcilable sort of situation, they would have that ability to do it.

To comment with Ms. Joorisity. I think it's right that we are the audit committee of the legislature and we recognize that our expertise is limited. Hence the idea of an "A" committee to advise us of those technical matters.

To Mr. Paton. When he says well in the past the audit committee had a useful function or may have a function. Well we're not talking about the "A" committee. We're talking about the Executive Council's audit committee that is now dormant. And certainly that audit committee of Executive Council could have a role in discussing the drafts of the auditor's report with Executive Council. I mean what you do with the audit committee is your business, because it's not our committee. Our committee is the "A" committee which is an advisory committee to this body. And we are in agreement that the auditor should have the responsibility and the ability to discuss draft reports with Executive Council, with CIC, prior to it.

And if CIC or Executive Council chooses to engage the dormant audit committee in that process, so be it. That isn't a problem for the structure or the function that we're talking about here. And so we're getting this stuff sort of run over.

I think it's entirely appropriate that our "A" committee is part and parcel of ourselves. It's not something separate from. It's to

broaden our expertise and our knowledge base to make sure our decisions are appropriate ones. That's all it is. And I don't think it's appropriate that we get a pre-screening of that in any form or function just as currently we don't get a pre-draft on the Public Accounts Committee or the auditor's report. I don't think any sub-appendage of us should get it either.

And that I think it's entirely appropriate, as the auditor and Mr. Paton have indicated, that it's very useful at that level, that there is a pre-discussion of these reports. And what vehicles each body wants to use to facilitate that process is up to them.

So I strongly would support the recommendation that the Public Accounts Committee and/or any of its subcommittees be included in the 10-day pre-screening or pre-notice of a Provincial Auditor's report, special or regular.

Ms. Lorje: — I know what he said.

The Chair: — You want the draft report coming to you?

Mr. Gantfoer: — I said be excluded from getting a draft report . . .

The Chair: — Excluded. Sorry, missed that word excluded. Boy that's a big word. Mr. Paton, followed by Ms. Lorje.

Mr. Paton: — Mr. Chair, I just want to clarify for Mr. Gantfoer, the committee that's being referred to as the dormant audit committee will cease to exist under the current provisions and what's anticipated. What we're looking at is an audit committee whose mandate is substantially changing. It's currently responsible to the Minister of Finance; that role and function will be deleted, and it will be a new audit committee that's responsible to Public Accounts. So that's the first point I wanted to make.

The second point was it's not . . . I guess what we're going to lose here, and I'm not going to make a . . . This isn't a major point, but just want the committee to recognize that when Finance officials and the Provincial Auditor meets, it's beneficial to have independent, technical advice. Currently, or in the past, it was received from the old audit committee, and in the future, if the audit committee changes and doesn't have that role, then that's lost.

Now that's . . . like I say, it's not a major issue but our ability to access that committee and discuss these reports in advance. So if there's a technical accounting issue that comes to light and we're being asked to review it with the auditor, and the auditor has their opinion and we have our opinion, sometimes it's good to have an independent adviser that tells you what they think when they're removed from the situation.

Now we won't have that in the future, but I just want the committee to recognize that.

The Chair: — A question to you, Mr. Paton. What will stop the auditor from reviewing with our advisory committee material before the preparation of the draft report? You're saying that will be lost. And I can't see why the auditor would not use our technical committee to seek advice prior to the preparation of the draft report.

Mr. Paton: — I'm understanding that the auditor is opposed to that.

The Chair: — It's not mandatory but if he wishes to consult, can he? Mr. Wendel, clarify what you think is the position that the auditor's office would take in preparation of its draft report.

Mr. Wendel: — Our preparation is we would have met with many individuals before we would make a report. We would have met with the individual organizations to make sure we had our facts straight. We would have talked to any consultants we thought we needed to talk to. The people we were auditing would have done the same things.

And then as one last check and balance, because sometimes the individual organizations don't have the whole picture . . . CIC may bring a different view that we hadn't considered or the Department of Finance may bring an oversight view that we hadn't considered.

And occasionally we have made changes — not large — but we have made changes. And it's useful. Just to make sure you have all your facts on the table before you make a public report. We'd like to make sure what we report is right. So that's . . .

The Chair: — Thank you.

Ms. Lorje: — Thank you. I'm hoping that adult approaches will be taken to this, and that nobody is going to be digging their heels in and that this resource to us will be able to be used by the Minister of Finance on occasion when it's essential.

But I think we're getting hung up on the 10-day thing. It would have been nice if we could have kept it so that on the rare instances when there were some major problems they could have been resolved before the reports became public. But if they can't be, they can't be. And if Mr. Wendel feels so strongly about this matter, I think that we should listen to his concerns.

So it would seem to me it might be appropriate at this point to handle recommendation 8 from the auditor as follows: by referring to the Provincial Auditor advisory committee and accepting their recommendation 14 with the addition that we would receive advice from the Crown Corporations Committee on the composition of the audit committee.

The Chair: — May I interject here and ask you a question. You had suggested or we had talked about a different mechanism than appointment by the Lieutenant Governor in Council.

Ms. Lorje: — Yes, okay. And that the drafters of the Act investigate the appropriate mechanism for the establishment of the advisory committee for PAC.

That we would accept recommendation 15.

That we would reject recommendation 16 but note that in the new Act the provisions for advanced discussion with the Minister of Finance and Crown corporations officials would be carried forward in the Act so that the auditors . . .

The Chair: — Can I clarify recommendation 15, Ms. Lorje. I

think you began by saying you would support the auditor that said draft reports of the Provincial Auditor would not be sent to the audit committee. And I think that's the first bullet — it says they will.

Ms. Lorje: — Okay. Well then we'll deal with that one. Sorry, Mr. Krawetz. There are so many . . .

The Chair: — Yes, I know. I understand that.

Ms. Lorje: — . . . little, wee, teeny-tiny words here that keep getting in the way.

The Chair: — Right. We agree with parts of it, and we don't agree with . . .

Ms. Lorje: — We agree with parts, and we don't agree with all of it.

The Chair: — And I think we have to try to establish some consensus on the things that Mr. Putz is going to try to formalize for you by way of motion later on. And we're not doing this right now by motion. We're just trying to say what do we agree upon right now? And I think you've highlighted three or four points that yes, we do. Well before . . .

Ms. Lorje: — And that we would agree with recommendation 17.

The Chair: — Okay. Mr. Paton, followed by Mr. Wendel, please.

Mr. Paton: — Yes, Mr. Chairman, just in regards to that point of confusion. I think recommendation 16 and the first bullet under recommendation 15 are the issues that the committee is rejecting.

Mr. Wendel: — Just one more point of clarification. In our recommendation 15 we talk about — you'll get to it later — but we talk about the need for this committee to get whatever resources it needs to do its job. And we haven't been definitional as to what kind of resources you would need or what kind of help you would need. We would like to think you should put that in a broader context.

And then you would decide, this committee would decide . . . Like the Act would give you power to set your own terms of reference for whatever advisers you want, and you would decide what those were. If you want help with a business plan, if you want help with a technical matter, whatever this committee can help you with. But that you could make your own definitions. But that, that we were coming to later, if that helps you to get through this.

Ms. Lorje: — Which takes us back to Mr. Kwiatkowski's comment about terms of reference for this committee. I don't think the Act will be finalizing the terms of reference of the committee, and it seems to me it is still going to have to be evolutionary. It's my hope though that we can get the wording proper . . . the wording as good as possible in the Act so we can avoid having to the year . . . the next year have amendments to the Act to do that which we all think is reasonable to do anyway.

The Chair: — Are there any other comments?

Mr. Aitken: — Maybe just following up on Ms. Lorje's point there. The concept of an audit committee commenced in about 1973 with the Canada Corporations Act, adopted in Saskatchewan under the Saskatchewan Business Corporations Act. The legislation required in the creation of an audit committee purely indicated one term of reference — that they would review and approve the annual financial statements.

What happened in practice was once you had created this committee, it then developed best practices, and there's a whole host of things like reviewing it with the auditors, their fees, budgets, what program, interim financial report. So practice ran ahead of, under the legislation, one term of . . . one duty — review and approve the financial statements. And in practice it ran ahead of it. Its utility, in other words, outstripped its mandate.

I think you would find that exactly the same experience would occur here. You get the committee up and running and you begin to think of things that it should be doing. But it's driven by PAC, not driven by the legislation. You don't fence the field necessarily.

The Chair: — I think we have a consensus from the auditor's office on that comment.

Mr. Paton: — Mr. Chair, if I might just speak briefly to what we had proposed on the duties of the audit committee, it might be broad enough that this committee might be satisfied with that.

There's really three sections that we're talking about. The first one says that the Public Accounts Committee may request the audit committee to assist in undertaking the following: first is recommending a new Provincial Auditor; the second is reviewing the estimates of the Provincial Auditor; thirdly, reviewing the *Annual Report on Operations* of the Provincial Auditor; and the fourth one was any other matters that the Public Accounts Committee may request. So fairly general in terms of that.

The second point was where we had this audit committee assisting the various groups that we had under section 15, advising the Minister of Finance, the Minister of Crown Corporations, etc. So providing an advisory role to other committees on a as-requested basis.

And the third section that we would be . . . that we were proposing but now will be considering changes to, will be the reporting aspect that I heard the committee disagree with.

Mr. Wakefield: — Just a point of clarification again and I think what Ms. Lorje put forward, I think, is kind of bringing us all together. I'm just a little unsure yet, under recommendation 14, about the Crown corporation.

Is it because of a bad experience in the past or is it something that we have to have written down in a recommendation precisely?

Ms. Lorje: — If I may. As the past Chair of Crown

Corporations Committee, I found it was often very frustrating because of the mechanism of reports going to the legislature. They come from the Provincial Auditor. They are tabled in the legislature. And the auditor it seems to me, or perhaps it was PAC or both, always took the point of view that everything had to come only to PAC. And then through a clumsy tortuous process it would end up going to Crown Corporations Committee. And you would often have the two committees dealing with the same items in parallel when clearly the matter was a Crown Corporations matter, not a PAC matter.

And I view both committees as equal and as equally important in the legislature because we have a large Crown corporations sector in this province and we have a large government sector in this province.

Personally, I felt that PAC reviewed government functions and Crown Corporations Committee reviewed the Crown corporations functions and that you should try to keep it going that way.

So what I'm trying to do by saying that we should get advice from the Crown Corporations Committee, in terms of the creation and the membership on that advisory committee, is saying, let's recognize that Crown Corporations Committee has the same equally important role as an oversight body for the legislature as does PAC. And let's not exclude them.

There are procedures. There still remains an outstanding item of the Crown Corporations Committee and the Public Accounts Committee getting together and sorting through their procedures so that it's clear what goes to which committee and when and how. Those are procedural matters that our two committees are going to have to grapple with sometime in the future. Certainly not now because it seems to me the longer we're talking about it, the more our work's getting behind schedule.

But all I'm saying is let's not forget that the Crown Corporations Committee is equally important to the legislature as is PAC and it requires the same kind of fact-finding resources envisioned in this advisory committee as does PAC.

The Chair: — Mr. Paton, a question from myself to you. We've talked about the "A" committee as being a singular committee advising PAC and appropriately maybe CIC, the Crowns Committee.

I think in describing function of the committee you were suggesting that that advisory committee still continue to advise the minister . . . I think you made reference to two ministers; I think you said Finance and CIC minister. Is that not a problem?

Mr. Paton: — It's the recommendation 15, the third bullet. Those are the items that we incorporated into the legislation.

The Chair: — So you're suggesting that this "A" committee of Public Accounts/Crowns still be an advisory committee to the ministers?

Mr. Paton: — I had heard some discussion that that was a valuable, valuable tool for people to be able to access some group of technical advisors to give them professional advice on

issues. If that's not the committee's recommendation, I should know.

The Chair: — Yes, that's what I would like to raise. Is that the point? I don't think we've sort of highlighted that by Ms. Lorje or anyone else, that says that that's also the item that we agree with.

Ms. Lorje: — Well I'll highlight then. It seems to me we're going to create an advisory committee to PAC. And it's going to be an all-party, non-partisan committee; it will be an important resource. And the Minister of Finance is going to, with this new Act, do away with the current audit committee.

But the Minister of Finance on occasion is still going to have need to have the same kind of professional resource as this committee does. It's not going to be the Minister of Finance's committee; it's PAC's committee. It's the legislature's committee. But why would we, in a province as small as this, prevent him from also accessing the same kind of independent, fact-finding expertise as we're going to.

I don't think there's any conflict. What we're talking about is professionals being asked for their opinion about certain matters. We're not talking about a partisan committee or intruding politics into that auditing and accounting function.

The Chair: — Mr. Aitken or Mr. Wendel, any comment to that? Is there . . . do you see it the same way?

Mr. Aitken: — I see it actually exactly as Ms. Lorje just described it, which is the professional group or advisory group would be completely independent, because in the same ways the Provincial Auditor was appointed, they were similarly appointed. So you're not dealing with referring things back to the executive of government, you're dealing a legislative process that's a standalone. So I . . .

Mr. Wendel: — I think it goes back to my original comment which . . . this advisory committee is now a committee, your committee, okay? If some of these matters that are coming forward relate to draft reports or reports that I'm going to be making, then will they be getting an advance copy this way of what's going on, because . . . as those would be the accounting and auditing issues that could be going there. Those could be the controversial ones that are going there, okay?

And then it comes back to . . . so if the Department of Finance thinks they need or the Minister of Finance needs an advisory committee, they should have one. They can bring whoever they want to meetings.

The Chair: — Before I recognize Mr. Wartman . . . And I guess that's where I was coming from, Mr. Aitken. I was wondering if our committee now suddenly is pressured, our "A" committee is pressured as being, you know, having two masters: us and now ministers. And I'm wondering if we could get a response from maybe Mr. Paton or yourself and then I'll recognize Mr. Wartman.

Mr. Aitken: — Perhaps I go back and say my experience is, you have to recognize as an auditor, whose side are you dealing with here? And if the Minister of Finance comes to an audit

committee such as what you've described — this is management, this is who the auditor is scrutinizing — coming with . . . So that's clearly in a different box than dealing with the representatives of the Legislative Assembly.

So I don't anticipate and I don't see that you would be dealing with two masters. You know who you're scrutinizing or who the auditor is scrutinizing, and here's management coming in with a perspective that . . . I don't anticipate because that's the world in which we auditors live perhaps. Fred, I turn to you and I say, do you anticipate a conflict there?

Mr. Wendel: — I still see a conflict there, John, and the conflict is, if they've ruled on something or made their decision and provided their advice, okay? That's really this committee speaking, okay?

Mr. Aitken: — Sorry, Fred, I didn't follow that when they say something. Who do you mean by they?

Mr. Wendel: — The advisory committee to this committee is part of this committee. So if this committee says, I think this is the appropriate way to go, okay? They can do that but they can do that after we make our public report. But if they've already provided an opinion on that, well really it's this committee speaking, right?

I guess that's where I'm coming from, like I have to be sure that I have complete independence to report. Now I may . . . you may disagree with my reports, and the committee may disagree with my reports, but I still have to have that authority to make that report without any interference from a legislative committee.

Now if this advisory committee's part of you, okay, well then it's this committee speaking. So if there's a . . .

The Chair: — Mr. Paton, and then Mr. Wartman. If you would allow . . .

Mr. Paton: — Yes, Mr. Chairman. I see this advisory committee a little different than Mr. Wendel does. I see it as being advisory in nature. I don't see it as an extension of this committee. I don't think it would have the ability to speak on your behalf, make decisions, or rule on anything.

We see it as an opportunity to resolve accounting issues, resolve auditing issues prior to them being a public issue. Or, you know, if there's something that we should be changing we can do that, but we would take it simply as advice. I accept Mr. Wendel's position, where we had the ability to engage consultants and bring them to the table but I see that as a little bit different when we engage people to come to the table and present arguments on our behalf, as opposed to someone who we see as independent and hopefully the auditor's office sees as independent, providing advice.

But that's all they would be doing would be is providing advice. He is under no pressure, in my opinion, to change his report or his position on that. He's just received advice from a group of technical individuals. That same group of individuals will probably be providing this committee with similar advice when the report becomes public, and at that point it will be up to this

committee to determine whether or not they agree with that advice.

Again it will be an independent group that you're looking for advice and you'll benefit from that, and you will still have the auditor's position at the table where this committee will be making the decisions and making the recommendations.

Mr. Wartman: — It pretty much clarified what I was looking at. The one further item would be if the minister, for example, is asking about advice around the draft report. The advisory committee may at that point get some indications. They may not see the whole draft report. They may get some indications of what that's about.

But I don't see them as us. They will give us advice. They may give the minister advice, but I don't see them making our decisions for us or closing that door. When they come back here and give advice to us around that draft committee, we still will make our decision based on our perception of the issues that are there.

So I don't see a conflict. I think that it's an enabling committee that helps both the minister and helps this committee to understand what the issues are and if there is some different perspective that may come from different processes of accounting or something in that professional area, that we may not have the expertise in. I think this committee will only gain from having that advisory group there. And I hope in the end it will facilitate the work of the Provincial Auditor as well.

Mr. Gantefoer: — Thank you, Mr. Chair. I think I'm comfortable with this relationship because first of all this committee is going to be a professional committee. I mean to have the committee be an extension of ourselves in terms of having more people that have the same limitations as we do in terms of understanding financial matters would be a waste of time.

What we're talking about are professionals, first of all, who would be recognized for their knowledge and their wisdom and their ability to look at situations independently and give us independent professional advice. If that body is going to be called on . . . and I think we've covered off the potential conflict about, or the concern of the auditor in saying that this body does not receive a pre-screening as a matter of course of draft reports.

But if, for example, in a discussion that would occur between Executive Council or CIC and the auditor, there would be the benefit of engaging and using this professional body for advice to that level, I don't think that that should be problematic; everybody should be very happy that such a body exists to impart that professional advice.

And I also think that everybody has to understand when you have professionals, you have professional respect and relationships going on. They're not going to come running back to PAC and say, do you know what's in the draft report of the auditor because we had a peek of it yesterday.

I mean this is a professional body that's going to conduct themselves professionally, and if the fact that this body is there

as a creature of the Public Accounts Committee, I think that's about as independent as you can structure it. I don't know of any other way to do it. We can argue about how independent our committees are. If there is an independent committee, this one goes about as far as it can. And we can debate if it goes far enough or not. But I do think that this advisory . . . the "A" committee will be professionals, recognized for that, and will conduct themselves in a professional way.

So I agreed with the auditor's concern in terms of having this committee automatically get pre-screening of draft reports and that that wouldn't be appropriate, but I also agree that they should be available to other committees or branches of government to impart professional advice when requested to do so.

The Chair: — Could we wrap this up folks, on resolution 8?

Ms. Lorje: — I think we have agreement. I think we've pretty well talked our way around it. As a matter of fact, it's almost enough to drive you to drink — the discussions we've had — and it's only 10:25 in the morning So my suggestion is we call this committee the "AA" committee, the audit advisory committee, and let's get on with it.

The Chair: — Well I hope we're not . . . I hope I can allow you to go and have a pop and a coffee right away.

But recommendation no. 8 was the auditor's report said no change. And I think we've come to consensus that we disagree with that statement, and while we recognize some of the concerns raised by the auditor, we have also by consensus agreed on a number of things as Ms. Lorje has highlighted and some of you . . . other members have highlighted.

And I guess we need a resolution that says that we do not support no change, but that we support . . . and try to encapsulate in something succinct that says what we have agreed to. And I guess maybe we'd leave that to Mr. Putz to ensure that the things that we've talked about . . . Mr. Wendel, I'm sorry. Am I dealing with the wrong . . .

Mr. Wendel: — No, I think you do agree with our recommendation.

Ms. Lorje: — We do agree with recommendation 8.

The Chair: — No change recommended.

Mr. Wendel: — Right.

Ms. Lorje: — Right. But we . . .

Mr. Wendel: — You're talking about another function.

Ms. Lorje: — Yes.

Mr. Wendel: — These are some recommendations that the advisory committee made that aren't in our report because we didn't think anything needed to change to retain our independence, okay. And you'll be discussing that when you get to the second group of recommendations.

The Chair: — Thank you, Mr. Wendel. Another mistake. We'll put that one down on the file. We . . . could I have a resolution then that would support the recommendation 8. Mr. Wartman. Thank you. Any further discussion? All those in favour? Carried.

Let's break for 12 minutes please.

The committee recessed for a period of time.

The Chair: — Call the meeting back to order and move into recommendation no. 9 from the special report. And if we look at the chart, we note that the advisory committee had not made any comment on no. 9.

Mr. Wendel: — Well no. 9, we're saying the current Act gives us the autonomy and authority to decide how best to spend the resources available to us. And the Act is quite clear on that, so we're recommending no change to the Act.

The Chair: — Mr. Paton, or advisory committee reps?

Mr. Paton: — No, Mr. Chairman. We have no concerns with the auditor's comment here, and we concur.

The Chair: — Any questions from the members?

Mr. Gantefoer: — I move:

That we concur with the auditor's recommendation no. 9.

The Chair: — All those in favour of that resolution? Opposed? Carried.

No. 10, advisory committee disagrees with reference to recommendations 27 and 31.

Mr. Wendel: — Well your committee has discussed this item earlier. This goes to the recipients of transfer payments. We've had that discussion earlier and I think you did support that.

This goes back to our risk no. 4 that we talked about where we talked about, does this committee want us to have . . . to provide you with our reports on recipients of transfer payments? And you decided at that time that you didn't want us to do that. This recommendation goes with that.

This is the recommendation that gives us authority to get their books and records. Okay. So if you don't want us to look at it, we don't need that authority. So I think you've dealt with this.

The Chair: — A resolution, Ms. Lorje?

Ms. Lorje: — Well I think that the audit advisory committee's recommendation 27 takes precedence over this — deal with it on a case-by-case basis.

The Chair: — Motion to disagree?

Ms. Lorje: — I will move:

That we disagree with recommendation 10 of the auditor.

The Chair: — Any further discussion? All those in favour? Opposed? Carried.

Recommendation no. 11, advisory committee agrees . . . And there's two parts to 10. Oh right, sorry. So we'll back up, Ms. Lorje. I guess we'd have to indicate the first part was 10(1), and I think that . . . if I still see consensus of course on that. Now 10(2).

Mr. Wendel: — Now this risk is talking about what happens when organizations, government organizations don't provide us access to their books and records. And at the moment there are no penalties imposed by The Provincial Auditor Act. Like there's just nothing. There's no penalties or fines or those kinds of things.

And we're suggesting one of the penalties you might have is to require a debate under The Legislative Assembly and Executive Council Act to talk about the issue in the House.

That's what we're . . .

The Chair: — It's related to recommendation 31 from the advisory committee.

Mr. Aitken: — I think there was some discussion in the minds of the committee, the advisory committee. The powers of the Provincial Auditor also come into play here in terms of his ability to access information. And I think there is provision in his Act, you know, to conduct a public inquiry or, we made some reference to this yesterday, that his powers to, if you like, subpoena and get information are fairly strong. And so perhaps pursuant to these powers, and I can't remember where in the existing Act it is . . .

The Chair: — Sixteen.

Mr. Aitken: — So at the moment, dear Fred, you have fairly significant powers to ask people under . . . act as a commissioner under oath on any matter where the public funds are there.

This is really just . . . your recommendation here just goes beyond that, you see. And if you don't . . . at the end of that, you could also ask for penalties to be assessed, a cost. But at the moment this isn't necessarily dealing with the power to conduct an inquiry.

Mr. Wendel: — This is a fairly complex matter as to the jurisdiction of the courts to interfere between the executive and legislative branch. So I'm going to have Gordon Neill speak to this, because whenever I have one of these, I go seek advice.

Mr. Neill: — Essentially — thank you, Mr. Chairman — essentially there are two different sources of information. One is one where the executive government has control over the official providing the information. And that is a fairly straightforward situation because the Provincial Auditor simply reports to the Assembly that the person has not been directed to provide the information or is a government official who's refused to give the information and the Assembly deals with it as it sees fit.

Now in this respect, the Supreme Court of Canada was asked by the Auditor General of Canada to order the production of certain documents that had been refused by the executive government. And the Supreme Court said: it's got nothing to do with us; you have your own court, that is parliament; go to parliament and seek your remedy there. And that's exactly what I've been advising the Provincial Auditor all along.

Now the problem becomes with regard to the public inquiries provision. That is not applicable to individuals who are within the public service or employed and under the control of the executive branch. It applies to situations where you might have to, in the course of your inquiry, seek a third party. And you then institute an inquiry and you subpoena him to come and give advice or give his evidence to the Provincial Auditor.

In all the years I've been representing the Provincial Auditor, now which is some 30-odd, I have never known the Provincial Auditor to resort to that and I haven't known an occasion where it was necessary because the resistance most often comes from people within the public service. Now when I say this, it is not necessarily . . . it has always to date, sometimes with a greater struggle than others, been solved by simply having the minister tell the person to provide the information.

The question is that you know . . . but ultimately there should be . . . and as a matter of fact I don't think that the proposals of the Provincial Auditor changes the situation at all. Because ultimately if the person refused, even after direction by the minister which is unlikely, it would be an obstruction of the officer in the performance of his duty and is subject to sanctions under The Legislative Assembly and Executive Council Act.

The only purpose . . . When this came up, Mr. Strelieff, and my discussions with him at that time and he was — and with Mr. Wendel — and the suggestion was that there should be some penalties imposed. And I said, well why do you want them in the Act? And they said because it would have a salutary effect; when they were dealing with obdurate officials they could say now you know we have this provision here. And I said, well you have that provision; and I believe they do have that right to have a charge brought under The Legislative Assembly and Executive Council Act as it exists.

So all this would be doing would be putting into The Provincial Auditor Act something that is already in the law. And it would have the salutary effect of drawing the attention of the official to the seriousness of refusing access. That was the purpose of it. It's never been resorted to and probably never would be resorted to.

Now as far as the enforcement where third parties are concerned, that remedy is still available but there is another remedy because under The Public Inquiries Act you could issue a subpoena and require them to attend. And if they refused — that subpoena is issued out of the Queen's Bench court — and if it's refused, ultimately if they refuse to honour the subpoena, it would be a contempt of court. And it could be dealt with in that fashion.

But I don't think it's appropriate to resort to that kind of remedy with regard to a public official in the employ of the executive branch either directly or through a Crown corporation.

So the reason for making the suggestion is I don't think that it changes the present situation at all. But if you don't want it in there, don't put it in there.

The Chair: — Mr. Paton, please.

Mr. Neill: — If you think that the salutary effect is of some value, then you put it in; if you don't, it doesn't change the law.

Mr. Paton: — Mr. Chairman, having listened to Mr. Neill's explanation I'm inclined to state that my understanding of the Department of Justice is when you have provisions within one Act — and it's, in this case, I hear The Legislative Assembly and Executive Council Act — that outlines the rules and procedures that you're talking about, that that Act should be kind of a stand-alone.

And you usually don't replicate provisions of one Act into another because then what you get into a situation is if one changes, you have to make sure the other one changes on a consistent basis; and when they're inconsistent, which Act takes precedence. And usually Justice recommends against duplicating provisions such as this. In the same way that The Financial Administration Act has its rules, don't build all those rules into the other Acts. It simply takes precedence in certain situations.

The Chair: — Thank you.

Ms. Lorje: — Very quickly. I agree with Mr. Paton. I am concerned that if we put in it that the Act should require a debate, that that could possibly be interpreted to even take precedence over the legislature's own conventions. And I will refer you again . . . once again to the *sub judice* convention. So I don't want to see anything in there that's going to cause us problems in terms of our own legislative rules and procedures.

So, I will move at this time that . . . okay, sorry.

The Chair: — Just one moment . . . (inaudible) . . . Mr. Aitken.

Mr. Aitken: — I found the particular provision and I would read it because I think it deals with the salutary effect that legal counsel to the Provincial Auditor is referring to. Because the existence of this Act to . . . of this section to me has an impact on somebody who is saying I don't want to provide access to information. Because the existing Act says the Provincial Auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and for purposes of that examination he may exercise all the powers of commissioners under The Public Inquiries Act which then has penalties as we've described there.

So I think there is a provision that is already there, that causes someone some anxiety as to the ramifications of not providing information, because it's any person on any matter.

Mr. Neill: — That's . . . (inaudible) . . . Mr. Aitken, except for the Supreme Court of Canada, who said that you can't resort to the court when it's really . . . and really it is a matter for parliament.

So then when you're dealing with an employee as distinct from

a third party, I don't think that that's the appropriate route to go. And that is where the resistance normally comes from. It does . . . if it's . . . although in recent years, you know, it hasn't really been a problem, but it has been in the past where people have . . . and of course, right now, dealing with the SIGA (Saskatchewan Indian Gaming Authority) thing, there may be a problem in embryo there that cannot be resolved and we may be looking at what the remedies are in that situation.

Mr. Gantefoer: — Mr. Chair, the only thing that could get . . . the only individuals who can get things more confused than politicians would be an accountant and a lawyer.

Mr. Aitken: — Imposing simultaneous translation.

Ms. Lorje: — I think it's incumbent now for me to move that we disagree with 10(2).

The Chair: — Okay. Disagreement on 10(2). Any discussion. Questions. All those in favour? Opposed? Carried.

Recommendation no. 11.

Mr. Wendel: — Your committee has already accepted this recommendation.

Ms. Lorje: — I will move recommendation 11.

The Chair: — Move acceptance of recommendation no. 11. Any discussion? Questions? All those in favour? Opposed? Carried.

Recommendation no. 12, relating to no. 20.

Mr. Wendel: — Your committee has had a lot of discussion on that, and I think you've resolved what you wanted to do on that.

Ms. Lorje: — I will move recommendation 12. I don't think we need to note any more about the incumbent being able to re-apply.

The Chair: — No, I was just looking at that. There was two paragraphs and whether or not this had to be a sub (1) and a sub (2).

Ms. Lorje: — Transitional matter doesn't exist any more.

The Chair: — Yes, good.

I don't believe we require a motion on this because we're including sub (12) in our process that we're putting together. So we wouldn't require a recommendation; we have agreed. Okay, thank you.

Recommendation no. 13 . . .

Mr. Wendel: — This goes back to recommendation no. 1, and your committee decided it didn't want the object for The Provincial Auditor Act in the Act. And this goes with it, the . . .

The Chair: — Right. The ethical standards, the objectives, and all those things were discussed before and that we felt that that was not part of it. So we need a resolution to disagree with no.

13. Moved by Mr. Wakefield.

Thank you. Any further discussion? Question. All those in favour of disagreement with 13? Opposed? Carried.

Recommendation no. 14.

Mr. Wendel: — This is two pieces and it deals with our accountability to the Legislative Assembly and to the elected members.

The Chair: — And we have a tie to recommendations 4, 7, and 15. And I guess we'll split that up into two parts: sub (1) and sub (2).

Mr. Wendel: — With respect to the first part, we're recommending that our office give you an annual business and financial plan, and an annual report on operations. And the advisory committee is agreeing with us on that.

The Chair: — And that Mr. Paton . . .

Mr. Wendel: — And we are currently doing that, just putting it in law to make sure that you get it all the time.

Mr. Paton: — That is correct.

The Chair: — Thank you.

Mr. Gantefoer: — Motion to agree.

The Chair: — With no. 14(1). Any discussion? All those in favour? Opposed? Carried.

14(2).

Mr. Wendel: — This deals with how we're audited, the people that audit our office. And we're recommending no change to the Act. Now the advisory committee has three recommendations on that, and I'll just go through those.

Recommendation no. 11 — I'll find my notes on that — they're recommending that . . . the advisory committee is recommending that this committee appoint the auditor for our office. At the moment cabinet appoints the auditor. And I have no concerns with either, either method because it won't affect the independence of our office. So whatever the committee wants to do is . . .

The Chair: — Mr. Aitken, would you comment on that, the recommendation 11?

Mr. Aitken: — Yes, the committee took that view because again, with the interest of the auditor being . . . his relationship, his prime relationship, is with this committee. That was the motivation.

Mr. Paton: — Yes, Mr. Chairman, I concur with what Mr. Aitken is saying.

Currently the auditor's report on various entities goes to the Legislative Assembly and then is referred to this committee. I'm not sure what committee actually reviews the report on

operations or the audit report of the Provincial Auditor. I can't recall this committee ever having had those discussions, reviewing the audit of the Provincial Auditor. And I'm sure cabinet has never reviewed that audit either.

So it's kind of a natural tie to this group, who is most engaged with the budget, the operations, and the reports of the auditor to also receive the audit on his office.

Mr. Kwiatkowski: — I'm sorry, Mr. Chair, we shouldn't insist on an audit committee to the auditor of the Provincial Auditor.

The Chair: — Thank you for those comments.

Ms. Lorje: — Pretty soon we will have every CA (chartered accountant) in the province employed and coming into this committee.

The Chair: — Mr. Wendel, further comments.

Mr. Wendel: — Just responding to Terry's comments, and there are two other pieces to the advisory committee's recommendations. And the first part is we have no concerns with who appoints the auditor or whatever you decide to do. The second part of the recommendation that they make is there should be an engagement letter with this committee for the auditor . . . the Provincial Auditor.

I'm not sure what purpose that would serve because the way the Act reads, it determines what the engagement is. Like the auditor of our office has the same powers and duties that we've got, and he's supposed to audit us the same way we audit everyone else. So I'll let you speak to why you think there should be an engagement letter. I don't . . .

Mr. Aitken: — An engagement letter, Fred, of the utility is to describe . . . the Act will say one thing but an engagement letter is . . . serves to clarify, and particularly for this committee if that's the recipient of it, to describe what it all means. And so I think it's really just with a view to clarifying, so that words are written in English, describing it so that people understand.

That is in law becoming more of the first question that is asked in the event of an audit failure is, so where's the engagement letter? It's gotten to that extent now in the legal environment. So we think it's a best practice that should codified.

The Chair: — Committee note . . . the committee members note that Mr. Aitken is making comment on recommendation no. 12 from their report.

Mr. Paton: — Continuing on with Mr. Aitken's comments, I see this more as a communication document. I agree with Mr. Wendel that The Provincial Auditor Act does outline the responsibilities. You do have a group of auditors though that may not be as familiar with the requirements under that Act as what Mr. Wendel is. And when there's appointed auditors, Mr. Wendel communicates and coordinates their work so that they understand what their requirements are.

When there's an auditor auditing him, I think there's a conflict if he were to tell them what they should be doing. And an example of this was on one of your previous discussions where

it was asked, well has the auditor of the Provincial Auditor ever issued a management letter? And the answer I heard was no, he hasn't. So you received regular audit reports, that's the reports that you receive here on all other entities but you've never received a report from that auditor of the Provincial Auditor to my knowledge.

Mr. Wendel: — That auditor reports directly to this committee and does provide a report annually to this committee. We also provide it as part of our annual report in operations to make sure there is no misunderstanding. All three of his reports are provided here. They're tabled with this committee.

The Chair: — Okay, Mr. Putz has indicated that the committee has always received them but has never reviewed them in the past.

Mr. Paton: — Well I'm just . . . I'm trying to clarify between the report of the auditor which talks about the opinion on the financial statements versus the management letter that talks about comments similar to the fall report or spring report of the Provincial Auditor; a comment on issues other than the financial statements. That's the type of report that I don't think I've ever seen issued by the appointed auditor.

Mr. Wendel: — If I could just clarify. The auditor, on his own, sends a report directly to this committee to be reviewed by this committee. In addition to that, okay, one of our performance indicators is that we do have good systems and practices to manage public money, and that auditor provides such a report . . . We actually include it in our annual report and operations to show that we're doing a good job of that.

The second thing we do is we're audited to make sure we comply with the law, at least provide an opinion on that to this committee, and it's also included in this annual report and operation. So we take very seriously our accountability and we make sure that you get it a number of ways, and there's also an opinion on our financial statements that's included in this annual report.

Further, we have our business and financial plan audited to make sure that you can be satisfied when we ask for resources that it's prepared in accordance with accounting standards of the Canadian Institute of Chartered Accountants. So we want to make sure that we're fully transparent.

The Chair: — A question to Mr. Paton. Would that lack of a review by this committee, would that have been the result of the fact that the budget was controlled by the Board of Internal Economy — or the approval of the budget — but not this committee and therefore the audit wasn't of concern?

Mr. Paton: — I guess I can't speak to as why this committee hasn't reviewed those reports. I'm unsure as to what the auditor's, of the Provincial Auditor's understanding would be of his requirements. I recall what Mr. Wendel's referring to and I've never seen any constructive comments. Usually what you see in management letters are suggestions for improvements, and perhaps those are included in this reports and I've never seen them. For sure I've never seen them discussed at this committee.

The other question would be whether or not they were referred directly to this committee. Mr. Wendel's indicated that he includes them in his annual report. I think that our auditor should be reporting to you, not through Mr. Wendel.

Mr. Wendel: — And I agree with you. My understanding is he does report directly to this committee. He provides a report directly to this committee. That's his duty. It says so right in the Act. That's what he's supposed to do.

As to what he's required to do, that's set by statute. He is also an appointed auditor out there auditing some Crown corporations and some other government agencies. He knows full well what we require him to do out there. I'm sure he has no misunderstanding at all.

Mr. Atkinson: — Perhaps if I could just add a few comments. Mr. Paton is wondering whether or not our auditor has issued an opinion, as we do, to the Legislative Assembly. When we provide you our report — either our spring report or our fall report — we provide you with our opinion and our assurance as to whether or not those organizations that we examine out there have adequate systems and practices to control public money, to comply with the law, and whether or not they did so. Our auditor has also provided that same assurance to the Legislative Assembly.

We may have discussions with management. We may say to them, when we've looked at your operations, we think your systems and practices will safeguard public money. There might be one or two matters that we discuss with them that are not significant enough to cause us to form a different opinion than the one that says that they can provide or they do have adequate systems and practices to protect and control public money. We talked to them about all sorts of minor matters that they could do to improve their operations but that isn't the kind of information that comes forward to the Legislative Assembly.

The information that comes forward to the Legislative Assembly are those significant matters that we think you should deal with. If there are no significant matters, we say so. If we say that their systems and practices are good enough to control and safeguard public money, we tell you. If we say they have complied with all the authorities that they require to control their spending, their revenue raising, borrowing, investing, lending, we tell you. Our auditor does the same thing.

What I think Mr. Paton is talking about is a level of detail far, far below that; where if I go in and say, well I think you could be handling your mail a little bit better. Well I mean that's . . . those aren't the kinds of things that this committee would be interested in, I don't believe.

Mr. Paton: — Mr. Chairman, I agreed with Mr. Atkinson right up to his last comment. Because that isn't what I'm suggesting, that you should be reviewing that type of detail.

All I'm suggesting is that the auditor of any entity should be reporting to someone independent of that entity. And if that's clear, within practice and within legislation, then I'm happy. I'm not suggesting anything beyond that. And that those provisions, I think, will and should be included in the Act according to your discussions here.

But any further level of detail, that's not what I'm promoting here. Simply that this committee should be charged with that responsibility in the same way you approve the budget, review the report on operations, and everything else. That it's very clear that you also receive the reports of the auditor, of the Provincial Auditor. That's all I'm saying.

Mr. Kwiatkowski: — I agree with Mr. Paton. I think that the provision of a management letter or a constructive services letter is standard practice. The auditors make a professional determination as to what it is that's in that letter. If those letters haven't been provided up until this point, then I think they should be and I think the Public Accounts . . . they should be forwarded to the Public Accounts Committee as well.

Mr. Atkinson: — Yes, perhaps just . . . I think Terry and I are on the same wavelength. Just to give you the assurance that you're looking for, the auditor's report on our systems and practices and on our compliance with the law are addressed to the members of the Standing Committee on Public Accounts, the province of Saskatchewan. That's who the auditor is reporting to. He's not reporting to the Provincial Auditor.

Mr. Neill: — I have one concern. Mr. Aitken quite properly says that the first thing a court looks at is the engagement letter. In this particular instance, I would have some concern that the engagement letter might be different from the Act. The provisions of the duties of the auditor and the auditor of the auditor's office are set out in the Act, and therefore it would govern regardless of what the engagement letter said.

Mr. Wendel: — To talk a little bit more about management letters. At the moment, you don't receive, this committee doesn't receive our management letter from every organization that we audit. There'll be things — as Brian was saying — there'll be things in management letters that we don't bring forward to you because we don't think they're important enough to bring forward to you.

So just so there's no misunderstanding on that. That's quite common that we would find some minor things that we say, fix these minor things; it's not worthy to bring them forward in a public debate to discuss some minor things. We need to deal with the major issues. That's what we bring forward. That's a judgment call.

Now if you want their management letter, I have no quarrel with that. I just want to make sure there's no misunderstanding here that you're getting all of our management letters or whatever you want to call them, these observations. Just so there's no misunderstanding on that.

The Chair: — Question to Mr. Aitken. Recommendation no. 13 — you indicate:

. . . that the legislation specify that the report of the auditor of the accounts of the office of the Provincial Auditor be tabled.

You're suggesting tabled in the legislature?

Mr. Aitken: — No.

The Chair: — Okay. I think that's important that that terminology be used because then that would require it that it come here first, right? Okay.

Mr. Aitken: — Again with the same motivation that this audit . . . the auditor of the auditor should be reporting to this group as representatives of the Legislative Assembly.

The Chair: — Okay. And I understand that the auditor's Act already requires that.

Mr. Aitken: — Yes.

The Chair: — Okay.

Mr. Aitken: — Yes.

The Chair: — That was the third point, Mr. Wendel, under this sub (2)?

Mr. Wendel: — Yes.

The Chair: — Okay. So we've had discussion about recommendations 11 and 12 and 13 I guess.

Ms. Lorje: — I'll move:

That the recommendations 11, 12, and 13 of the Provincial Auditor Advisory Committee be agreed to with the addition of the words "in the legislature" at the end of recommendation 13.

The Chair: — Now, Ms. Lorje, if I might ask. I mean we're on the sub (2) part that said no change recommended. So I think that . . .

A Member: — I disagree with that.

Ms. Lorje: — Okay. Then I move that we disagree with 14(2) . . .

The Chair: — And that to encapsulate what you just said.

Ms. Lorje: — . . . and instead substitute recommendations 11, 12 . . .

The Chair: — Or portions.

Ms. Lorje: — . . . and 13 of the PAAC (Provincial Auditor Advisory Committee).

The Chair: — Okay. Thank you. Okay. Everyone understands that there is disagreement with the sub (2) of 14 which said no change, and that other things have been agreed upon by consensus here as far as ensuring that those things about engagement letter and all the other things that Mr. Paton has highlighted are encapsulated in it. Any discussion? All in favour? Carried.

The recommendation we've been waiting for for a long time, the last one: no. 15 and correlating to no. 8. And Mr. Wendel?

Mr. Wendel: — Well we think the current Act should require

this committee or the new Act . . . or changes to the Act should require this committee to review our business and financial plan and our annual report and operations and to provide us with advice on how we might improve our performance. And that's been agreed to.

The Chair: — And the third point is to provide the committee with the authority to acquire the resources . . .

Mr. Wendel: — To do so. To provide your committee with the resources to do so effectively. So whatever resources you need to do that, you should get.

The Chair: — And no. 8 recommendation.

Mr. Aitken: — Yes, we're substantially in agreement on this point. The recommendation 9 from our committee really just goes beyond that to suggest that that's a task . . . the review of that budget is a task that could easily be delegated to the advisory members. So I think we're in substantial agreement on this issue.

Mr. Gantefoer: — I move:

That we agree with item 15 and make note of the advisory committee's recommendation 8 and 9.

Ms. Lorje: — Can I just ask a question before we deal with it?

By doing this then, does that also then imply that we are agreeing that the necessary resources for our own advisory committee will be provided as well?

A Member: — Yes.

Ms. Lorje: — Okay.

The Chair: — That will be within our budget as I understand, and discussions with Mr. Paton. We may have a creative . . . We may have to ensure that we allow our advisory committee to do its work within our budget.

Mr. Aitken: — When you were about to use the word, creative, and then you backed off, it made me very happy as an accountant to hear that.

The Chair: — Thank you, thank you. Any further discussion on the resolution before you, which is the acceptance of recommendation 15? All those in favour? Opposed? Carried.

Now as I think Mr. Gantefoer was the one that indicated that, at the very beginning of our deliberations on The Provincial Auditor Act, we've had a chance to go through the 15 recommendations that also involved a number of recommendations from the advisory committee report, but there were others that didn't. And I don't know how to . . . (inaudible interjection) . . . Oh yes, I'm sorry. I have to back you up, please, to yesterday when we held up . . . Thank you, Mr. Wartman.

7(2) is still for clarification and a decision-making process.

Ms. Lorje: — Well it seems to me, on 7(2), while we were

having some considerable discussion of it as we were coming to the end, I think that we were reaching a consensus to adopt the recommendations of the advisory committee.

The Chair: — I didn't see it that way, okay. And I'd like further discussion because I think there was some concern about the operations. And they were involving, I believe if I'm right — Ms. Lorje, would you clarify — 5 and 6 out of the advisory committee and 18 and 19?

Ms. Lorje: — 18 and 19, yes.

It was whether or not the auditor would function in terms of his accounts and his money the same way as all other organizations do.

The Chair: — I think the question was around — and I forget the name, the terminology that you used, Mr. Paton, on the current financial Act . . .

Mr. Paton: — The Financial Administration Act, 1993.

The Chair: — Right. Whether or not the auditor fell in under that Act or didn't, I think that's where we left, and I don't recall that we actually reached some consensus on that. I know we were definitely reaching a consensus on where we were heading on those other things but I'm not sure that we did that.

Mr. Paton, any further comments there?

Mr. Paton: — Well there was considerable debate about whether or not The Financial Administration Act, 1993 applied to the auditor's office or it didn't apply. I think the committee could come to some resolution on this issue without getting into that, I guess, theoretical discussion.

You could go through what's being proposed by the advisory committee on how this . . . how Public Accounts Committee wants to review the budget, the spending, the special warrant, the provision for unseen amounts, and so on, separate of the theoretical discussion around The Financial Administration Act, 1993.

So in other words I believe the committee's recommending that you approve the budget of the Provincial Auditor, that you provide for an unseen amount. So if there's any unknowns that come up, that there's some provision to deal with unknowns; that should there be a need for special warrant, that this committee is the one that provides for that special warrant without the interference of the Minister of Finance.

And that at the end of the year if there is any moneys left over, that similar to other officers of the legislature, that those moneys would return to the General Revenue Fund and you would start the process again for the coming year. That's what the committee is recommending.

I think you can deal with that as a package as opposed to going into the broader context of how all of The Financial Administration Act, 1993 might or might not apply to the Provincial Auditor's office.

The Chair: — Mr. Wendel, any comments?

Mr. Wendel: — Well as I said yesterday, I think this is a backward step for independence. I think it's also a backward step on good management practices of public money, as we've said and the comptroller's agreed, good financial management practices.

The lapsing of appropriations doesn't promote good management practices. This control encourages agencies to spend their entire appropriation before they really need to spend it. And from that respect, I think it's also a bad management practice. We'll also be talking about that soon in a public report for other government agencies.

Now just to be clear, there are many government agencies that don't have lapses . . . lapsing appropriations. They're structured in a different way. And what I understood yesterday from Mr. Paton was, well you need to be clear then. He thinks we are subject to The Financial Administration Act, 1993; we think we're not.

Well maybe all it takes is a few minor words, okay? Well I don't think there's a legal problem, but if he thinks we need to make it clear that we're not subject to The Financial Administration Act, 1993, maybe we should require if he can propose some changes that would put into law what he thinks are necessary for our current practices.

We think we manage well. We're fully accountable. We've been given authority to do certain things. And it's not unusual authority; it goes on throughout the government. I've tabled a report with you. I list many government agencies. Clearly the Department of Finance has organizations where they receive revenue and it doesn't go through the General Revenue Fund. It's the Public Employees Benefits Agency revolving fund. There are other ones. Like there's all kinds of organizations like that.

So this isn't an unusual thing that we're doing. And I think it's just good management practices to leave us where we are. You'll have full control of what we do. I can show you a business and financial plan so you can see how we ask for our money, show you what net financial assets we retain, and you get to control the amount of that each year. The Board of Internal Economy has been doing that for five years. It seems to work fine. It hasn't been a problem.

So no one has yet pointed out to me why it's necessary to change our management practices. Like I haven't heard a good argument for that.

Mr. Wartman: — Thank you. One of the concerns that's raised where the funds don't lapse — and we may in fact have some controls further down the road on it — but one of the concerns that's raised not only here but in other institutions that I've been a part of is that it promotes an empire building in a particular division.

And sometimes those, if they're not lapsed, they'll build up over several years and the particular division has an independence that I don't think they should have.

And I didn't understand clearly what Mr. Wendel was saying, whether or not if those funds are retained by the auditor are they

fully accounted for each year? Are they lapsed at the end of two years? Is there any kind of provision where it's not an accumulation of capital so that, for example, the auditor's office could say, well we need all gold-plated pens. We'll get gold-plated pens.

And those are the little detail things. They're not significant financially but they sure can cause a lot of frustration when people see it and they say, oh yes, well look at the opulence over there.

The Chair: — Mr. Wendel, would you comment?

Mr. Wendel: — I think maybe what I'll do is have Brian hand out . . . this is the financial plan just to show you what you might get. So you know that you're in control of this money, this surplus that we're retaining.

And as I explained yesterday, the purpose of that surplus is to respond to audits, okay, that can't be foreseen when we do our business and financial plan because it's for money. We do this plan now. You'll be getting this plan within the next week for the next year.

I can't foresee what's going to happen over the next six months or seven months when the year begins and we get our money, so we have cases where . . . things come up like the SIGA audit. There's always something comes up — the Water Corporation, the universities had some problems — and that's what we use the money for.

The second thing we use the money for is so that we can react to economic increases that are given to all public servants. We don't know what the government is planning to give for salary adjustments when we prepare our budget. They don't share that with us, so we react and those raises are usually given in July of the year. We don't . . . we've already prepared this budget back in November so we don't have any idea; so it allows us to give our people those raises, should they exist. And then we come forward and explain to you what we've done.

I'll just refer you to a page where you can see how this, how the budget would come forward. If we go to page 39, that business plan, what we bring forward here is a five-year history, some history, where we're at in the current year. What our forecast is, in the dark-shaded box is what we're asking for. It explains what revenue we expect to raise, what revenue we'd like from this committee in the future. The appropriation, what revenue we expect to raise.

And the revenue we expect to raise would be where we've gone out to a government organization and they have some minor accounting problems. They say, well will you help us out? We say all right, we'll do some bookkeeping for you. We'll send you a junior staff member, and we'd send them a bill for that.

We use that money to hire a Co-op student or something to help us do our other work. So it's very minor. Now the biggest amount there would be things like secondments, where our people aren't part of the public service. So when they go to a government organization they quite often stay on our payroll, and we send them a bill. We get the money from that, we use that money to pay for other help we bring in to get our job done.

So there's very little, there's about \$100,000.

Then we show our total expenses and lastly at the end, you'll see what we call net financial assets, and it tracks that amount. You'll know what our net financials are at the beginning of the year, what we're planning to have them at at the end of the year and you can monitor the amount of that. And you can make a decision as to whether that's too much or too little, every year; just by saying well I'm not going to give you as much money as you asked for; I think you should reduce that. And you'd be in full control of that.

Mr. Wartman: — The alternative that has been suggested by the committee is rather than you holding that over, it lapses each year and you would budget, say \$300,000 a year for . . . you would budget for contingencies.

Mr. Wendel: — Unforeseen.

Mr. Wartman: — Right, and would you see that as a . . . and you've characterized that as a step backwards to budget in that way rather than retaining funds?

Mr. Wendel: — I think again the \$300,000, I guess if that's available to us each year — like that's set up in statute that we have that, that we can draw on it . . . I don't know, I just . . . I still don't know what's wrong with this. I don't understand what controls you're missing or what accountability's lacking. The accountability's all there. You have all the control you need.

You actually have more accountability from us than you have as elected members on any government agency. You don't get a business and financial plan from a government agency like this. You don't get an annual report like we've provided. You don't get that kind of transparency.

Mr. Gantefoer: — Yes, thank you, Mr. Chair. I don't know. On one hand, I don't understand totally the differences at the end of the day between what is proposed in terms of the proposals from the advisory committee and what's happening currently.

I mean once it all . . . at least currently with the respect that it would be part of the Public Accounts Committee's responsibility to go over the budget and to set these figures. Currently, as Mr. Wendel just pointed out, if the Public Accounts Committee did not agree that 269,000 is an appropriate number to carry over, we whack off 100,000 of your operating budget so therefore your residual or whatever would drop by \$100,000. So in essence, we directly would control whatever residual that you would have. You don't have any independence on deciding that residual at all.

In the proposed situation, as I understand it, the same committee would have the same ability to decide that we would budget for an unforeseen category of \$169,000 which would give you exactly the same figure or we would agree that the 269,000 is an unforeseen expense budgeted amount and you would have exactly the same discretionary access to \$269,000 or 169,000, whatever this committee saw appropriate, as you would under this system.

And that's why, for the life of me, I can't see why you would say it's a step backwards. Nor can I see why it's a step forward by changing the Act to include it. I just don't see the point. The end result is the same in either instance.

It's a question of methodology of getting there in some minor way. But in essence this same committee would be making a judgment based on the presentations from the auditor's office of whatever unforeseen discretionary funds would be in the Provincial Auditor's budget. I don't care how you . . . in what category you set it up, the ultimate decision and responsibility is vested with this committee.

So I'm kind of at a loss as to what's the point of this whole exercise, and philosophically, if I'm given that dilemma, I'm kind of of the attitude if it isn't broke, don't fix it. But I'm open to hear where I'm not understanding that this is a six of one, half a dozen of the other argument that we're into here. And I don't see a higher purpose for some reason.

I cannot understand why the auditor would say it's a step backward and I can not see the real momentum for changing it. I'm at a loss.

Mr. Paton: — Mr. Chair, maybe I can provide some of that clarification as to what some of the problem might be and the committee can decide how important that is or not.

The process that the advisory committee has put forward here is a whole package in terms of the budget approval, the additional funding, the revenue spending or not being able to spend revenue and funds lapsing at the end of the year and putting all of that into the control of this committee.

There was a situation a few years ago where the auditor's budget was reviewed and approved and he was provided funds. And during that year it was determined that — and I don't recall the specific circumstances — but the funds were insufficient for the auditor to perform his duties; whether it was new work or additional work, I can't recall what it was. As a result of that, the auditor's office billed certain entities to perform certain audits and those entities paid those bills and the auditor used that money to hire staff to perform those audits.

What in effect happened is the budget was increased without the legislature having the input into it, without this committee or some group having input. And as long as there's an ability for the auditor to bill for unforeseen amounts or to carry . . . now the carry forward is a little different issue because we talk about, you know, the carry forward is covered off by the provision for unsean amounts. Hopefully those are a trade-off. But it's the issue of raising revenue and using it for the purposes of the audit at the auditor's office. Now if you think that's appropriate, that's a change.

And as I said, when other entities have the authority to raise monies and spend it, it's provided for within legislation. The auditor believes that's appropriate and he believes he has that authority. This is one of those clarification issues where our office and government don't believe that authority exists. And if you want it to be there, then it should be provided.

But the package that has been put forward by the advisory

committee brings it all into the control of this committee. So that situation that arose a number of years ago, where the auditor deemed he didn't have sufficient funds, it would have been incumbent to him to come to this committee and seek approval to do either the additional work or get the extra funds that he needs to do the work that he determined was required to be done. As I said, bills were issued, they were paid, so the money was paid into the auditor's office and used to hire staff accordingly.

Mr. Gantefer: — A question for clarification. So then what I hear you saying is the Provincial Auditor made a decision, as is his authority to do so, that a special audit was required of some entity. In essence, then bill that entity to have the audit completed or . . .

Mr. Paton: — No, these were not special entities. They were entities that are audited every year and I believe would have been included in the original work plan. I know that they've been audited by the Provincial Auditor since their creation.

Mr. Gantefer: — But they became an opportunity to get the extra funds by billing them for some work that was required in respect to the ongoing or normal audit?

Mr. Paton: — Yes, that happened; a one-time circumstance. I don't know what the shortfall was in the auditor's office — whether he had additional work, or wasn't provided enough funds in advance. I don't know the details. I do know that the situation of the billing . . . an entity, that was included in the normal audit routine or audit plan of the auditor's office, received bills for that one particular year so that the audit could be completed.

Mr. Aitken: — Speaking on behalf of . . . I think the thought process of the committee was that the . . . we hadn't anticipated that this was an autonomy-type issue and perhaps yesterday's reaction . . . we weren't aware that we would hit that.

Our thought process was primarily, if you grant the Provincial Auditor the right of access to special warrants that places you in a dependency situation. In order to conduct the work that has to be done you're providing the Provincial Auditor with an avenue to pursue to get additional funding. Having given . . . having granted that right of accessed additional funds, we . . . our thought process went as normal accountants which says, okay, if you grant that avenue, you also have some way . . . have to have some means of saying okay. And if you don't need all of that additional funding, where does the money go?

So I think it was a little bit more like . . . symmetry was . . . but the autonomy issue perhaps was less apparent to us in our deliberations, and so I'm not so sure that, you know, we were aware of that issue, and hence I think it's proper that it comes before this committee.

Mr. Atkinson: — Yes. I'm not sure I quite fully understand Mr. Paton's concerns. Our office has always had the ability to charge a fee. It's provided for in our Act. We have always had that ability. The fact that we charged for fees and retained them, to do the work that we had done, was apparent to everyone. It wasn't like we did something that was not called for by the Act. It wasn't like we took the money and didn't use it in a fashion

that it was expected to be used for.

And the last part was, it wasn't like we didn't come forward at the end of the process and tell the Assembly what, in fact, we had done. Our annual report has been tabled in the Assembly. It shows you exactly what we did with the money that we've raised and that we've been given by appropriation. No different than any other organization that has that ability.

Now I'm not sure why Mr. Paton is concerned about this because the Assembly hasn't been concerned. Cabinet's auditor that audits us has given an opinion that we have complied with our Act. He knows that we raise revenues. He knows that we retain them and use them for the purpose intended. He also knows that we give back to the General Revenue Fund monies that we might acquire that aren't required for us.

So I'm not sure what Mr. Paton's concern is because Mr. Paton has no requirements under our Act. We've got assurance from cabinet's auditor that we've acted appropriately and we've acted in compliance with the law. I'm not sure what the concern is here. I think we should find out.

The Chair: — I'd ask Mr. Paton to comment.

Mr. Paton: — Mr. Chairman, first of all I do have a responsibility in regards to this Act. It is the responsibility of the Minister of Finance and that's the reason why we're bringing forward these legislative amendments. And accordingly, The Financial Administration Act, 1993, which is also the responsibility of the Minister of Finance, is also relevant in the discussions we're having here today which is also, you know, part of the Minister of Finance's responsibility. So that's the reason why I have concerns in trying to make sure that these provisions are met.

Now I'm not trying to imply in any way that anything was done wrong or hidden or in any fashion. So I'm not stating that. The concern I have is that our interpretation of The Provincial Auditor Act is that indeed they do have the authority to charge for fees when they determine it's appropriate. That provision is included. The one that we are concerned about is whether or not they have the authority to spend those monies which is a different issue.

We believe that there is a conflict here where The Financial Administration Act, 1993 states that these funds should be deposited to the credit of the General Revenue Fund and that the auditor's operations should be funded through appropriation. Now I'm asking the committee not to debate what interpretation is correct here.

I'm saying that our interpretation is that they can charge fees, that they're subject to appropriation by yourselves — by the Legislative Assembly — and all those fees should be deposited to the General Revenue Fund and dealt with accordingly. And it's consistent with the recommendations that the advisory committee has that all the expenses of the Provincial Auditor's office should be provided by through an appropriation of the General Revenue Fund.

If that's not the wish of this committee, if they think that they should have the authority to charge fees and retain them and

spend them for their operations, then all I'm asking for is that this committee should clarify that. It's not something that I think we want to haul our lawyers in and debate the merits of one or the other. I'm asking you to make a decision as to how you want to operate here and I think the Act should reflect that.

Mr. Gantefoer: — Thank you, Mr. Chairman. I don't know if the committee would be willing but we're approaching lunchtime and I would certainly like to have a little time to — unless there's further points to be made in the argument — I would like to suggest if there are no further points to make on this particular argument, I would like to make this decision immediately after lunch, if that would be acceptable, because I would like to think about this a little further in light of the points that were raised this morning.

The Chair: — Any further comments or questions?

Ms. Lorje: — That's a Solomon-like decision.

The Chair: — Is there a need for any other questions of Mr. Wendel or Mr. Atkinson or Mr. Aitken or Ms. Joorisity or Mr. Paton before we recess for lunch?

Mr. Stewart: — Can I ask Mr. Wendel to reiterate — and I know he's been through this before but so we're clear over lunch — how he views this as affecting the independence of the auditor?

Mr. Wendel: — As I said before, I don't think we should be subject to the controls under The Financial Administration Act, 1993. That's a backward step to our independence. I also think what's being proposed doesn't result in good financial management practices.

The Chair: — Mr. Gantefoer asked that question I think before, when you said, you know, why do you see that as a step forward . . . or a step backwards and then you quoted the financial management Act. Could you elaborate more please?

Mr. Wendel: — Well before 1983 we were under The Financial Administration Act, or The Department of Finance Act or whatever it was called in those days. And we were subject to those controls.

In '83 there was a decision taken by the government of the day and supported by this committee that we should be free from those controls. We were made independent and given the authority to operate. And we've done that.

So if you now think that we should be back under those Financial Administration Act, 1993 controls, I'm just saying that's a backward step. We have to audit the Minister of Finance.

Ms. Lorje: — I think we were going to have an early lunch break to consider this matter.

The committee recessed for a period of time.

The Chair: — Let's reconvene. As noted prior to our recess we wanted to become completely informed on this issue before we make some recommendation that would be in our report. Is Mr.

Paton back? Because that's where my first question would be directed, to him, and maybe I can begin with Mr. Wendel and Mr. Bayda if you would . . . There he is.

He will be listening to the question as he's walking to his chair. The question that I had is still connected back to the Act that Mr. Paton mentioned which is The Financial Administration Act, 1993, and Mr. Wendel referring to the fact that he believes that's a step backwards, even though the last time that I guess that Act was there was 1983 and the auditor was taken out of that responsibility.

A lot has changed since 1983 including the recommendations that we're putting forward now about how the auditor's office is going to work, what will be the provisions for appointing the auditor, and all those kinds of things.

And I'm wondering, Mr. Wendel, what other circumstances do you see that are currently contained within The Financial Administration Act, 1993 that will now limit your ability to act independently? Do you see some things in The Financial Administration Act, 1993 that will now limit your ability to be independent?

Mr. Wendel: — As I said earlier, the recommendations that are in here go to putting us under the controls of The Financial Administration Act, 1993. Those controls affect the independence of our office. Those controls are exercised by the government.

The Department of Finance has control over the appropriations. The Department of Finance also has control if we provide our revenues to the General Revenue Fund. So that would then take away some of our independence to do what it is that we do.

The Chair: — Mr. Paton, do you see it similarly or in a different light?

Mr. Paton: — Well obviously Mr. Wendel feels it does impede his independence, and I'm not sitting in his position so I can't speak to that. What I would comment on is that the spending and appropriation is not under the Department of Finance. What's being proposed here by the advisory committee is that the spending be approved by this committee, which is a committee of the legislature, and additional funds be approved by this committee.

So to see that it's being controlled by Finance, I think what we've talked about is that any amounts that are being approved by this committee go forward without influence by the Minister of Finance. That's what I've interpreted from your discussions.

So I don't see that connection personally. But how it may impact Mr. Wendel or his office, I think that he's best to speak to that position.

The Chair: — In light of that interpretation, Mr. Paton, and also Mr. Wendel, if you would comment, what things are we suggesting by way of changing that would now place the auditor's office within the guidelines of The Financial Administration Act, 1993? I need that clear in my mind that says we have done points (a), (b), and (c), and now the auditor's office is now controlled by The Financial Administration Act,

1993. Could you identify those?

Mr. Paton: — I think the things that we're suggesting here are not putting the auditor under the control of The Financial Administration Act, 1993; and as I said earlier, I tried to stay away from that discussion as to whether or not he should or shouldn't be under The Financial Administration Act, 1993. I don't think that's where you're well-served.

I think where you should be served is some of the principles that are contained within The Financial Administration Act, 1993; and do you think, as a committee, you want to apply those principles. Those principles would be that all of the budget of the Provincial Auditor is approved by this committee; additional monies that he may require are approved by this committee; and any money that he raises should be subject to appropriation, which indirectly comes through this committee.

So those are the principles that I'm talking about. Do you want to have that control — where you control all of his spending, where you approve all of his spending, and provide it?

As I said earlier, it's not The Financial Administration Act, 1993; it's the same principles that are in there. But do you want to use those principles in reviewing and approving the auditor's budget? Or alternately, do you want to provide him the authority to raise revenues and use it for his purposes?

And my suggestion is if that's the way the committee believes it should go, then I would recommend that you make that recommendation, and it should be dealt with accordingly.

The Chair: — Prior to recessing, I heard both you and Mr. Wendel make reference to The Financial Administration Act, 1993, as if now the auditor's office was under the Act. And nowhere did I see, upon reviewing the recommendations during the noon hour, where the committee has made reference to that Act, and specifically, what kinds of things we would do. And I'm sure the Act must say a lot more than the three principles that you just identified.

So I need now maybe Mr. Wendel to comment about what he views as the negative of being . . . of having his office under the guidance of those principles as you talked about which are the same as within the Act, but they're not the Act because the Act says a whole lot more.

Mr. Wendel: — We're taking exceptions to those principles, as I said this morning. They result in poor financial management practices and they lead to agencies spending their entire appropriation. They also lead to spending money before you need to spend public money.

The Chair: — Mr. Paton. Silence was golden there for about three seconds.

Mr. Paton: — Here we go. Mr. Wendel is stating that based on the rules, certain actions are taken by management to ensure that they can utilize the funds to best of their advantage. Now that's a — in my view — a judgment call.

My office is subject to these rules and I do not believe we take that view. I believe we manage within our budget and at the end

of the year, we don't try to simply spend whatever is left. And I can cite numerous examples where departments are underspent at the end of the year. So it's not a huge push just to get every dollar out.

And I think that's what's being implied here, is that money is spent earlier because they're afraid that they're going to lose the ability to spend it in the future. That's how it's being characterized, that management reacts to the fact that they don't get to carry forward their appropriation.

One of the comments that I've made in the past, and this is a general comment, is that that rule is in place for a reason. It's been in place for a long time. As people change their opinions about good financial management practice, the rule about appropriations lapse may indeed change in the future to address things like what Mr. Wendel's speaking to.

My personal opinion is that it is the law now for government agencies and they abide by it. When those rules change because there is a better rule, well then they'll abide by the better rule. But at this point it is the law of the province of Saskatchewan, and it's a similar law that we think should be applied in this case. But if the committee deems it shouldn't be, then I recommend that you say that and the authority for the auditor to spend his monies be put in place.

Mr. Gantefer: — Thank you, Mr. Chair. I think what the auditor raises in terms of the, you know, the best allocation of resources in the use it or lose it kind of mentality or operational mode is for another debate. And I think it's a legitimate debate and a reasonable debate. But I don't think it should apply uniquely and solely to the auditor's office.

I think it's the kind of debate that should perhaps be a far-reaching one in terms of should there be provision in a general sense across the government departments for an ability to carry over funds and to have department heads and managers to be able to accumulate some level of reserves in order to get better buying power or make better management decisions. I think that's another whole debate that is not in the context of the issue we have in front of us today.

I think for me today, what I want to make sure in my mind is that we're not doing anything that will actually impede the independence of the auditor's office. And at the same time I want to make sure that what we do is done in such a way as is consistent with the current standards of government practice, and that there is no likelihood or ability of Executive Council to impede that independence. I just think that that's the fundamental principle that we have to make.

I heard the argument this morning that, you know, in 1983 an exemption was made from The Financial Administration Act so that the auditor's office had that level of independence. Well that might have been the remedy of the day in order to allow that to happen.

But in 1983 the auditor's office was not presenting a budget that would be approved by the Standing Committee on Public Accounts as being proposed. It did not include a provision for unforeseen allocations that could be agreed to at the discretion of the Standing Committee on Public Accounts and could not

only potentially equal what currently is available under this current situation but maybe even dramatically exceed it.

And it didn't provide, as I understand it, for the ability of the Public Accounts Committee upon request issue a special warrant, in essence, that could not be interfered with by Executive Council or the Minister for Finance for special projects as they see fit. I certainly always do have the concerns about the true impartiality of this committee because we are politicians after all, and unfortunately or fortunately, we carry those credentials to a greater or lesser degree on various issues.

But I also do believe that there is no committee that has a greater ability to be non-partisan than this one. And that's an imperfect situation, I understand, but it is the best we have to work with.

Politics, most often, is not a science of the ideal but a science of the practical and what is doable and achievable. And so I am not convinced that in this whole thing that what has been recommended, the principles of what have been recommended, in its entirety, of the responsibility of this committee to make sure it operates in recognition of the close relationship this committee has with the Office of the Provincial Auditor should not be considered as sort of a package of issues, that this financial accountability process is one that is included with it.

And I think that it meets my concerns about the independence of the office of the auditor. And I certainly tend to support the advisory committee's recommendations.

Mr. Wakefield: — I think I would concur with Mr. Gantefer and with the observation that, at the end of the day, if we take the recommendations of the advisory committee, we will be much more responsible for the whole budgetary process. We are going to be maybe not micromanaging, but we certainly are going to be much more involved in the process than before.

Now we've taken on that responsibility in other parts of our discussion and I think it has to be said that we must be aware that it's going to be more involved from this committee or through a committee that we would choose to use as, whatever it's called, an "A" committee. But in fact, it will be more responsible and that's a consequence.

But in terms of the independence of the position, I think that's crucial, and I think I'm comfortable as well that the independence has been preserved or will be preserved.

The Chair: — Any further questions or comments? Seeing none, I think we're prepared to look at that section which was 7(2), which the auditor had recommended no change and I think there is consensus that we want to recommend some change. And those are highlighted by the . . . I want to get these right now.

Ms. Lorje: — 18 and 19.

The Chair: — And 5 and 6 too, I believe? Correct? Right?

Ms. Lorje: — Yes. Yes.

The Chair: — Recommendations 5 and 6, and 18 and 19.

Ms. Lorje: — And also, Mr. Krawetz, if I may, under recommendation 6, when we discussed it yesterday, we determined that we would change the word would in recommendation 6 to shall.

The Chair: — Okay. And I think there was also some discussion about, you know, the concerns about a money motion and where it would come from. And I think, Mr. Paton, you had a comment about that, how that would work.

Rather than it being a recommendation to the House, that it be a recommendation to the Minister of Finance, and I think you said something about shall in that because . . .

Mr. Paton: — That's right . . . (inaudible) . . . a piece of the proposed draft legislation that I was reading from and that was as to the process and the recommendation was that, or we noted that, the minister shall present the request to the Lieutenant Governor in Council so there is no ability for the minister to deny that.

The Chair: — Right, right, okay. So it's understood that those were discussions as well? Yes I think that's what Mr. Paton is suggesting, that that process be that route to get away from the inability for us to put forward a money motion. And 18 and 19 as indicated.

Those concepts are before you. Is there a resolution to reject, I guess, the sub (2).

Ms. Lorje: — I move:

That the committee disagrees with 7(2) of the auditor's report and concurs with recommendations 5, 6, 18, and 19 of the Provincial Auditor Advisory Committee report with the changes noted.

The Chair: — Any further discussion on that? Question. All those in favour? Opposed? Carried. Have I missed anything in the report of the auditor, the 15 points? Okay, all covered?

Seeing that, we can now turn to maybe the remainder of the recommendations as contained in the Provincial Auditor's Advisory Committee's report. And I don't know, Mr. Putz has been trying to track this over the last three days and whether or not we've touched on all of the recommendations, and we do have Mr. Wendel's form that he provided to us. And I think we've dealt with the numbers that you see on the right-hand column as he provided.

There is also a . . . I don't know whether it was a two page, I believe it was a three-page document that Mr. Wendel provided to us, and maybe we can quickly go through that. I think we've covered most of them.

I think Mr. Putz has highlighted maybe three or four of the recommendations that we haven't I think discussed at all but let's, for clarification purposes, let's review the report as presented by Mr. Wendel. I think it allows us to look at those and see if indeed . . . We'll hear from Mr. Putz if he believes that those have been thoroughly covered, and if you concur with that then we'll just move right on.

Recommendations 2, 3, 9, 10, 14, and 15. Covered? Recommendation 5, recommendation 6, recommendation 11.

A Member: — Covered.

The Chair: — Covered. Recommendation 12, 13, 16.

Ms. Lorje: — Dealt with.

The Chair: — Recommendation no. 17.

Ms. Lorje: — Also dealt with.

The Chair: — Recommendations 18 and 19.

A Member: — Dealt with.

The Chair: — Recommendation 21.

A Member: — We dealt with that.

The Chair: — Now recommendation 22. We believe that that one has not been discussed, and as noted from the comments from Mr. Wendel's office, there is disagreement there. And if I could quickly review recommendation 22 as presented. It says:

The committee recommends that legislation be amended to expand the qualification requirements for appointed auditors, including the auditor of the accounts of the Office of the Provincial Auditor, to include all professional accounting groups regulated by an Act.

And I guess same process. If we could have Mr. Wendel and/or Mr. Aitken or Ms. Joorisity comment on that recommendation that came out of your report.

Mr. Gantefoer: — It's the advisory committee; they should probably be on.

The Chair: — Yes, we'll allow . . . we'd ask for the advisory committee to make comment on recommendation 22.

Ms. Joorisity: — For the other appointed auditors it's not specified — the qualifications — and we feel strongly that we should . . . we call it fence the field, or we should be specific that the only . . . or the qualifications that are required are of one of the professional accounting designation groups. So that gives some comfort to the group that the people that are actually doing the audit have the qualifications to do it.

The reason we would do that is within existing Saskatchewan law there is no restrictions as to who can perform an audit. So your next-door neighbour, if they were to be hired, could in fact do an audit. We want to make sure that it's clear that it has to be someone from the professional accounting groups.

Mr. Aitken: — Yes, the point of this is at the moment the existing Provincial Auditor Act specifies that the individual who is appointed the Provincial Auditor must be a chartered accountant. That limits it to one of the three accounting designations that are recognized now under law.

So we do not want . . . the thought was we should not be so

restrictive because it's kind of like anti-competition or anti-trust, kind of where you specify one type of profession, one particular designation. There are other recognized accounting bodies out there.

In this discussion there is a . . . the Provincial Auditor has one particular impediment opposite some recruiting in the administration of his office that could result from this. But we thought . . . we concluded that — and maybe Fred can deal with that issue — but the general thought was in this legislation we should be a bit more . . . afford some more recognition of the other bodies.

The Chair: — I'd ask Mr. Wendel to comment first and then I'll recognize you, Mr. Wartman.

Mr. Wartman: — I was just wondering if there was a training aspect.

A Member: — No.

Mr. Wartman: — Okay.

Mr. Wendel: — This has nothing to do with our office. The qualifications for appointed auditors really should come from the Acts that appoint them. It really shouldn't be in this Act. And I have no quarrel if they want to use CMAs (certified management accountant) or CGAs (certified general accountant), or what have you, or CAs. I'm just saying I don't think it belongs here, like the appointed auditor's qualifications.

The Acts that allow for appointed auditors are say like Saskatchewan Power Corporation says they can hire an . . . cabinet can hire an auditor. Well that's where they should decide the qualifications of that auditor. That's all I'm trying to say. It maybe doesn't belong here. I know it's here now and it probably never belonged there in the first place.

The Chair: — Do we have any reaction, Mr. Paton? I know you may have not heard that last comment.

I think Mr. Wendel was suggesting that even though it was there before, it may not necessarily belong here because the selection of the auditor is controlled by those other Acts and the qualifications so included in those other Acts.

Mr. Paton: — The only comment I might add is I'm not sure that all other Acts designate what type of an auditor would be anticipated in any case. Usually they're required to present audited financial statements, but it doesn't indicate that it should be anyone similar to what Ms. Joorisity said. It could be a designation or it could be your next door neighbour who does the audit. Those Acts don't designate that.

So as a provincial government you've said that you want your Provincial Auditor to be a chartered accountant. You want the auditor of the Provincial Auditor to be a chartered accountant. Those are fairly restrictive. You're limiting it to one designation.

Do you want to at least put some boundaries around who you want to audit the rest of your financial statements when they're appointed as auditors? So do you want anyone to be able to do

it, or because these are government-related agencies, do you want to have some standard and in this case open it up to the three recognized accounting bodies?

Again, as Mr. Aitken said, you've limited the CA designation to your Provincial Auditor for a number of reasons. The reason why it's a little bit different than the rest of the appointed auditors is he's in a position where in order to recruit staff and train them as chartered accountants, he himself has to be a chartered accountant. And I believe that's the reason why the advisory committee didn't open up his position to be CA, or CGAs, etc.

But in the other cases you don't have the same concern.

The Chair: — Any further comment from either Mr. Wendel or Ms. Joorisity or Mr. Aitken?

Ms. Lorje: — Didn't Mr. Wartman earlier indicate he wanted . . .

Mr. Wartman: — I just basically wanted to ask if this had to do with the training aspect and it doesn't, because I recalled that from our earlier discussion. But that was around the appointment of the auditor and not people to do audits in other positions.

The Chair: — Good and I see clarification and consensus there.

Ms. Lorje: — And it seems to me what we need to do is, to get very clear in our minds, the legislative principle that is going to guide this recommendation. And it seems to me the principle should be, that rather than having to define things bit by bit, piece by piece, in every piece of legislation, that we should have some sort of an omnibus piece of legislation . . . an overriding definition.

The question then is, if we agree with that principle that there would be somewhere some piece of legislation that says auditors can't just be your next-door neighbour, they have to have professional qualifications of either CA, CGA, or CMA, does it belong in The Provincial Auditor Act?

And I guess I would ask Mr. Paton, is there any other place it could be or would you be recommending that government do a special Act?

Mr. Paton: — I'm not aware of any other Act that could easily accommodate this. This is the only place where you talk about appointed auditors. So this would be the logical place if you want to state the qualifications of your appointed auditors. I can see no other Act that would be more appropriate.

Ms. Lorje: — And if we do this, this will then supersede SaskPower's Act, SaskEnergy's Act, and so forth, They will then be compelled to ensure that they appoint auditors who have the professional qualifications.

Mr. Paton: — To the extent that they have appointed auditors, yes that would be correct. This Act directs the qualifications of your Provincial Auditor and individuals that are qualified to be appointed auditors.

Ms. Lorje: — So it's your recommendation that the most appropriate Act to put an omnibus recommend . . . or an omnibus qualification into would be this Act?

Mr. Paton: — Correct.

Ms. Lorje: — Thank you.

Mr. Atkinson: — Perhaps just to provide some clarification. I think if you want to put qualifications of appointed auditors in this Act, it would be . . . the question is why? I mean it comes down to if you want to somehow say that there needs to be certain qualifications for appointed auditors, the easy way to do it in this Act would be to say to the Provincial Auditor, you can rely on an appointed auditor if they possess one of these designations. Then you're going to . . . You don't then have their appointment coming through this Act, you would simply . . . the government wouldn't appoint an auditor unless they had one of those designations, if they wanted the Provincial Auditor to rely on that person. So that may be a way of handling it.

Mr. Wakefield: — I was thinking in a similar way. Maybe if other situations are silent, this doesn't become an overriding piece of legislation, it becomes a default piece of legislation. And if it's worded in such a way, then the normal way that audits are done or designated or assigned through the agreements, that would be the best way. And if it's silent, then at least there is some backup.

Mr. Paton: — Mr. Chairman, if I could suggest the committee move towards consensus as to whether or not they want qualifications of the auditors put within the Act, an agreement on that.

I think we can probably get the people who draft the Acts to capture the intent on whether it's . . . the auditor relies on appointed auditors if they have certain qualifications, or appointed auditors should have certain qualifications. I think that's more in terms of how you implement your recommendation.

What I think we would be interested in hearing is, do you support appointed auditors having to have one of those designations? That's kind of what we looking for.

Mr. Wartman: — How broadly . . . If this is in this Act, will it only deal with those auditors who are accountable to the Provincial Auditor? Will it deal with . . . I'm just wondering how far it might extend. Might it extend to the . . . out into the community, that in order to have a legitimate audit done that it must be somebody who is designated?

Mr. Paton: — No, it's clear under the Provincial Auditor's current Act, the definition of what an appointed auditor is. So the term is already defined. And we already live by that definition and I think people are comfortable with it at this time. So all we're saying is that those appointed auditors would have certain qualifications.

Mr. Neill: — I think that, Mr. Chairman, that the important principle — it's in the current Act and should be maintained — is the only auditor appointed by that Act is the Provincial Auditor. And therefore if we start talking about the

qualifications of the appointed auditors, it should be in terms of reliance, as Mr. Atkinson said.

In other words, at the moment if SaskPower was to appoint their next door neighbour who had no qualifications to conduct an audit, Mr. Wendel would have no trouble in saying, obviously as a professional person and this person not being qualified, I cannot rely on that and therefore I have to conduct my own audit of SaskPower.

So the question of reliance is the only issue that should be addressed in this particular legislation.

So the Act could quite easily say that Mr. Wendel, or the Provincial Auditor, can rely on people with these various designations, period. It doesn't talk to the qualifications of an appointed auditor, but it talks to his reliance.

Mr. Wartman: — I just want to be clear that Mr. Wendel won't be depending on any NDN designations.

Ms. Lorje: — Next-door neighbour.

The Chair: — Any further comments or questions? Could we have some resolution of what we would be making in the way of a recommendation around the current 22 from the auditor's advisory committee.

Mr. Wartman: — Thank you. I'll try on this because I liked what I heard Mr. Paton say in terms of if we are clear about the direction that we're moving in the statute. It could be that Mr. Wendel will relay . . . I'm going to have to ask Mr. Atkinson to repeat the language because I didn't get it . . .

Mr. Atkinson: — We'd be able to rely on.

Mr. Wartman: — Be able to rely on. Right. Thank you. So I think our . . . I would suggest that we approve the direction of designated auditors only. Does that cover it adequately? I mean . . . No? Okay, I'll back off and I won't try on this one.

The Chair: — We'll give you a second shot at this.

Mr. Paton: — Mr. Chairman, I think we're agreeing again on the basic principle. I appreciate what Mr. Atkinson and Mr. Neill have said and we'll try to incorporate that principle into the Act.

I don't think we're disagreeing on the principle. I understand we're just saying there's only one person appointed pursuant to the Act, and if we get the qualifications of appointed auditors built in such a way that it doesn't compromise that situation, I think we're fine.

The Chair: — Okay. So it's the principle as outlined.

Mr. Wartman: — That's exactly . . . That's what I wanted to say.

The Chair: — Terrific. Well now Mr. Putz will suggest that those were your words.

Mr. Wartman: — You'll put those words in my mouth.

The Chair: — In your motion.

Mr. Wartman: — Thank you, Mr. Putz.

The Chair: — We'll need the verbatim later. But everyone understands then that the resolution that's before you, that we support in principle the definition that was just put forward by Mr. Paton. Any questions?

The motion is by Mr. Wartman by the way. All those in favour? Opposed? Carried.

Recommendation no. 23, and also that's a recommendation that has been flagged by Mr. Putz as one that we have not talked about. And it says:

The Committee recommends that legislation be amended to address administrative changes required to the Oath of Secrecy, Limitation of Liability and the Preservation of Secrecy provisions and to require the Provincial Auditor to participate in audit assignments in connection with the issuance and sale of securities of the Government of Saskatchewan.

I have to ask Mr. Aitken why you would recommend that one, but . . .

Mr. Aitken: — It seemed a good idea at the time, Mr. Chairman.

No, I know . . . Can I maybe just say the background is that the committee was advised that to bring the legislation up to the . . . the oath of secrecy provisions of legislation does not presently extend to advise us that are engaged or retained, and that the limitation of liability provision does not extend to advise us that are retained on the preservation . . . these . . . the preservation of secrecy provisions.

So it's really just extending these restrictions for that purpose . . . (inaudible) . . . probably a housekeeping matter that Finance say wanted to bring . . . introduce into this and it seemed to make sense to us at the time.

The Chair: — Thank you, Mr. Aitken. Mr. Paton, I didn't recognize you but . . .

Mr. Paton: — No, that's fine. There's a second part, John. Were you going to speak to that or would you like me to?

Mr. Aitken: — No.

Mr. Paton: — The second part is we frequently require the auditor to participate in certain assignments when we do issue securities. I believe his interpretation is that his Act doesn't allow him or permit him to undertake these activities, so we always have to get a special order to get this in place.

And if we could get the — now Mr. Wendel may want to speak more particular to that, but I know we have to get kind of a special engagement each time we issue these securities — so if we could get this covered under the Act so that he has a proper mandate or authority, then we don't have to go through that

procedure on a regular basis.

Mr. Wendel: — I agree with what Terry said. I have no concerns with this.

Ms. Lorje: — I'm so glad that everybody agrees, but I'd sure like to know what it means. I'm sorry. I really don't understand what you mean by require the Provincial Auditor to participate in audit assignments in connection with the issuance and sale of securities with the Government of Saskatchewan.

Does that mean when we want to sell Saskatchewan savings bonds that you have to put a stamp of approval on it?

Mr. Wendel: — In certain cases we're required to sign off that prospectuses are factual and proper. And the Act didn't cover that when it was written in '83. And we always felt we needed a special assignment from the Department of Finance under the Act to do it. And it was a housekeeping thing and it's one of those things.

I have no quarrel with what's being proposed. We've been doing the work in any event, and I guess it just tidies up our housekeeping.

Mr. Aitken: — . . . the accountants' charter. When monies are borrowed, significant monies are borrowed on the street or pursuant to the sale of securities of Government of Saskatchewan bonds . . . (inaudible) . . . typically the auditor is required to sign off the last five years or a period of time's financial statements that they represent really is part of the solicitation of that borrowing. And so the role of an accountant . . . it wasn't contemplated in the existing legislation. It's a provision that when this does happen down the road, these processes are in place, that's all.

Ms. Lorje: — Mr. Aitken, I would hope that the Government of Saskatchewan doesn't go out borrowing money on the streets, let alone soliciting on the streets.

Mr. Aitken: — Sorry. Technical term. Toronto.

The Chair: — We believe we understood what you meant by the street, Mr. Aitken. Thank you.

Could we have a question? A resolution?

Mr. Wakefield: — A resolution.

The Chair: — Resolution, Mr. Wakefield.

Mr. Wakefield: — I will move:

That the intent of recommendation no. 23 of the advisory committee's report be worked into the legislation.

The Chair: — Okay. A resolution to concur with the principle identified in recommendation no. 23 of the advisory report. Any discussion? All those in favour? Opposed? Carried.

Recommendation no. 28 is also one that Mr. Putz has flagged as one that we really don't think we have had a lot of discussion on it. And it says that:

The committee recommends no change to The Provincial Auditor Act to provide the Provincial Auditor with investment authority.

And the comment on the summary from Mr. Wendel's office is we already have the authority to invest money. So clarification from the committee.

Mr. Aitken: — Yes, and we could stand corrected that Mr. Wendel believes he has the present authority. We were just saying if the Provincial Auditor's office is retaining funds and the ability to invest should go along with that in a prudent basis that authority be within the Act to do so. So it's probably a moot point. I wouldn't mind hearing Fred's response. Do you believe you already have this?

Mr. Wendel: — Yes, we think we have the authority.

Ms. Lorje: — Under what section of the current Act do you have that authority?

Mr. Wendel: — To invest money?

Ms. Lorje: — Yes.

Mr. Wendel: — Section 8 of The Provincial Auditor Act.

Ms. Lorje: — Section 8?

Mr. Wendel: — That's right.

The Chair: — Mr. Paton, while we're searching for that Act ...

Mr. Paton: — While we're looking for that ... my understanding of the committee's recommendation I think differs slightly than what Mr. Aitken just stated. Currently the auditor does invest excess funds. The committee, I believe, was of the opinion that the extent of excess funds that they might have ... there's an ability to pool funds and manage them collectively with the rest of government.

And that the Provincial Auditor shouldn't have to spend time worried about the responsibility for investments. All government agencies — pardon me, not all government agencies — many government agencies that have small amounts of excess funds, we have an arrangement with the banking institutions that allows us to in effect collect those balances and earn interest on them as if they were all in one account. Then what we do is we simply allocate the earnings amongst those various agencies.

So that's my reading of the advisory committee's recommendation on their page 17 is that they recommended that the auditor utilize that mechanism as opposed to undertaking daily or monthly investment activity. Rely on the individuals who do this as a job and let them do their job as auditors. I believe that was the discussion.

Ms. Joorisity: — Then is it fair to say that the return is probably greater because there's more funds to invest in a pooled situation?

Mr. Paton: — I think it would be. You know, how much money is available, but the main principle being you've got large pools of money managed by people who have expertise in investing money and as opposed to ... and we literally have hundreds of agencies that participate in this activity where they have anywhere from 10 to \$100,000 or whatever the number is.

They don't go and try and invest on a daily or monthly basis. They simply give it to the officials that have the knowledge of those investments and they get the best return for all government agencies.

The Chair: — Mr. Wendel, if I could ask you to comment on how you see your current section 8 being affected by the recommendation as Mr. Paton just described.

Mr. Wendel: — I guess that recommendation will again bring us underneath the management of the Department of Finance, our bank account. So that's how I see it being affected and we do have it invested.

The Chair: — Mr. Wartman, I have you on next but I just have a clarification because I think Mr. Paton and what Mr. Aitken said is a bit different because the recommendation, if I read it correctly, said no change. In other words, it's saying leave section 8 as is. And I think your interpretation now, Mr. Paton, is that there should be some suggestion that it's different?

Mr. Paton: — No, I'm not suggesting that. The committee didn't recommend a change to the Act. I think they said the Act is fine and not to specifically provide with investment authority.

We did have a concern whether or not the auditor's section 8 provided for investment authority or it didn't. And our proposals to the committee were well, if the auditor needs investment authority, we should specifically provide for it. That's kind of where we started this; is if the auditor's investing, we didn't see where the provision was and if you wanted to provide for that, then we thought it should be specifically provided for.

I think the committee came to the conclusion that they didn't think that the change was necessary. In other words, no change to The Provincial Auditor Act but if you read the discussion prior to the recommendation, they're indicating that why they don't see the need for the change is there is perhaps a better way of providing for that investment authority through current procedures.

Mr. Aitken: — I stand corrected. My response ... Mr. Paton's commentary is valid and as I've now had an opportunity to read the text and recall the discussion, he's on the mark.

Mr. Wartman: — Question, Mr. Paton. I just wondered if I heard you correctly that in the investment pool the investment income returns to the agency? So that if the auditor's office put \$300,000 into that investment pool, whatever returns there were on that would return to the agency, not just the capital that was invested?

Mr. Paton: — That's correct. Now, I'll just clarify. That doesn't happen for all agencies just so everyone's clear on this. There's certain agencies that are part of government where we

do not allocate the interest earnings. They stay with government as a central agency. But there's many others that we do that interest allocation where as we earn money on, earn interest on their monies, they get their pro rata share of those earnings.

But the part I wanted to clarify is we don't actually take their money. They have complete, unrestricted access to their bank accounts at all time. And the banks notionally recognize that those balances are available for joint funding. So while the auditor has \$300,000 in balance on his account, to the extent that that balance is available at the end of the day for the Royal Bank to use, they take the collective balances of all government. They don't move any money. They just note that there's money on deposit by the province.

Mr. Wartman: — Okay, thank you.

The Chair: — Any further questions?

Ms. Lorje: — . . . auditor rather than the controller. I think that there could be the perception of loss of independence with pooled funding or pooled investments. And we actually are not talking about a great deal of money and it's not a great deal of loss or gain to the auditor. I think that we leave them with their independent authority to invest their money independently.

I don't though agree with the auditor that the current Act gives you . . . is sufficiently clear on it. I would like to see the word "invest" added to it. I mean, the clause you were referring to:

The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

I can see how you can interpret that to mean that you've got investment authority. I would feel a little bit more comfortable if it specifically said you have the investment authority. But again, using the principle if it isn't broke don't fix it, if you feel you've got the authority and nobody is challenging you on it, let's just leave it.

Move recommendation 28.

The Chair: — Any further discussion? I don't know that we . . . because it's a recommendation that suggests no change, right.

Ms. Lorje: — All right. I will make a motion:

That this committee concurs with recommendation 28.

The Chair: — That's better. Any further discussion? Okay. Motion to concur with the advisory committee suggestion of 28. All in favour? Opposed? Okay. Carried.

Are there any other . . . if I might ask, Mr. Aitken and/or Ms. Joorisity, are there any other recommendations, any other things that you would like to raise that we have missed, or are there things from your report that you want to bring to our attention before we thank you for being in attendance?

Ms. Joorisity: — I have nothing to add. Thank you.

Mr. Aitken: — And I have nothing to add other than the fortitude of this group of non-accountants to go . . . when we got talking about the auditor's auditor, I knew we were going to really challenge you. But I'd really just like to compliment the diligence of this committee in dealing with issues that are germane to accountants and perhaps hold some excitement to us, but I'm sure . . . I do compliment you.

Mr. Wartman: — I did feel that excitement building.

The Chair: — Thank you, Mr. Wartman.

With that we'd like to thank you, both of you, for being present yesterday and today as well; John, and thank you Nola, for taking the time to come here today

Now where are we? Okay. Well, let's recess for just a few minutes, not a long time, please. If you want to just . . . well, I'll refrain from putting a time period on it, because nobody has adhered to that time period before. So just a short recess while we can get our papers organized and be ready to go in a few minutes.

The committee recessed for a period of time.

The Chair: — A call to order again. And the Clerk's office has circulated, I believe, a summary of what we had talked about on a previous day regarding sort of a process for the selection of the Provincial Auditor. And I think we want to go through it maybe point by point to ensure that we fully understand the points that are there.

Mr. Gantefoer: — . . . the one that made up these points.

The Chair: — Are there any questions with sub (1)? Are there any questions with sub (2)?

Sub no. (3). If you recall yesterday or I believe it was the day before, there was a concern about the selection process and who would be represented on that additional committee, and you instructed me to contact Mr. Paton's office to ask for an interpretation of that. And the words there . . . maybe Terry if I could ask you to make comment as you've indicated to the Clerk's office, that this was your recommendation and that's relating to the last parts.

Mr. Paton: — The part in the wordings that I provided to the Clerk's office was the latter part of paragraph 3:

. . . an independent individual who is a member in good standing of the Institute of Chartered Accountants of Saskatchewan and holds a senior position within the private sector, the academic field, or the Institute of Chartered Accountants of Saskatchewan; this individual should not be engaged in public practice;

Now what we tried to do is identify the types of individuals who would have the appropriate technical background to assess the qualifications of a new Provincial Auditor. In other words you want your new Provincial Auditor to be a chartered accountant, so you should have a chartered accountant involved in that process.

The limitations we have here basically excludes any member that would be in public practice. And on your current advisory committee that would be Mr. Aitken, for instance, who is in public practice and may be in a position of conflict of interest. So we looked at someone who is not involved in public practice and the rest of the words were intended to include most other chartered accountants.

Mr. Wendel: — Just on the conflict of interest point, I notice in part 3 that you also have the Office of the Clerk and a senior staffing officer of the Public Service Commission. We audit those two people. So I leave it. You can discuss whether that's important but I just point that out to you.

Ms. Lorje: — I believe the committee was aware of that but we felt that we needed the expertise of some organization that knew about hiring practices. And we also felt that since we were hiring an officer of the Assembly that the Clerk's office should be involved. So while we recognize that, yes, you do perform their audits this is still, at the end of the day, a small province and a small pool, so we're satisfied that they will be able to conduct the appropriate . . . (inaudible) . . . Thank you.

Mr. Wartman: — I'm just not clear. I think I understand but I'd like it made very clear. An accountant, an individual, should not be engaged in public practice. When I first read that I thought that meant employed by government in some way. Public practice I would have thought would have been named private practice. So I would like it very clear because I'm thinking there are a lot of accountants who are out in public practice who might possibly fill this bill. So can you clarify it for me?

Mr. Paton: — We may ask Ms. Joorisity to step to the table again, but the intention here is to exclude private sector auditors such as Mr. Aitken, and I believe that's commonly referred to as public practice.

In the selection process, like your selection committee, this doesn't mean that your new auditor could come from public practice . . .

Mr. Wartman: — No, but just in terms of the selection committee.

Mr. Paton: — The selection committee. We thought it would be a conflict if you had someone who works with the Provincial Auditor on a regular basis as an appointed auditor — that was the concern — as opposed to having an appointed auditor engaged in selecting who his new Provincial Auditor would be that he had to work with in the future.

If we take our current advisory committee, we had four members, and they're basically from these groups that we were talking about. We had a private sector auditor, someone engaged in public practice which is John Aitken. The individual from the Institute of Chartered Accountants is Nola Joorisity. Business was Anne Parker, and education was George Baxter. So those were the types of fields that we looked to when we established the advisory committee to try and get a balance.

And I thought the discussion — I wasn't present at the in-camera discussion — but I thought it was those types of

individuals that you were trying to be able to attract to work on your selection committee. And it was the one in public practice that we thought may not be appropriate. Now that's up to your committee to determine.

Mr. Wartman: — Can I just ask for more clarity? Would that be because in some instances those people in public practice might be auditing government or connected to government bodies, that the auditor would have to . . .

Mr. Paton: — Absolutely.

Mr. Wartman: — Okay. Thank you, that's very helpful.

The Chair: — Seeing no further questions, sub (4).

A Member: — Is this a vote?

The Chair: — No, no, no, no. Just asking for your comments. Sub (5), sub (6), (7).

In sub (8) we looked at putting in place the, I think, the principles as identified by Mr. Paton and he had read out those principles; and I think those are taken verbatim from subs . . . or the clauses numbered 1, 2, 3, and 4, that make up part of sub (8).

And finally sub (9), the last section. And this again is a verbatim of what was agreed upon at one of our June meetings, and it is taken directly from our minutes of a June meeting.

And Mr. Wakefield, I believe you had a bit of a question back then and maybe you still do on that retirement section.

Mr. Wakefield: — Okay, okay, leave it up to me and . . . The only question is that a mandatory age of retirement is, and has been, successfully challenged under the Charter as discriminative, and I'm wondering if we should enshrine something like that here, with the knowledge that it may be successfully challenged by someone.

The Chair: — And I'm wondering — and I look for direction, maybe Mr. Paton or Mr. Wendel — when you talk about the terms of engagement including the mandatory age retirement clause, does that absolve you of the challenge . . . or obviously it wouldn't, but what's your reaction to ensuring that that is part of the contract that the individual signs before they actually take that job?

Mr. Wendel: — There would be no contract that the person signs. The contract is the Act that's written — that's your engagement. Like that's your employment contract; it's set out in the statutes so it can't be interfered with. So this is it, like this is the contract.

Now the age 65 thing at the moment, the Act deals with that because we're subject to The Public Service Superannuation Act or whatever it's called now.

But I don't have a problem with this. But I understand what Mr. Wakefield is saying.

Mr. Paton: — My understanding is the same as Mr. Wendel's

in regards to the age 65. I believe that the current auditor would be subject to that provision. And if that provision is subject to challenge at the court, it still would be whether we put it in here or subject to the other Act.

So I'm not sure if you can solve that age 65 mandatory retirement issue on a one-off basis for this one particular position.

The Chair: — So then, Mr. Paton, my question would be if we agreed at this in June, do we now maybe need to rethink that and is this clause required then if it is already contained in the Public Service Commission's Act?

Mr. Paton: — What I could undertake to do would be to do one of two things — either confirm that we could remove this and The Public Service Act with its retirement age would stand or, I guess, ask the committee if that would be their desire, to have this in the Act if that isn't the case.

The Chair: — If it isn't in that other one. Ms. Lorje, did you have a question?

Ms. Lorje: — Well I guess since I'm fast approaching the age of 65 . . .

The Chair: — Real fast.

Ms. Lorje: — . . . and I intend to still be as interesting then as I am now . . .

A Member: — This is in *Hansard*.

Ms. Lorje: — I know. I have real problems with setting a mandatory retirement age. But the committee did determine it.

So my concern is whether or not, by putting this in, we are putting blinders on ourselves and saying, no one over the age of 55 need bother applying for the job since it's a 10-year term. Somebody who is 59 or 60 could apply, that's . . . just so long as the committee is all very clear about that and our selection committee is clear too — that we're not just going after the youthful CAs.

The Chair: — I think the example that was used during the break when we talked about this scenario might be is this committee may offer the job to a person who is 58 years of age knowing full well that that individual, male or female, will be contributing seven years towards that position. But you know, at the end of seven years, that the position will be open again. But it may be the decision of this committee that the best person is that person aged 58.

Is that how you see it, Mr. Paton?

Mr. Paton: — That's the way I would interpret this, is that the maximum term is 10 years, however the age 65 would limit that.

The Chair: — Clarify the question Ms. Lorje asked about that, you know, that we could leave it out. Is it still . . . by your comments, is it not there right now in the Public Service Commission or is that what you're going to look at for us?

Mr. Paton: — I believe Mr. Wendel and I both believe that that provision currently stands — the retirement age of 65.

Mr. Wendel: — That's right.

The Chair: — So I go back to the question of all of you: do we require this in this section?

Mr. Gantefer: — Thank you, Mr. Chair. I tend to think that we don't need to overdo it. If indeed this is part of the broader public service legislation, then let's leave it at that because I think that's the appropriate format for it to be dealt with. And it may well be that somewhere down the line . . . I mean while we . . . there's more of us aging. I think there's lots of other good reasons for saying that people certainly are able to stay healthy longer and contribute longer and all the rest of it. and let those issues be dealt with in the broader context of the whole ability of people to continue to serve in the public service.

And so I would suggest that we take it out of here and if it's in the Public Service Commission legislation, that that's well and good and leave it there. And it, as well, would be the kind of thing that I would want the debate on a different level to occur.

And I don't know . . . I run the risk of probably contradicting what I said four months ago, but I have a problem about the scenario that you gave of we hire someone that's 58, that somehow magically at 65 they are no longer appropriate for the position where they may have been contributing incredible service and would do so until they're 68.

So I tend to suggest we leave it out of this legislation and defer to whatever is in the public service legislation.

Mr. Paton: — Mr. Chair, what you might want to do is first of all decide whether or not you currently think this age 65 clause is one that you want in your current recruitment process. Because I think you can divide this into two parts: how are you going to proceed in the near future for the selection of your current, your new Provincial Auditor; and secondly, what do you want to do in the future?

Mr. Wendel and I are both of the belief that that age 65 provision is in The Public Service Act, 1998 but we could confirm that. So as a two-prong approach, decide what you'd like to do with your current auditor, your new provincial auditor recruitment, and do you want the age 65 in there? And then prior to the legislation actually proceeding, we can confirm whether or not it's covered properly under the other Act.

The Chair: — Question to you, Mr. Paton. If it's already in the Public Service Commission and it is stated to be 65, would that make our decision irrelevant about whether or not we want to have 65? Because if we choose not to have 65, does the public service legislation supersede that?

Mr. Paton: — I can't provide that opinion at this time. I don't know.

Mr. Trew: — Yes, thank you, Mr. Chairman. I'll just say straight up, I favour a mandatory retirement at 65, and then I want to go on and explain that when I was 21 I opposed mandatory retirement at 65.

The older I get, the more in favour I am of a process that provides for a renewal, provides for opportunities for different people to take on positions. And I have seen I think my share of retirees, people who retired at be it 60 or 65 or whatever the age, go on to do other things with their . . . what I'll describe as golden years.

Frankly I've seen Milton Gregg become a Canadian High Commissioner at quite an advanced age. And Milton Gregg was a Liberal cabinet minister that went on to be, like I say, a Canadian High Commissioner. I met him in Guiana and he did just a fabulous job. When I met him, I think he would have been right around 75 years of age at that time and he served for at least a half a dozen years more after that. And that's just one example.

Point is there are other things that people can do. It's not like, when we chop off our employment contract at age 65, that you know we just sort of sit around and wait in the old folks' home for death to come. There's more opportunities for people today than ever before. But I also want to make sure there's more opportunity for a renewal process. Thanks.

Mr. Wakefield: — Mr. Chair, I guess the renewal process is included in the 10-year term. And if we're silent, I think your concerns are still covered through . . . and I forget what the Acts that you referred to earlier. I think the concern is . . . I mean the condition is still there. I just don't think we should tie our requirements into it in a redundant way.

Mr. Trew: — Yes. Fair.

The Chair: — Okay, so the consensus is that we will be striking out that latter part of no. ix) if indeed . . . (inaudible interjection) . . . Yes, the clause being deleted is . . . or the portion of clause being deleted is:

. . . and that the terms of engagement include a mandatory age of retirement clause; and that the age of retirement be set at the age of 65 years.

Members: — Agreed.

The Chair: — Okay, now that you've agreed with . . . Yes, Mr. Paton. Sorry.

Mr. Paton: — Mr. Chair, I didn't have a chance to be a party to your discussions here and maybe you've already considered this, but the way I read your comments here I'm not sure if you have, or if your selection committee has, the ability to engage assistance. And I don't know if you went through that or not, but you've got three people that you're charging with some responsibility to do a review process for you. I would anticipate that they may want to engage a search committee or a firm that would undertake kind of the administrative. It's not in here; now maybe it's intentionally not in here.

Ms. Lorje: — It's intentionally not in there, Mr. Paton. We did discuss the question of what we euphemistically termed headhunter firms, and the committee I believe was of a unanimous mind that we did not agree with that concept. Well perhaps it wasn't so unanimous after all, but we did specifically discuss that. We wanted to have a selection committee, a search

committee doing this.

We did not address the issue of whether or not they would require assistance. It would be my personal view that if they require assistance, if the job becomes so onerous that those three people can't do it, calling upon the resources of their respective offices, that they could come to us and we would then at that point indicate that the appropriate funds should be advanced.

The Chair: — If I might add to that, Mr. Paton, before I recognize you, is that we also, in sort of an order of events taking place, we discuss the fact that the changes to the auditor's Act and the changes within the legislature have to occur first. And then once that's in place, then it allows a mechanism for us then to operate under regarding the selection of a new auditor.

So then if all of those other things that we talked about to you this morning and over the last couple of days are placed in legislation, it allows then this committee to do the kinds of things that we've identified here, and then have the necessary funds to do what this committee may deem necessary as to seek some additional help.

Mr. Paton: — Okay. Yes, I just want to thank you for that clarification because there have been inquiries from various firms wondering if they could be assistance to this committee. And knowing your position on that, we can communicate those feelings. Thank you.

The Chair: — I may have made some comments before about which Act was mentioned, and I'd asked Mr. Wendel for clarification purposes so that it's on *Hansard*.

Mr. Wendel: — Well just to make sure there's no misunderstanding of which Act covers it — the 65 age — it isn't The Public Service Act, 1998; it's The Public Service Superannuation Act or The Superannuation (Supplementary Provisions) Act. It's one or the other. It depends on when you came into the system, or when you're going to come in. So just so there's no mistake in there.

The Chair: — I thank you for that clarification . . . (inaudible interjection) . . . Yes. We need a resolution that would accept the items 1 to 9, with of course already consensus that's been . . . Okay.

Ms. Lorje: — I'll so move our special report.

The Chair: — And the document that Ms. Lorje will be moving does strike that clause that we concurred upon in no. 9, or that portion of that clause.

Okay. Moved by Ms. Lorje that the clauses . . . that the Standing Committee on Public Accounts recommends a process for the selection of a Provincial Auditor as follows . . .

And we have discussed the nine items.

Further discussion? All those in favour? Opposed? Carried.

Ms. Lorje: — First of all I'd like to thank everybody for all the

contributions that they've made. I think that this has been a very useful three days. And I think that we all have a greater understanding of the intricacies of The Provincial Auditor Act, the Provincial Auditor's office, and the various functions that they perform for us.

One thing that I think that we have done that we should make explicit today is by moving to have this be a unanimous all-party committee, all-party recommendation to the legislature.

We're both breaking ground in Saskatchewan and we are also signalling very clearly to the Minister of Finance that we do not want any changes made to the current Office of the Provincial Auditor until the Act has been changed. The Act I think can probably be drafted now and can go through this next session of the legislature.

And that clearly means that we are asking Mr. Wendel to carry on in the position as Acting Provincial Auditor until we do hire a new Provincial Auditor. And so I'm assuming and hoping, Mr. Wendel, that you do want to carry on in that job. And I'm also assuming and hoping that it's not going to be too onerous for your office to have an acting auditor because I do think that the process will probably take until at least next June. And I just would like to make sure that that's all right with you.

Mr. Wendel: — I'll continue to . . .

Ms. Lorje: — Excellent, excellent.

Mr. Wendel: — Thank you for your confidence.

Ms. Lorje: — Yes, I think you've performed the functions as Acting Provincial Auditor in a very credible and highly commendable way. And I certainly have the greatest of confidence in you, and I'm sure that all members of the committee do.

A Member: — Hear, hear!

The Chair: — Thank you for those comments, Ms. Lorje.

I guess, and further to the discussions that we've had, and you know we've made some . . . many decisions. And I know now we'll be relying on Mr. Putz to, first of all I think, put together the minutes of the last three days. Because in many instances some of the clauses for recommendation involve comments from maybe two or three people and there's understandings that need to be put together.

So he's going to work on that and then he will begin the process of working on a draft report from this committee on our review of the *Special Report by the Provincial Auditor*. Now that's going to take a while, as everyone understands, but we don't have a need to hurry on this because the first that this report can be dealt with is when the session is reconvened. And we haven't heard the Premier call for a fall session yet.

Ms. Lorje: — I don't think you will either.

The Chair: — So we assume that it will be a spring session. We will assume it will be a spring session, and therefore we

have the ability as a committee to review that draft report sometime in the future. Okay?

With that I guess I think we're onto item no. 4, our last item, which is to establish the committee business agenda and timelines, and I think it includes Mr. Wendel's report. And I know that on June 22, if you have your files, Mr. Wendel circulated at that time a report that . . . (inaudible interjection) . . . Yes, and I just want to make a comment on that.

But on June 22, when this report was circulated about the agendas and the business that was before us, things have changed since then. Because we've had the fall report of the auditor, volumes I and now volume II. We have additional amounts of work that are before this committee.

And I don't know when you were . . . Mr. Wendel, were you planning to give us an idea of what we need to . . . or what we have to do as a Public Accounts Committee today, or were you looking at doing that in the future?

Mr. Wendel: — No, I was planning to do that today. I'm going to have Rodd Jersak join me up here. He's prepared a new schedule he's going to take you through, because there's been another report and some other information to make it as current as possible. So I'll let Rodd take you through. And it's an outline of how you might deal with all of the reports.

Mr. Gantefoer: — I've got to say I really appreciate this, Mr. Wendel, that you bring us current information for those of us who aren't savers and hoarders of documents from previous months . . . (inaudible interjection) . . . you and him.

Mr. Wendel: — So with that I'll have Rodd Jersak speak to what's before you and we can have some discussion about whether that's how you want to proceed or not.

Mr. Jersak: — Thank you. First of all, we'd like to thank you for the opportunity to present our recommendation for how you might best get through the what must seem like a growing volume of public audit . . . provincial audit reports in front of you for your review.

We have, as Fred said, prepared an outline that's just been distributed. And what the outline is intended to do is to provide you with our guidance as to how you can best get through those reports.

Just to make it clear, the reports that have not yet been reviewed by this committee include the *1999 Spring Report*, the 1999 fall, volume 1 and 2, the *2000 Spring Report*, and the 2000 fall, volumes 1 and 2 report.

I guess I'd like to start by saying that our proposal is really based on two principles that happen to be principles that you have used in the past regarding setting your agenda for this committee. The first of those is that we think that as a general rule, it is important that this committee deal first with those reports that have been outstanding the longest, and of course you may choose exceptions to that as you've discussed earlier this week.

Second, we think that perhaps the best way to deal with the

outstanding reports is to consider all chapters that relate to a specific entity or a specific subject matter at one time recognizing that being with the volume of reports that are out there, there are more than one chapter outstanding in some cases and probably most efficient to deal with them at the same time.

So given those concepts, our starting point in coming up with the outline was first to list all of the outstanding chapters beginning with the oldest report, that being the *1999 Spring Report*, and then finding that in many cases there were multiple chapters outstanding on a specific entity or a specific subject matter. So we grouped those ones together in the outline.

Also in going through that process, we found that management, in many cases, has now adequately addressed many of the matters that were raised in the earlier reports. And being that they are adequately addressed, we have removed those from the outline. We feel that it's not really the best use of the Public Accounts Committee's time to review matters that have been resolved and are not reflected in the more recent reports.

So in those cases where there are multiple chapters, what we do on the outline is explain which of the earlier chapters have been adequately addressed in whole by taking them off the outline, and those that have been adequately addressed in part we only list those parts of those chapters where your review is necessary because they have not been adequately addressed yet by management.

Maybe as an example I could take you to the first page of the outline, about halfway down, where the Crown Investments Corporation of Saskatchewan is listed you'll see two chapters listed there. Chapter 1 from the *1999 Spring Report* and chapter 2 from the *2000 Spring Report*. For the earlier of those two chapters we do say that all you need to do is go through the international and extra provincial activities on pages 7 through 13, because the other matters that were raised in that chapter have been adequately addressed since then or are covered by the second chapter listed there.

And I would just like to bring a few other things to your attention. Obviously the first item on the outline there is the special report regarding The Provincial Auditor Act which you have been dealing with this week.

The second item is the *2000 Fall Report Volume 1 - Understanding the Finances of the Government*. The similar report for the 1999 year, being in the fall report volume 1 of 1999, deals with the same matter and we feel that if you deal with just the *2000 Fall Report Volume 1* that would be satisfactory. There is no real need to go back to the 1999 report.

The next item on the outline is the observation chapters that we have in our spring and fall reports. Those chapters do not include recommendations and we do not intend to present them in the manner that we do our other chapters. But we would leave it up to you as to whether you leave it on your agenda for discussion. We'd be happy to answer any questions you might have about those chapters.

And just so . . . just as you probably do know, we will soon be releasing . . . in December we plan at least to release volume 3

of the *2000 Fall Report*, which will add another report to your list. And we will be happy to help you build that into your agenda when it does come out, and perhaps using the same concepts if you adopt those.

If you do choose to set your agenda in the way that we're proposing here, we'd be happy to try to help you facilitate the process that you would use to review those reports by making binders for you that include, by section, all of the relevant chapters to be discussed at one point in time, rather than each of you having to bring a big stack of reports.

We could do that in two ways. We could . . . we could do that in two ways: one, by just providing the binders at the outset of your agenda, you know, a binder that covers everything to be discussed during the upcoming meetings; or day by day if that's what you choose. Whichever.

And so just let us know which approach you'd like us to use, if that is something you choose to adopt.

Mr. Wartman: — May I ask for some advice on that? I mean, being new at this, I would assume that it would be better for us to get it ahead of time and be able to go over it. However, we do have the books that are in our offices and could just follow the chart here to do it. But if the binders are available, if we got it ahead of time it would be certainly most helpful.

Mr. Wendel: — If you decide you want them, we'll get on with the task and give them to you as soon as possible.

Mr. Wartman: — Thanks.

Mr. Wendel: — We wanted to discuss it with you before we went to the effort of . . .

Ms. Lorje: — Mr. Trew points out that the Channel Lake carts are available for bringing in all the reports.

Mr. Wartman: — Carts, did you say?

Ms. Lorje: — Carts, yes. You had to have seen it to believe it.

Mr. Jersak: — I guess, just in closing, we hope that this proposal will help you get through the upcoming work that you have and we'd be happy to answer any questions you have.

Ms. Higgins: — Just a question, you had talked about recommendations, and sections that were on the first schedule had been pulled if the recommendations had been dealt with and addressed.

Mr. Jersak: — Yes.

Ms. Higgins: — Do we get . . . like, at the risk of getting loaded with more paper, do we get some kind of a report that tells what recommendations have been addressed or do we just start from here? I'm just looking for some . . . like, what's the process that we go through.

The Chair: — I'd ask Mr. Wendel to comment on that or . . .

Ms. Higgins: — Yes, but I've got my fingers crossed.

Mr. Wendel: — Well the way our reports usually work is if we report something and it hasn't been fixed by the time we report again, we usually report it again. And so generally by looking at the most current report you'll be alright.

However there are some free-standing items that remain in the old reports that we don't cover again, and that's where we might . . . it might be we haven't done a follow-up yet to see if it's corrected. So those are still current and should be before you.

So I think you will get to see everything that needs to be discussed because there's still a problem with the management of public money. They'll be a few things that you won't see because it's being corrected.

Ms. Higgins: — Being corrected, okay. Thank you.

The Chair: — Thank you.

Ms. Lorje: — Three questions. First of all, are committee members available in December to meet?

The Chair: — Yes.

Ms. Lorje: — Okay.

The Chair: — I'm hopeful. I'm hopeful in light of this workload we have to have at least one more session of two days or three days, but minimum two.

Ms. Lorje: — Fine, good. Secondly I note that you have on here Crown Investments Corporation of Saskatchewan, and SaskPower, and actually even Sask Crop Insurance Corporation. Those are items that are also concurrently reviewed with by the Crown Corporations Committee. I see also SaskWater here.

Is there any way that we can get to clearing up the duplication? Do we actually have to review these or could we not refer these automatically? It was my understanding that the last Public Accounts Committee had taken to referring these matters to the Crown Corporations Committee.

The Chair: — That's the point, as I understood it, the recommendations through the auditor's reports have come to us and we may recommend to the Assembly that it go. But the process is still the recommendations are contained in the auditor's report and we must then delegate or address.

Ms. Lorje: — Yes, which is a matter that I hope that in this next session we'll clear up so that we can have the auditor's reports go directly to the Crown Corporations Committee rather than having to use this circuitous route. But could we not today clear off three or four items on this agenda by resolving that we will refer . . .

The Chair: — But you're — I understand though — you're assuming that the recommendation being made about SaskPower, and I have no idea what it is, that indeed we would want to refer that. Maybe there's something in here that Public Accounts may want to grasp and I don't know what occurred in the past.

Was every resolution regarding a Crown Corporation automatically the recommendation to the legislature was that it would be referred or were there actual comments? And I defer to Mr. Gantefoer to make a comment on that.

Mr. Gantefoer: — Well it's, as Ms. Lorje mentions, it's been an outstanding difficulty. There were those certainly when I was briefed when I first came on to the Crown . . . or on the Public Accounts Committee that indicated that the primary responsibility of the Public Accounts Committee is to see to it that funds once voted by the Assembly are spent in accordance with directions of that vote.

So it's an audit committee that is looking at: have public funds been spent appropriately?

The Crown Corporations Committee was more intended, from what was explained to those of us on PAC, of a committee of review of intentions and directions of Crown corporations. Now I know that that relationship has never been clearly understood or, in fact, agreed to. And I think that in the past Public Accounts have indeed looked at details of auditor's recommendations and made decisions to either concur or disagree. And we've also made decisions to refer.

I think it would be particularly useful if a legislative group of some sort sat down really and sorted this whole relationship issue out, because it . . . and I think now is a timely thing because I believe in The Provincial Auditor Act, in that Act, it clearly specifies that the Provincial Auditor has an obligation to report to this committee. And if there is something else intended in terms of the Crown corporations, I think that now is the time. I mean when The Provincial Auditor Act is being reviewed or opened up that if there's going to be some change in that . . . because the Provincial Auditor I believe feels a responsibility under the current legislation to report to this committee all items, including Crown corporation issues. If it is an intent of the legislature to have that happen in some other way, now is probably the time to figure it out.

And you know in this last year or so, Ms. Lorje's right that it's become practice that it just gets referred. But it is a long way around because before it can properly be referred it has to go to the legislature.

So a question perhaps to Mr. Paton. And this is a bit off topic, but is there any thought of clarifying this outstanding issue when The Provincial Auditor Act is being reviewed?

Mr. Paton: — Yes, thank you, Mr. Chairman. Actually until earlier this week there wasn't any thought of that. This provision was put in very quickly, probably with very little consultation in regards to my office. I recall when this came in I was surprised that the amendment went through really quick. So I'm not sure how much thought was put into it in terms of the directory for all to the Public Accounts Committee. Mr. Wendel might be able to correct me on that, but I thought that this happened without consultation to our office.

I agree with what you're saying, Mr. Gantefoer, that based on the direction that the legislature might have, on how they want the various parts of Mr. Wendel's report handled, it would be an easy thing to accommodate, whereby the sections that are

applicable to Crown corporations goes to the Crown Corporations Committee.

I don't believe that's something hard to accommodate within the Act. And if this committee were to recommend something like that, we would certainly consider that.

Mr. Gantefoer: — Can I direct a question to Mr. Wendel about his sense of where your report should be directed?

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Mr. Wendel: — Well at the moment the House directs all of our reports to this committee.

Now we have a mandate to audit the entire government, including Crown corporations boards, agencies, commissions. And someone . . . some committee of the Assembly needs to be responsible to see the overall, and to be responsible for the overall governance — I think they're in the report — and make a decision as to which items should go to the Crown Corporations Committee, which items should go to this committee. I'm all right with that. But someone still has to be responsible to hold the government accountable for the overall performance of the government. That still has to be there.

Now whether there's a choice by the House to delegate some things to the Crown Corporations, I have no concern with that. Just keep that in mind as you're debating this. I think somebody still has to be responsible to hold the government accountable for the overall performance and financial management practices.

Mr. Trew: — Mr. Chairman, thank you. As the greybeard of the Crown Corporations Committee, having been appointed to that committee when I was first elected, being the longest-serving person, to my knowledge, ever to have served on Crown Corporations Committee, I have seen it go from a what, when I was first elected, was considered the "B" team — the Crown Corporations Committee — to a position today where Crown Corporations Committee has had its mandate opened up hugely.

It was a process that has been evolutionary, but was really markedly advanced in the last couple of years under Ms. Lorje's leadership as Chair of that committee. It worked in a remarkably, in some ways, remarkably non-partisan way in opening up its mandate and moving from, for example, it used to be that you would ask questions of a Crown corporation in the year under review — full stop, period. And I was always a year past. You could not ask a question about anything that happened after March 31 or whenever that particular Crown corporation's cut off was.

That mandate has been opened up. Now you can look at . . . review Crowns with a rear-view mirror and the year under review that technically you vote off, but you can also look into the future and ask questions of the minister and/or . . . and officials in that way.

It has never been my experience that the Crown Corporations Committee simply asked questions about the intentions of a Crown corporation. And I say that from when I was in opposition and my experience in government. Crown Corporations Committee asks . . . has asked some very specific

questions and very detailed questions.

Not to suggest that this committee is anything less than a blue-chip committee, but the questions I've seen in Crown Corporations are of the calibre of the questions that this committee asks. So it's not an "A" team and a "B" team.

The principle that we must, I think, defend is the principle of accountability of government and Crown corporations, accountability to the legislators. In other words, to the opposition, let's be crystal clear about what it is. Opposition have the right to get the reports in as timely a fashion as we reasonably can. And there's laws, you know, provisions made for the timeliness of those reports. I'm urging in a very long-winded way that we refer Crown Corporations Committee material to the Crown Corporations Committee, and that we deal with all of the rest of the items.

And frankly, this is a very good list that your office has provided us of the work that is to be done. But there's three pages that are clearly Public Accounts and in total one page that I think is equally clearly Crown Corporations. I'm urging, Mr. Chair, that we hive off the Crown Corporations' material and let them do their job and let us get on with doing our job.

Mr. Gantefoer: — Thank you, Mr. Chair. I really have no objection to what Mr. Trew is suggesting except my concern that Mr. Wendel expressed that someone has to somehow bring it together again and look at the big picture. And I think perhaps somehow that's our responsibility in Public Accounts because it's dealing with all of the accounts.

And if you don't have some methodology of looking at the big picture because routinely and appropriately government moves dividends and, you know, things back and forth — there is clearly an interrelationship between the two streams. And I think we've got to find a way — and I don't know how to do this in principle — where we indeed refer as a matter of course the detailed discussions in regard to Crown corporations to the Crown Corporations Committee.

But then I think that somehow perhaps that committee has a responsibility to bring us into the loop as to the big picture somehow, to put the overall affairs of government into one context. Because if we're going to end up with some kind of an interface that's not clean, when do we consider dividends from the Crown corporations as part of the General Revenue Fund. Like where do we hand this stuff off in order to look at the big picture of the total assets? I think that was a concern the auditor expressed, and I don't know exactly how we deal with that, but I think we have to. There has to be someone that's accountable for the big picture.

Ms. Lorje: — Well three or four points. First of all in, I believe it was 1998 the House did accept a Crown Corporations report that said that matters that are appropriately before the Crown Corporations Committee should go to the Crown Corporations Committee from the auditor's reports; and the others go to Public Accounts Committee. And then we were charged with meeting and finding a mechanism, a procedure to do that. For various reasons that didn't happen — big part of the reason was the Channel Lake hearings last year. But the House has already accepted the principle that we should be having the auditor's

reports that refer to Crown corporations items go directly to Crown Corporations Committee.

Secondly, the mandate of the Crown Corporations Committee, as Mr. Trew has alluded to, did change dramatically in '95 or . . . '94. And so that that committee now looks at both retrospective and prospective items. It is not simply a committee looking at intentions.

When Mr. Wendel says that some committee needs to have an overall look at government operations, I would say in response, that is the job of the Assembly to look at the overall government operations.

I think that we're getting a little hung up on trying to get everything off into little committees. Let's not forget that we have a Legislative Assembly. That's probably the most important body to be looking at these things.

So the big picture is looked at in the House. I would also point out that the auditor for CIC is the Provincial Auditor. So there's not a problem there in terms of the auditor having access to anything there or having direct, the direct ear of Crown Corporations Committee because the auditor attends every Crown Corporations Committee meeting that there is. The procedures are slightly different but the same results happen.

When you say, Mr. Gantefer, that when you first came on the committee you were told that the Public Accounts Committee dealt with the things dealing with government appropriations, I entirely agree with you. And the mandate of CCC, the Crown Corporations Committee, is to deal with all those organizations that receive the bulk of their revenue from outside sources — in other words, not directly from government appropriations.

So I think that these things are being covered off and what we need to do is stop the duplication of work. And we always have the opportunity in the legislature to challenge and to question anything that comes in from either Public Accounts Committee or Crown Corporations Committee. And I maintain that's the way we should do it.

If you're feeling that we need to get together at some point to look at a big picture at a committee level, we can either do it in the House, which is where I think it's most appropriate, or we could decide and recommend that annually there be a joint meeting of Crown Corporations Committee and Public Accounts Committee to simply review the big picture.

That I think covers it off. There are procedures that we have that we simply haven't availed ourselves of. And I would hope that what we can do now is with the drafting of the new Provincial Auditor Act make sure that we keep Crown Corporations Committee in the loop on these things.

The Chair: — Any further comments?

Mr. Gantefer: — . . . a recommendation further to what our decisions were before on The Provincial Auditor Act in this regard or does the thrust . . . I think we have a consensus on the general thrust of what is to be accomplished here. Do you think that we need a specific motion or recommendation that gives guidance to the drafters of the amendments to this legislation?

I'm kind of thinking that it might be useful if there was a recommendation.

Mr. Paton: — Yes, Mr. Chair, if you do want changes to where these reports are referred directly to, I think it would be appropriate for this committee to make that recommendation. Currently I'm unsure as to whether or not you believe that the Act has to be changed, or you're going to deal with it through your legislative committees and procedures.

And if you could just clarify how you would like that handled, the legislation can accommodate it. I thought I heard Ms. Lorje say that there are some conventions in place currently that allow you to deal with the Act . . . or pardon me, deal with the reports in the matter you want. But if that's not the case, if you'd like the Act to be changed, I would like to hear directly from your committee.

The Chair: — I think Mr. Paton is right. I think we have to reach some conclusion if we're making a recommendation that changes . . . or that we suggest changes to the Act. That's one way.

The other suggestion might be is we still have to have a recommendation as far as our current ability to do our work because precedence takes over here and we as an accounts committee, Public Accounts Committee, must still do our . . . we have been charged with that responsibility.

Mr. Gantefer: — Yes, Mr. Chairman, I think that if we could deal with what we're going to do with the current situation later, I think that we should make the recommendation that the auditors, The Provincial Auditor Act, will clearly differentiate that the Provincial Auditor has a responsibility to direct all reports related to — and I don't know what the right definition is — all non-Crown kind of things to the Standing Committee on Public Accounts and all Crown things to the Standing Committee on Crown Corporations.

And I don't know what the right words is to make that fork in the road, but that clearly it's one or the other and that that would be spelled out in the legislation.

The Chair: — A question of clarification, Mr. Gantefer. Are you suggesting then that the auditor would produce two reports — one that would contain . . . in volume 1, would contain the things for Crowns and then volume 1 that would contain all those other things that you said were non-Crowns?

Mr. Gantefer: — Well I don't if you'd put it in two separate little booklets, or there's the chapters related to public accounts and the chapters related to the Crown Corporations Committee.

This committee would be charged with the mandate to review and conduct recommendations on those things directed to it and the Crown Corporation Committee would be mandated to deal with those issues directed to that committee. But it clearly differentiates.

And you know, instead of this circuitous thing where it comes to us and we send it on, which is going to be another year late, it just seems to be a very impractical . . .

Mr. Paton: — Mr. Chair, if I could just first of all clarify what the Act currently says. Mr. Wendel does not report to this committee, he reports to the Legislative Assembly. Subsequent to that, the Clerk is requested to refer your reports to various committees. So the auditor's report is referred to this committee. But it's not Mr. Wendel reporting to one or the other. He reports to the Legislative Assembly.

Now what you may want to consider is, is when those reports are being referred, perhaps certain sections and perhaps the auditor could write his report in a manner where section 1 would be the matters that are normally reported to Public Accounts Committee. And section 2 could be those issues that are the responsibility of Crown Investments Corporation.

That may be the simplest way to provide the auditor with a little bit of leeway in determining which ones are the responsibilities of the Crown Investments Corporation, divide his reports into part A, part B, and ask the Clerk to forward those to the appropriate committees.

The Chair: — Let's ask Mr. Wendel if indeed that's workable in the real world.

Mr. Wendel: — I think that we could prepare a two-part report like that, okay. But as I said earlier, there may be some chapters in there that go to the government-wide part, okay? Like they'll be broader than that.

Understanding the finances, volume I, is one of those. It covers all the government. It talks about the Crown corporations and the government departments and everything and puts it all together. So there will be some that go government-wide, okay?

I'm not sure which category I put those in. I guess I'll bring them here and you can decide whether you want to deal with them at that point, if that's the guidance you want to give me. Okay?

Ms. Lorje: — Very specifically . . . I'm sorry to keep beating on this but it's been a source of frustration for me for about five years, trying to clear this up, and I finally see some light here. So I really hope that we can be clear and resolve it in a reasonable way.

Matters that, when you issue your report . . . And I had understood from Mr. Strelloff before he left that he was planning to issue two separate reports, but I don't care how the reports are issued as long as they're clear either in chapters or separate report.

Matters that are under the purview of the Crown Corporations Committee should be directed by the Clerk's office directly to the Crown Corporations Committee. Matters that are under the clear purview of Public Accounts should come to Public Accounts. Where there's a question of overlap or conflict, it should come to the Public Accounts Committee.

And then the Public Accounts Committee, given that we're the committee with the most resources, can then decide it, whether we want to refer it on or whatever. Okay?

The Chair: — Thank you.

Ms. Lorje: — Is that really clear, Mr. Wendel?

The Chair: — I think that's the model that we're looking towards, is that . . .

Mr. Wendel: — I hope I've got it.

Mr. Gantefoer: — Basically what we're saying is all things that are clearly of the purview of the Standing Committee on Crown Corporations should go to Crown Corporations. All other items go to Public Accounts.

Ms. Lorje: — Yes.

Mr. Wendel: — Just for clarification. I don't think it's that clear at Crown Corporations. Like it has all Crown corporations but it's decided only to deal with certain ones, okay? Is that . . .

Ms. Lorje: — Well no. The committee decides by resolution whether or not they want to look at a particular annual report. But they do look at . . . they are charged with the responsibility of making a decision about an annual report for all Crowns that receive their revenue primarily from outside of government sources.

Mr. Wendel: — So if you . . . So I'm clear.

Ms. Lorje: — If you wrote a chapter, for instance, on Workers' Compensation, and the Crown Corporations Committee for that year decided they didn't want to look at the Workers' Compensation annual report, they would still though be charged with the responsibility of looking at your special report on Workers' Compensation because they are mandated to do those things.

Mr. Wendel: — I guess I'd have to read the details of what the Crown Corporations Committee has, and if it is clear, then I could do an A and a B part, or 1 or 2 part. But I thought there was some confusion as to which ones went there and didn't. I haven't looked at it for a while.

Ms. Lorje: — No, it's . . . Well in my mind it's very clear.

Mr. Wendel: — Okay. But if you just wanted to make sure that those things that are the responsibility of Crown Investments Corporation go there, I could do that easily. That's easy for me.

The Chair: — In light of what we've we heard, might I suggest that, from the auditor's office point of view, that Mr. Wendel review what we've just talked about and suggest for our next meeting that after, upon reviewing the things that you've just highlighted and ensuring that this can work in a two-section, one-volume or whatever his thoughts might be, and bring that back to us for our next meeting for this committee to consider.

Mr. Paton first.

Mr. Paton: — Mr. Chairman, if it's fine, I think I understand the spirit of what you're after, and as we are working on amendments to the Act, we will start drafting something along this line with the anticipation that you will be making a recommendation. And then if there is some fine-tuning as to what the wording is, we can always do that at a later date. But

we will start on this process.

The Chair: — Okay. Mr. Wendel.

Mr. Wendel: — Yes, there are two sections in the Act that deal with this. There's a part where things that we table are automatically referred to this committee. The second part is we have a special relationship with this committee that's set out in law; we're a special adviser to this committee. We're here to do certain things for you. We don't have that in the Act with respect to the Crown Corporations Committee.

Ms. Lorje: — That's in the crown investments Act, isn't it.

Mr. Wendel: — But where is . . . like where's the relationship for the Provincial Auditor with that committee?

Ms. Lorje: — It's in the crown investments Act of 1996, I believe it is.

Mr. Wendel: — No, that doesn't provide us a relationship with the Crown Corporations Committee.

Ms. Lorje: — No?

Mr. Wendel: — That just goes to the appointment of auditor, I think. And it's just recently there's been a change in the appointment of auditor. There's a new auditor in CIC, and that's this fellow sitting down there. That just happened recently.

The Chair: — Okay, I go back to my original suggestion. And I see some consensus that we ask Mr. Wendel to consider what we've just talked about and give us a draft idea on what we . . . how we might work, and how we might simplify the kinds of things that we've been talking about for maybe a few years already, and see whether that's doable for the next meeting.

Mr. Gantfoer: — Mr. Chair?

The Chair: — Mr. Gantfoer.

Mr. Gantfoer: — Could I suggest that we pick dates when we might meet and that we leave it to you and the Deputy Chair to go through these specific proposals to determine which ones we're going to deal with as a Public Accounts Committee. That has been the prior practice, with support from the legislative staff, to see what entities are even available.

And pending the report we've just asked for, in terms of what agencies are going to report to what committee, at our next meeting we may make a blanket recommendation that forwards — because we've got to live within our current mandate — we may be then forwarding a number of these items to the Crown Corporations Committee, but I think we can do that then.

So I would suggest that you and the Vice-Chair, if we can agree today on dates, can agree to an agenda.

The Chair: — Before we determine a date, I just want to make members aware that we have two other committees besides this one that are functioning and they take up a considerable amount of time from the Clerk's office and *Hansard*, and some

members' time as well. So I think it will be difficult to have a meeting next week as someone had suggested, that immediately after the 27th we'd be available.

I might . . . might I suggest that if you look at your calendars, is there the possibility of clearing two days in the week of December 11th, specifically the 12th and the 13th?

Mr. Trew: — Mr. Chairman, I know that Ms. Jones and I both, the week following — 18, 19 — is doable, eminently way preferable to the week just before that.

The Chair: — What about then, the Tuesday the 19th and Wednesday the 20th?

Ms. Lorje: — Okay, is there something wrong with Monday the 18th?

The Chair: — No.

Ms. Lorje: — Because the note I have from Ms. Jones indicates the 18th and 19th.

The Chair: — But not the 20th?

Ms. Lorje: — Well it says, perhaps 18 and 19 but no more than that.

Mr. Chair: — No more than that. What about 18 and 19, Monday and a Tuesday?

Mr. Wartman: — Let's do it.

The Chair: — Done. Okay? We have consensus that the next meeting of Public Accounts will take place on the 18th and 19th. Taking Mr. Gantfoer's suggestion, we'll try to, between the Vice-Chair and myself, we'll try to identify quite quickly the topics that we'll be covering so that indeed the appropriate representatives can be contacted, and of course it allows Mr. Wendel's office the time to prepare the binders that you need.

Ms. Lorje: — For the meeting on the 18th, in order to save hotel costs and everything and to make it convenient for those of us who have to drive in, that we could meet at either 10 or 10:30?

A Member: — Or 11.

Ms. Lorje: — 11? 11? If we met at 11 and went through until 6, we can get a fair amount of work done. We could have a half-hour lunch break or even have sandwiches brought in.

The Chair: — Good suggestion. We won't say we're meeting until 6 but we will indicate that we would be starting on the Monday at 11.

Are there any other items for discussion on the business agenda and/or timelines? Motion for adjournment?

Mr. Wakefield: — Just before we do, Mr. Chairman. We don't know what will be discussed then on the 18th. Is that correct?

The Chair: — I'm sorry?

Mr. Wakefield: — We won't know what the agenda is for the 18th until you and the Vice-Chair get together to put something together?

The Chair: — The procedure will be that we will . . . in consultation with the Vice-Chair, I will determine an agenda which will be then distributed through the Clerk's office as the practice has been.

Mr. Wakefield: — Yes, okay.

The Chair: — And we might refer to the second page — and I just noticed that — that we might have to ask Mr. Gantefer to free himself because he may be called as a witness to dealing with the Standing Committee on Public Accounts . . . (inaudible interjection) . . . Well I just noticed that the standing committee . . . the auditor has made reference to chapter 17 of the '99 spring report . . .

Mr. Gantefer: — And it will be all complimentary, I'm sure.

Ms. Lorje: — Well perhaps what we ought to do is call as a witness the past Vice-Chair of the Standing Committee on Public Accounts and have that person . . .

The Chair: — Could I have a motion for adjournment? Mr. Kwiatkowski. All in favour? Opposed? Carried.

The committee adjourned at 3:12 p.m.