



# **Standing Committee on Public Accounts**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2001**

Ken Krawetz, Chair  
Canora-Pelly

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Regina Northeast, Vice-Chair

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Melfort-Tisdale

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Carl Kwiatkowski  
Carrot River Valley

Lyle Stewart  
Thunder Creek

Milton Wakefield  
Lloydminster

Mark Wartman  
Regina Qu'Appelle Valley

The committee met at 09:00.

**The Chair:** — Good morning everyone. Welcome. The revised agenda has been circulated to you and revised basically dealing . . . the revisions dealing only with today. We had some difficulty putting in the different departments for today as well as we had to have a portion of today designated to discuss the past, or the conference that never happened and the process for appointing an auditor and the like.

So the revised notice of meeting was distributed that says that we will have a working lunch. We'll be through our regular business by about 11 o'clock and then we'll spend from 11 to about 1 with lunch brought in here around 12 to enable you to work through that, and then our adjournment time is scheduled for about 3 o'clock, which was a discussion that I had with Mr. Harper to end a little earlier today.

The agenda is before you for Friday. Friday's agenda did not change from the one that was circulated the other day and it's starting tomorrow morning at 8:30.

We also have today as replacement members or stand-in members, we have Mr. Yates for Ms. Higgins, Mr. Bjornerud for Mr. Gantfoer, and Ms. Draude for Mr. Wakefield, and signed sheets are here.

Any other items to add to the agenda? Everything okay? So that is the timeline that we'll try to work in this morning.

Our agenda for this morning involves the Chief Electoral Office and chapter 16 of the 2000 Fall Report. And I'd ask . . . by the way, Mr. Atkinson, Brian, is here this morning as a stand-in for Mr. Wendel for a short period of time. Brian, if you would do your introduction.

**Mr. Atkinson:** — Thank you, Mr. Chair. As you mentioned, Mr. Wendel sends his regrets. Unfortunately he had a minor emergency he had to take care of this morning. He hopes to be with us shortly so we look forward to him arriving.

With me this morning is Rodd Jersak and you're all familiar with Rodd. He attends these meetings to help our office and the Clerk's office co-ordinate our duties. And also with me is Judy Ferguson who I'm sure you're all familiar with. Judy is a principal with our . . . or an executive director with our office and will be doing a presentation on the Chief Electoral Officer this morning. Thank you, Mr. Chair.

**The Chair:** — Thanks, Brian. Welcome, Jan, and I'd ask you to introduce your guests as well.

**Ms. Baker:** — Thank you for giving me the opportunity to speak to you today regarding the issues the Provincial Auditor brought before you. Prior to commencing or making comment, I'd like to introduce Mr. Michael Mahone. Michael joined my team in mid-September, and both Michael and I are looking forward to better serving the Saskatchewan electorate.

**The Chair:** — Great. Thank you very much, Jan.

Okay. Our usual format, of course, is for a presentation from

the auditor's office followed by comments and/or presentation from the electoral office. So, Judy, it's all yours.

**Ms. Ferguson:** — Thank you. Mr. Chair, Members, this morning we're going to talk about Chief Electoral office. It is chapter 16 of our Fall 2000 Volume 3, and it is in your binders before you.

I just want to provide a little bit of background and setting for the electoral office. I'm sure Jan will augment some comments later on here. The electoral office as an independent office is relatively new. The Elections Act, which came into effect January 1, 1997, was amended in May of '98 to establish an electoral office independent of the executive arm of the government.

The office's role is pivotal to our electoral process. It must ensure public confidence in the integrity of the electoral process for the Saskatchewan electorate. It administers provincial elections, by-elections, and election finances. In addition it conducts referenda, plebiscites, and time votes. The office administers The Election Act.

The Act is an integral part of electoral reform in Saskatchewan. It reinforces the need of the public for information, the public's need to know who contributes to registered political parties and candidates and how much was given. It also . . . the public needs to know how candidates and parties spend these monies.

The Act helps ensure the electoral process is transparent by requiring public disclosure of key information on amounts contributed and amounts spent by candidates during elections, and by registered parties both during and outside of the electoral periods. Further, it sets limits on the amounts to be spent by candidates and registered political parties.

From its creation as an independent office to March 31, 2000, which is the date of our audit work before you, the office has been busy. It's administered five by-elections, one general election, and handled two recounts in constituencies.

So what did we find for the . . . in our audit? For the two years ending March 31, 2000 we found that the electoral office had adequate rules and procedures to safeguard and control its assets, except for the matters with respect to the completeness of election expenses for registered political parties and candidates, and with respect to the completeness of political parties' contributions reported on their returns.

We also found that the electoral office complied with the laws governing its activities, except for preparing and submitting to the Speaker all reports required by the Act in the aforementioned matters with respect to completeness.

In this chapter we make three recommendations. Only one recommendation is new to this committee. The other two recommendations are really a follow-up on the status of recommendations that this committee made previously.

So for our first new . . . our new recommendation, it relates to the important accountability information required by The Election Act. The Act requires that the office provide the public

with summarized information on each of the elections of the electoral . . . each of the results of the electoral process and on the affairs of the office. At the time of our audit the office had not yet tabled a number of reports required by the Act. These are listed on page 321 of our report.

The listing includes the office's annual report, all the information required for election reports for the 1999 general election and each by-election, and a reimbursement report of amounts paid to each registered political party for the 1999 general election and each by-election.

We note that subsequent to our audit that the office has tabled a number of reports. We have not yet reviewed these reports to ensure they meet the requirements of the Act.

In addition the office has recently advised us that it plans to prepare and submit an annual report to cover the period from its inception — May of 1998 to December 2001. We look forward to the receipt and the tabling of these reports.

The next two recommendations that we make are really recommendations that follow up recommendations of this committee.

Since 1998 our office has expressed concerns that the electoral office does not have sufficient information to identify anonymous donations. When we discussed this matter with this committee, the committee carefully considered the matter. In April of 1998, this committee in its third report to the Assembly recommended that the electoral office request that the Board of Revenue Commissioners cancel a collection of any anonymous donations for 1996 and the six preceding calendar years.

At the time of our audit, the electoral office had not yet made this request. So as a result in this report, we continue to support the recommendation of this committee and we recommended that the committee comply with PAC's (Public Accounts Committee) previous recommendation and request the Board of Revenue Commissioners to cancel the collection of pre-1996 anonymous donations. The office has recently advised us that in August of 2001, it made such a request to the Board of Revenue Commissioners and it is awaiting the decision of that group.

The third area dealt with in the report is again an area that this committee has considered in the past and has made a recommendation on, and that we're following up the committee's recommendation.

The committee in its April 1999 . . . in April 1999, in its third report to the Assembly recommended that the electoral office should issue directives requiring political parties to submit to . . . submit audit reports to the electoral office that indicate whether all contributions received and all election expenses incurred by political parties are reported in their returns; and requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the electoral office that indicate whether candidates have complied with those procedures. At the time of our audit, this recommendation was not yet fully complied with.

As you know, The Election Act helps ensure the public receive as complete and accurate information as possible about the

contributions received by and the expenses incurred by candidates and registered political parties. The provisions in the Act can assist the electoral office in ensuring the electoral process and the activities of registered parties is as transparent as possible to the public. For example, the Act specifically requires both candidates and political parties to keep appropriate accounting records, records that include all contributions and income and all receipts and bills.

In addition, the Act expects candidates and parties to engage auditors to audit their election returns and their annual returns. It specifically expects these auditors to state whether or not the returns present fairly the information contained in the accounting records on which the return is based and to state, in writing, if it appears from their examination that proper records have not been kept. These sections of the Act help ensure that the information recorded on the returns, and in turn provided to the public, is reliable. It helps ensure the information is complete and accurate. This is the same as for audits of financial statements. The auditor's reports on financial statements help ensure the information provided in the financial statements is complete and accurate, so it's the same philosophy.

The issuance of directives can help auditors, candidates, and registered political parties understand what the law expects and ensure appropriate information is provided. We note that the electoral office has done a good job in providing guidance to candidates and registered political parties. This guidance helps them ensure they keep proper accounting records and helps them complete their returns properly.

The electoral office has also issued guidance to auditors of candidates and auditors of political parties. We have concerns with one important aspect of these sets of guidance. We note that these directives do not meet the expectations of this committee, in that the office does not require auditors of candidates and political parties to provide an opinion on whether all contributions are received and all expenses incurred are reported in the returns. Rather, through the directives issued by the electoral office, it reduces the scope of the auditor's work; that it expects the auditors of candidates and political parties to do less than what was expected by this committee. Although its guidance to auditors . . . through its guidance to auditors, the electoral office indicates that it thinks it is not practical for candidates and political parties to ever have good accounting records. It indicates through its directives that it thinks that it is acceptable that all candidates and political parties to have accounting records that may be incomplete. It indicates that it does not expect the auditors to make a judgment on the completeness of the return and on the adequacy of the accounting records.

Through its directives, it does not expect the auditor to determine if the return and the accounting records are complete. Rather through its guidance, the electoral office tells the auditors of candidates and the auditors of political parties that it expects the auditors to report that they did not look to ensure that the records were complete.

While we acknowledge that some candidates and some political parties may indeed have poor accounting records, making it difficult for the auditor to determine if the returns are in fact

complete, we think it is important that the auditor be in a position and be expected to make that determination and to report accordingly.

We think that the process put in place by the electoral office is inconsistent with the electoral office's own directives to its . . . to candidates and registered political parties which encourage good accounting records.

We also think it is inconsistent with the expectations of this committee and the expectation . . . and the committee's interpretation of the Act. As a result the office and the public do not receive information to know whether or not the returns of candidates and the returns of political parties are complete.

So what's the potential impact of the process that's been put in place? This committee recognized in the past the importance of ensuring returns were complete and accurate. They did this through their previous recommendations. This committee recognized that flaws in a process that accepted returns that . . . recognized the flaws in a process that accepted returns that are potentially incomplete. The committee recognized that the need for proper accounting records for political parties and registered . . . and candidates is an integral part of a transparent and solid electoral process, and that they are important for the proper preparation of returns.

The committee recognized that proper accounting records must be reinforced through the audit process, and that the auditors must be in a position to identify and report on those candidates and registered parties who do not have proper accounting records.

The committee also recognized the importance of full and complete disclosure to the public and the importance of creating a process that would further the completeness and accurate disclosure of information. It recognized incomplete returns leads to information not being fully disclosed to the public.

It leads to incomplete lists of persons or companies who contribute incomplete information on how registered political parties spend and incomplete information on anonymous donations. It also recognized if you do not have complete returns, the public does not know if candidates and registered political parties' spending was within legal limits.

We think that the committee recognized that the current Election Act is a strong Act. Complying with the Act will foster and sustain the public's confidence in the electoral process. When the Act was introduced to the Assembly, members were advised that the Act was designed on three basic principles.

Number one, ensuring the right to vote is accessible. Number two, increasing accountability for all people in the system to avoid problems and questions that were encountered in the past. And number three, setting out clear and better rules respecting expenditures — the expenditures that would be included in calculating the money spent in individual campaigns, and better rules respecting entitlement to rebate for election expenses.

The members noted that Saskatchewan has experienced questions and problems in the past with respect to the completeness of disclosure of information on returns, and that

this new Act provided an opportunity to reduce those problems and questions.

So one objective of the new Act was to address those questions and problems. As a result, the Act was designed to ensure people receive complete information on who contributes to candidates and political parties and complete information on how candidates and political parties spend those monies.

We think the current directives of the electoral office create a process that accepts receiving incomplete information from candidates and political parties and we think the current process is flawed. It diminishes the transparency of the electoral process and can lead to impairing the public's confidence in the integrity of the electoral process.

As a result we continue to support the prior recommendation of this committee. We recommend that the electoral office issue guidance to auditors of candidates and registered political parties to require the auditors to verify whether all contributions received and all expenditures incurred are reported on the returns, and report on such in their report. So basically, so that auditors are in a position to be expected to make that judgment and determination and not direct it and/or are setting out expectations to do otherwise.

In summary, this chapter contains one new recommendation for this committee's consideration. That recommendation is on page 321 and deals with the submission of reports to the Assembly as required under the Act.

We look forward to your discussion. Thank you.

**The Chair:** — Thank you very much, Judy. And before we move into those questions, we'd ask Jan for a report from the Chief Electoral Officer.

**Ms. Baker:** — Thank you. Specific to recommendation 1, the specific reports enumerated in the auditor's memorandum inclusive of a report on the 24th provincial general election, volume 2, summarizing registered political parties' and candidates' election returns and similar reports on five provincial by-elections held between 1998 and 1999 have been, indeed, prepared and tabled in the provincial legislature pursuant to section 286.

The office however, is still preparing an annual report to be submitted to the Speaker of the Legislative Assembly. It is anticipated that the annual report inclusive for the period May 1998 to December 2001 will be submitted in the winter of 2002.

Particular to recommendation 2, as mentioned by Judy Ferguson, the office has filed a submission with the Board of Revenue Commissioners seeking an order cancelling the collection of any anonymous donations for 1996 and the six previous calendar years. To date, consideration is pending.

Particular to recommendation 3, the Provincial Auditor has stated that the directives and guidelines issued to Saskatchewan's registered political parties are not adequate to ensure that the parties and candidates comply with the financial reporting requirements imposed under The Election Act.

In particular, the Provincial Auditor asserts that the office must impose an obligation on party and candidate auditors when scrutinizing party and candidate returns to certify whether or not the returns include all contributions received, and all expenses incurred by the parties and candidates.

The Chief Electoral Officer has, through the issuing of express directives and guidelines to the parties and candidates and through the provision of reporting forms containing specific reporting requirements and guides, notified and directed the parties and the candidates that all contributions received and all expenses incurred be properly and thoroughly reported, and in the case of expenses, supported by written documentation.

The office has not issued directives to the auditors requiring them to certify whether or not the returns they have audited include all contributions received and expenses incurred by the parties or the candidates. By virtue of the Act, the duty of the auditor only extends to the conduct of an examination of the accounting records of the party or the candidate, permitting him or her to reach an opinion as to whether or not the return being examined presents fairly the information contained in the accounting records on which the return is based.

While the auditor is also required to make further statements if he or she has reason to believe or is suspicious that proper accounting records were not kept by the party or candidate, or if he or she believes the return does not present fairly the information contained in the accounting records on which it is based, or he or she has not received from the party's chief official agent or from the candidate's business manager all the information and explanations that the auditor has requested, he or she is not empowered under the Act to draw contribution and expense conclusions as recommended by the Provincial Auditor.

Charged with the administration of the provincial electoral statute, the office is responsible for assessment and where applicable, reimbursement of all election expenses paid from the province's Consolidated Revenue Fund. In this regard, the office has established a system of financial review to certify public reimbursement of election expenses through the review of disclosure and expense returns of political parties and candidates.

The office has developed and disseminated financial reporting guidelines to the political parties, candidates, and auditors which outline transparency and disclosure requirements prescribed under The Election Act. To promote transparency, the reports are published to ensure accountability through accurate and thorough reporting ensuring compliance with the Act's heightened financial disclosure provisions.

The office conducts workshops throughout the province with both registered political parties and candidates in order to facilitate the proper compilation of their respective reporting and the effectiveness of the financial provisions of the Act.

The office also maintains a public relations program to ensure public parties and the public are aware of the important aspects of the Act by answering public inquiries and liaising with the political parties' candidates and their official agents.

The Chief Electoral Officer is also responsible for determining what constitutes an offence under the Act. While the Act is regulatory rather than criminal, the role of the office is to inspect, investigate, and inquire as deemed necessary by the Chief Electoral Officer where potential contravention of the Act is suspected. As this consideration is by its nature a matter of considerable discretion for the office, it is incumbent upon the office to carefully consider cases to determine whether conduct was abrogated the overall purpose, policy rationale and the intent of the Act.

The office believes that it has provided directives, guidelines, and supporting forms that are founded on the legislation for reporting contributions and expenses for all registered political parties and candidates. The Provincial Auditor, on the other hand, has taken a direct view . . . excuse me, a different view of the legislative provisions of the Act and has concluded that the office must impose an obligation on registered political parties and candidates' auditors to certify whether or not the returns include all contributions received and all expenses incurred.

In light of the Provincial Auditor's pronouncements, the office requested the assistance of the Institute of Chartered Accountants of Saskatchewan to review the Act's legislative provisions pertaining to auditors and the audit function, with a particular emphasis on generally accepted auditing standards and the CICA (Canadian Institute of Chartered Accountants) handbook. The institute conducted that . . . excuse me, the institute concluded that the guidance issued by the Chief Electoral Officer corresponds with the audit requirements specified in the legislation.

With regard to CICA standards, the institute concluded that the guidance issued by the office dealt appropriately with the auditor's inability, referred to by the CICA under generally accepted auditing standards, to provide assurance as to the completeness of reported revenues and expenses.

To conclude, Elections Saskatchewan has taken steps to raise the level of confidence in the audits performed on registered . . . has taken further steps to raise the level of confidence in the audits performed on registered political parties and candidates' returns. The office has sought legal opinion from government and independent sources pertaining to sections of the Act regarding auditors in connection with registered political parties' and candidates' financial reporting.

The audit has sought the professional opinion of the Institute of Chartered Accountants of Saskatchewan and again obtained the confirmation that the directives are in accordance with the generally accepted auditing standards in the CICA handbook.

It is not the auditor's responsibility to enforce provisions of the Act relating to possible anonymous donations or to question the nature of any individual donation. As well, it is not the auditor's duty or responsibility to enforce those provisions of the Act relating to the appropriateness of and the eligibility of either a party or candidate's election expenses. As Chief Electoral Officer, I cannot issue directives not properly founded on the legislation.

Last, the auditors cannot be expected to be expert on the provisions of the Act and interpretation thereof.

Due to the inherent nature of political campaigns, auditors must express some limitation in the scope of their examination. For the Chief Electoral Officer to ask otherwise would put the office in breach of its own legislation as drafted. Thank you.

**The Chair:** — Thank you for those comments. Discussion and comments of either Judy in the auditor's office or Jan, the electoral office? Chapter 16, pages 315 to 325 contains the information that has been put before you today. Any general questions or discussions before we get into the recommendations?

Before I do that, I want to apologize to Chris from the comptroller's office for not asking you to introduce yourself and your other person with you from your office. And I'd ask you to do that right now. I apologize.

**Mr. Bayda:** — Sure. I can take a moment to do that. I am Chris Bayda with the comptroller's office, and Terry has been away all week but he should be back for your meetings tomorrow. And with me is Lori Taylor. She's a manager in the financial management branch in the comptroller's office.

**The Chair:** — And, Chris, would you have any comments about this chapter from the point of view of the comptroller's office?

**Mr. Bayda:** — I think at this time I might make just a very few comments and that is that the CICA, as I understand, has published some guidelines for auditors of federal election candidates, and I think that's quite recent. That was in about October of 2000. And that they looked at the federal legislation when they were doing that and comparing the federal legislation to the provincial legislation in Saskatchewan that they're almost identical; they're very much the same. And that the Institute of Chartered Accountants does address this issue somewhat when they talk about the completeness of transactions and candidates' accounting records. And the chartered accountants' guidance suggests that auditors are, you know, entitled to sort of limit their scope on your . . . the scope of their opinion in situations like this. So that might be new information for the committee since we talked before.

**The Chair:** — Thank you, Chris. Have a comment Jan?

**Ms. Baker:** — I would just like to expand just to give you a little more background.

Particular to every jurisdiction in Canada we are governed by our legislation. The guideline that is made reference by Mr. Bayda, every jurisdiction takes different approaches to the preparations of their materials with respect of candidates and registered political parties. Federally the choice was to work with the CICA and the CICA in conjunction with Elections Saskatchewan put a document down which spoke to election expenses, contributions, revenues received, the procedures for reimbursement, and the auditing requirements.

Specific to Saskatchewan, we chose to prepare the documentation provided in six guidelines rather than go to the CICA or the Saskatchewan Institute. We have just recently gone to the institute and confirmed that our guidelines that were prepared particular to the auditor were indeed supportive of

CICA's recommendations or comments. I just wanted to make that clear. It's a differing approach by differing jurisdictions.

**The Chair:** — Thank you.

**Ms. Ferguson:** — I just want to pick up on a point that Chris raised, and I think it's very important, is that he said it is acceptable practice, and we fully agree, under generally accepted accounting principles that auditors are entitled to limit their scope. And that's the point that we have here is that the guidelines should be in a manner that the auditors are the ones that decide whether or not the accounting records are complete and accurate, and they're the ones that decide whether or not there is a scope limitation as opposed to currently where the directives basically say we expect you to give a scope limitation in all situations. So what we're saying is put it in place so that the auditors are in a position to make that judgment call and to render an opinion appropriately, as opposed to putting out guidelines that say we expect you to have a qualification to say that in every case there isn't appropriate accounting records.

So that's really the nub of it here. We aren't arguing that the guidelines are . . . We don't have an issue as to whether or not it's generally accepted accounting principles which is what the institute has looked at. We're not offside on that at all.

**The Chair:** — Ms. Baker, in your comments, if I might, did you not say that if that requirement was put forward or if auditors reacted that way, that that would put them in conflict and your own office in conflict of your Act?

**Ms. Baker:** — Yes.

**The Chair:** — Could you explain the difference between what Ms. Ferguson is commenting about and what you've said?

**Ms. Baker:** — Just one moment. I'd like to make one comment particular to the CICA, the comments that Judy just made mention of.

To quote the CICA in the federal guide, it specifically addresses the nature of the auditor's responsibility under the heading of completeness in this particular guide, states:

It should be noted that the Act (would mean the federal Act), does not require the auditor to determine that all financial transactions have been recorded in the candidate's accounting records. As with most organizations that receive funds by donation, it is not possible to determine the extent, if any, of unrecorded donations.

So that is to quote the CICA guidance particular to the federal legislation.

By virtue of sections 237(4) and 238(6) of The Election Act, the duty of the auditor only extends to the conduct of a sufficient examination of the accounting records of the party or of the candidate permitting him to reach an opinion as to whether or not the return being examined presents fairly the information contained in the accounting records on which the return is based. So he is only required to conduct an examination sufficient enough that he can base his conclusion on the accounting records that are before him.

**The Chair:** — Thank you. General questions or discussion first before we move to specific recommendations? Seeing none, as indicated by the auditor's office, we have three recommendations before us — one of which is new and the other two are dealing with information that the previous Public Accounts Committees have discussed.

Recommendation no. 1 is found on page 321, and I think, if I heard Ms. Baker correctly, a number of the requests of the auditor's office have already been tabled in the Assembly and that the only remaining item to be completed is the full report on the period May 1998 to December 2001 and expected . . . that is expected sometime in the winter of . . . the coming winter. If that is correct?

**Ms. Baker:** — That's correct.

**The Chair:** — Further questions?

**Mr. Harper:** — Mr. Chair, I move concurrence with recommendation no. 1 and report progress.

**The Chair:** — Good. Progress reported in concurrence with recommendation no. 1. Any questions? All those in favour? Opposed? Carried.

Recommendations 2 and 3 found on page 325. Recommendation no. 2 we'll deal with first. And again, if I remember the comments correctly, the Chief Electoral office has filed a request to the Board of Revenue Commissioners for the process that is outlined here. Is that correct?

**Ms. Baker:** — That's correct.

**The Chair:** — Any questions or discussion? Progress?

**Mr. Harper:** — Mr. Chair, I move concurrence and report progress.

**The Chair:** — Mr. Harper moves concurrence and report progress. Any discussion? All in favour? Opposed? Carried.

Now recommendation no. 3, where we've had some discussion already. This deals with the issuing of directives to political parties and candidates. And page 324 is the background information, and we've heard some discussion already, so I would suspect that we'll have some more.

Any questions?

**Ms. Draude:** — I guess I heard you talk about . . . I think it was Jan says that the auditor . . . you don't require the auditor to provide an opinion or a judgment, but at the same time the examination . . . requested the examination present fairly the information.

I see this as sort of . . . it's confusing to me how an auditor could present information and feel that it was all upfront and yet not have to provide an opinion. Can you explain that to me?

**Ms. Baker:** — Specific to our legislation as I had just stated, the legislation is quite clear. It only extends to the examination . . . sufficient examination of the accounting records of the party

or the candidate, permitting him to reach an opinion on whether or not the election expense returns fiscal period filings present fairly the information contained in the accounting records on which the return is based. In other words the documentation before them.

He is required, further to the legislation, to make statements if he has reason to believe or is suspicious that proper accounting records were not kept by the party or candidate, or if he believes that the return does not present fairly the information contained in the accounting records, or if he has not received the documentation that he had requested from either the registered political party or the candidate.

But he is not empowered under the Act to draw contribution and expense conclusions as recommended by the Provincial Auditor, as they are not properly founded on the legislation. It is very specific, the requirements of the auditor as prescribed under The Election Act.

To conclude, it is not the auditor's responsibility to enforce those provisions of the Act relating to possible anonymous donations or to question the nature of an individual donation. As well, it is not the auditor's duty or responsibility to enforce the provisions of the Act relating to the appropriateness of or the eligibility of party or candidate election expenses.

Specific to the legislation, the auditor cannot be expected to be expert on the provisions of the Act and interpretation thereof. It is the responsibility of Elections Saskatchewan when it conducts our compliance review or audit.

**Ms. Draude:** — So then the Act isn't saying that they have to make a recommendation on information because they don't have to have it available, so they can't present an opinion on something that isn't in front of them. So basically then the Act would have to be a lot clearer to make sure that all that information was required before they'd have to do it.

**Ms. Baker:** — The Act would have to be amended.

**Ms. Jones:** — It would seem to me that everyone would be interested in ensuring the accuracy and completeness of election returns. However I think that — at least in my opinion — it's impossible to ask an auditor who wasn't part of the process of accounting to verify the completeness and accuracy of the records placed before them. So I see a real inherent problem in the recommendation of the auditor's office.

However I think that there's a common purpose in ensuring the completeness and accuracy. So with your permission, Mr. Chair, I would move:

That the auditor's office and the Office of the Chief Electoral Officer continue to work to find resolve to this issue.

Not part of my motion, I would not be in favour of concurring with the recommendation, but I wouldn't like to turf it either, because I think that there's a need to work towards a consensus and a way to ensure what both parties want here. So I would recommend that we . . . that the two offices continue to work.



**The Chair:** — We have a proposal for another recommendation . . . or another resolution different than the third one here. Before we get to that, are there any other questions?

If not, I'd like you to clarify — and maybe Judy as well — when you refer to the three guidelines that are on page 324 that are issued to political parties and to candidates to instruct them how to do their work, what do you see in those three? Could you identify clearly what line or what phrase in those three, first of all, poses a difficulty to the auditor's office; and secondly, how does that relate to The Election Act, which Miss Baker has identified, that would be contradictory to what you would want put in here.

**Ms. Ferguson:** — Thank you, Mr. Chair and members. The problem that we have is really the first clause; it's due to the nature of the types of transactions inherent in these types of organizations. It is impractical through auditing procedures to determine that the accounting records include all the transactions for the fiscal period. And if you notice, that wording is similar in all three of them.

So basically that's, from an auditor's point of view, that's the communication that we use after we make the determination as auditors and we . . . And this is a determination that we make on every audit of financial statements or financial information that we have.

If you look at other legislation, other legislation appoints us as auditors to look at the accounts and records, you know. And implicit in that means that as auditors we have to make judgments in terms of completeness of the returns. So that's implicit in normal auditing.

The problem that we have is that the guidance itself sets out an expectation that the . . . that you are as an auditor in every case entering into a situation where you can't do procedures to make sure that the accounting records are complete and accurate. So what we're saying is, let the auditor make that determination. Don't set it . . . don't preclude that, don't make that assumption that every candidate and every registered political party . . . Keep in mind, particularly for the registered political parties, they operate 12 months of the year, every year, from year to year — the major parties.

They are not unlike many not-for-profit organizations who now do have unqualified or unlimited opinions in their audit opinions. Those organizations are similar. There was an evolution in terms of organizations for not-for-profits, particularly where it used to be that every organization that was a not-for-profit typically had poor accounting records. Society said that's not acceptable. We give our donations; we want to know that that donation was spent for the purpose intended.

So pressures were put on by society and the public at large for those organizations to improve their accounting practices. And many, many not-for-profit organizations who were in a similar boat as what you're talking about here have proper accounting records and procedures and unqualified or unlimited opinions. And in those cases the auditors are not limited in, when they're engaged, to assume that there is improper and they're . . . they make those judgments, you know.

So what we're saying is put out a process in place that you expect candidates and registered political parties to have good accounting records; have it reinforced through the audit process in that the auditors can expect to look for that, encourage that; but if they do find it, then yes, you will have a limitation, a restriction on your audit opinion, which you have here. But let the auditors decide that and let them communicate that as opposed to having an expectation that it is acceptable for candidates and registered political parties to have incomplete and inaccurate accounting records.

Brian, would you like to add anything?

**The Chair:** — Before you move to that other part, Judy. When you talk about those three statements, if I can refer again to page 324, those three identical lines that are contained in each of those. How can the auditor draw this statement then that says these statements mean that candidates and registered political parties are not expected to have proper books that include all expenses? How does that statement follow from the direction given to candidates? I don't think it's said anywhere that you're not supposed to keep good books.

Correct that if I'm wrong.

**Ms. Ferguson:** — Basically what the directives are doing, it's telling the auditor that this is the opinion that we're expecting you to provide. So we're expecting you as an auditor to provide an opinion or to be looking at an organization that they don't have accounting records that will allow them as an auditor to ensure that the accounting records include all transactions for the campaign period or, you know, the similar wording. So basically what you're doing through your directives, you're setting out an expectation to the auditor that this is the opinion that you expect them to provide. So you're telling them that, you know, that you are . . . you're assuming that the audit environment that they're auditing does not have proper accounting records.

**The Chair:** — I have a speaking order of Mr. Yates, Ms. Jones, and Mr. Kwiatkowski, but before I get to Mr. Yates. Ms. Baker, I know this is before your time — these are 1996 statements — could you indicate to the committee why, in each of those three paragraphs, that statement is there, the very first statement as identified by Ms. Ferguson?

**Ms. Baker:** — I would like to explain where Judy is drawing that particular paragraph from. It is from a guide that has been prepared pursuant to the provisions of the responsibility of an auditor that were drawn from The Election Act, the interpretation of The Election Act.

It is an appendices in the back of the guide of a statement to assist an auditor or for just perusal when making their comments particular to a candidate of a registered political party's return that is in front of them.

It is not a recommendation; it is a sample of a form how they may choose to present their statement. It is not a requirement that they use such form. However, I also would like to say that when preparing those guidelines, that particular statement was drawn from the CICA handbook, and it is a sample of a statement prepared by the Canadian Institute of Chartered

Accountants.

I also would like to state that I think we need to be clear here, particular to the requirements of The Election Act prior to an audit. The guidelines particular to a party, the party's respective agents, particular to their financial requirements, lay down very, very clearly the interpretation, the provisions of The Election Act, specific to the financial provisions of The Election Act.

In addition to that which we have provided a step by step for both candidates, parties, business managers, chief official agents, we provide returns which provide all supporting documentation which complement the provisions of The Election Act. And all of those, in order to forward a return to an auditor to be audited, a candidate or a political party's official agent must complete that return.

So I'm of the belief that prior to the auditor having seen a return, it is not their responsibility to complete the return; it is only their responsibility to audit it. That all of the materials specific to the requirements of The Election Act are indeed contained in the return that they are reviewing. Specific to the Act, they in turn are now reviewing what is before them, the information that is before them.

If they are suspicious or concerned that the return does not contain the information, they certainly have the opportunity to go back to either the candidate party or their agents to either have clarification, or have the discrepancy rectified. Thank you.

**Mr. Yates:** — Thank you, Mr. Chair. I've two questions that I think would be most appropriately directed at the Chief Electoral Officer, but the auditor may well wish to comment on.

My first question is very simple. Are the statements in this guide consistent with the current . . . the legislation in place?

**Ms. Baker:** — Yes they are.

**Mr. Yates:** — Okay. Secondly, to do what the auditor would recommend and would see appropriate, would it require a change to the legislation, and would that change potentially change the intent of the Act as it is written today?

**Ms. Baker:** — Rather than . . . the Act is very explicit. The Chief Electoral Officer is responsible for the compliance with the financial provisions of the Act should that . . . excuse me, that being an internal audit. There would have to be legislation put in place that the office . . . either there be an external audit or the office conduct . . . there would have to be legislation put in place that the office would have auditors which conduct a formal examination of the return prior . . . immediately upon its completion. We would be eliminating the audit undertaken through the business manager or the candidates.

**Mr. Yates:** — So it would require legislation change?

**Ms. Baker:** — Absolutely.

**Mr. Yates:** — Thank you very much.

**Ms. Jones:** — May I defer to Mr. Kwiatkowski and change places with him, I'd like to hear another side . . .

**The Chair:** — Mr. Kwiatkowski and Ms. Draude then.

**Mr. Kwiatkowski:** — Mr. Yates actually touched on the question I was going to ask. I share some of Ms. Baker's concerns in the sense that the Act as it exists would put an expectation on auditors verging on enforcement. And as the Provincial Auditor's office has indicated, there certainly have been a number of changes in the way non-profit corporations and community-based organizations audit their statements, and in fact quite some dramatic changes. Those, however, did come about as a result of amendments to the Act.

And I guess I would just simply concur with the statement that has been made here that I think that would perhaps be the appropriate route to go. If that is what this committee feels is required.

**Ms. Draude:** — You talked about unlimited opinions, something that the auditor isn't required . . . right now we're not asking for that, but I think the general public is actually asking for that. They want to have every confidence in the whole world, especially because of the political party. I think they want to be able to feel that everything is above board and without question. So if it was going to require some sort of legislative change, I think that we can't delegate the responsibility to either the Chief Electoral Officer or to the Provincial Auditor. It's our responsibility to make sure the Act is clear enough so that it is absolutely without a doubt that there's going to have to be an audit that everyone can be certain about.

Right now you talked about if an auditor is suspicious or concerned they can go back for clarification and ask for more information. We don't know, because of the way it's filed right now, if there was really a concern that he hasn't written. Can someone else at this time ask for another audit of a political campaign or of a candidate's expenses?

**Ms. Baker:** — I'm not quite clear on your question.

**Ms. Draude:** — If somebody else would . . . If there has been a report given to your office and of course the way it's written now nobody is going to say, I'm not certain about these expenses or donations, can someone else ask for another audit?

**Ms. Baker:** — Certainly under section 232, all documents, particular to returned reports by registered political parties/candidates are held in escrow by my office for a period of two years. They are available to the public on request. Certainly summaries in the documentation that we were speaking to earlier with respect to the financial provisions of the Act, the reports that were tabled in the legislature, they disclose much of the material in the return.

Should there be further desire, as I said, they can request a provision of the supporting documentation from my office. Should someone request that copy and choose to do an audit, I would believe that that could be undertaken. However, that could not be done . . . The candidates' returns, particular to the candidate's election expense returns, they're due in three months after an election; a party is in six, a fiscal period filing April 30 annually. Those are audited prior to coming into my office. They are not made available until my office has ensured

compliance with The Election Act and considers closure particular to meeting the requirements of the Act at which time they would then be made available to the public.

So there is a short period of a time until the internal review and audit as I refer to it for compliance is being done, that they wouldn't be made available for such purposes. But other than that, they are available for two years by any individual.

**Ms. Draude:** — Then that short period of time could actually take up quite a portion of the two years. And then basically it's . . . you know, it would have to mean somebody would be sitting right on your doorstep waiting to look at it.

**Ms. Baker:** — Actually not. There is a provision in The Election Act that all elections . . . all returns be audited and subsidies be paid within 90 days, so the process is completed. So it would be available for a good portion of that 24 months.

I would also like to mention — Michael had just mentioned to me — particular to the statement of the auditor, they also have opportunity in that statement if in fact they were suspicious, were concerned particular to the information contained in a return, to document that. At which time that documentation is provided, it is a requirement to be provided to the office when the return is filed with my office, so the particular concerns of the auditor would be brought to my attention immediately.

**The Chair:** — A response from the auditor's office to some of the comments being made.

**Ms. Ferguson:** — Thank you, Chair, members. Earlier it was asked if the statements were consistent with the current legislation. I'd like to just draw that to your attention that this committee did discuss this in 1999, and at that time they felt that they . . . and made a recommendation to the Assembly that the auditors . . . that the electoral office should issue directives to ask the auditors to look at the completeness of the returns.

And at that time they did not think it was inconsistent with the legislation and our office does continue to support that interpretation that the committee did take at that time with respect to completeness. So as a result we don't think it would require legislative changes.

As you know, legislation can be subject to a number of different interpretations. When the Assembly . . . when this legislation was presented to the Assembly, at that point in time there was — if you go back and look at *Hansard* — there was discussions with respect to the completeness of returns and the disclosures on returns. And there was assurances to members that the new legislation would address those concerns.

So from our perspective, and I think the members at that time, the legislation was constructed to make sure candidates and political parties did indeed have complete accounting records. If you look in the legislation, there's provisions that say they have to include all contributions and income, all bills and expenses.

I think the wording from . . . in the audit section is based on the whole premise that the accounting records are to be complete and so that from our perspective doesn't preclude the auditor from looking at the completeness aspect. You know, yes there

is different interpretations that can be taken, you know, but I think we as a legislative community want to make sure that we take an interpretation that will strengthen the integrity of the electoral process and make sure it is as transparent as possible.

Also, Jan had mentioned that with respect to the sample audit reports in the back of the directives, yes they are sample audit reports, but one of the things that we are concerned about is that all the sample audit reports are ones that contain the line that we have concern about. There is no sample audit report that does not contain that line. So that leaves the suggestion that that's the only type of audit report expected.

Thank you.

**Mr. Atkinson:** — I think one comment maybe just to hope to try to clarify. I don't think that our recommendation is in any way taking the auditor out of his role of providing assurance. And that's his only role. It doesn't take him to enforcement. It doesn't take him to any of the other roles that are being talked about.

The auditor is simply providing assurance to the candidate and to the Chief Electoral Officer that the returns that they've examined in fact represent fairly what's contained in the accounting records. That doesn't take the auditor out of his normal role of providing assurance.

For many not-for-profit organizations — looking back in history — the auditor, when he audited one of these organizations, put a reservation in his opinion that said, like many of these types of organizations, I couldn't tell you whether or not revenue was complete.

I, just to give you a personal experience, was a treasurer of a national organization, a national not-for-profit organization. I'd set in place good processes to make sure that all revenues that were collected were in fact recorded in the records. I put in place good systems that would make sure that all expenses that were paid from the organization were documented in the records.

When we presented our books and records to the auditor, the auditor came back and said, here's my auditor's report. And it said, like many organizations, I can't tell you whether or not revenue's complete. And I said, well show me where, tell me why the systems and practices that I've put in place aren't good enough to meet the standard that all revenues are recorded in my books and records. And he thought about it for a moment and he said, well you're right; I won't need to put that on there because I can give assurance that your records in fact are complete.

And that's what we're talking about here. We're saying, the auditor is simply providing assurance. And my question to you as candidates would be, wouldn't you do the same as I did when I was the treasurer of the national organization? They were talking about my books and records, and the auditor came to me and said, well I've got a scope limitation. My answer to them would be, show me where. Tell me why you put a scope limitation on my auditor's report. Tell me where my books and records weren't complete. You show me where all my contributions didn't get recorded in my books. And you show

me where all my expenses weren't properly documented. That would be my response. I would not accept that from my auditor.

Now there are going to be organizations that, when the auditor goes to do his assurance job, providing assurance on the financial statements, he's going to run into an organization where in fact he can't assure himself that all revenues are complete. And in that case the auditor writes his report and says, I've got to tell you this, but I don't think all of the revenues are here — I don't know that all the revenues are here.

So we're not talking about moving the auditor from a traditional role; we're not talking about any changes necessary to the legislation that you currently have on the books. What we're talking about is the expectation that the auditor when he goes out and provides assurance, if everything's okay with your books and records, he'll tell you so. And if he doesn't, then someone should ask the question: why not?

That concludes my comments.

**The Chair:** — Thank you very much, Mr. Atkinson. Ms. Baker, do you have a comment in response?

**Ms. Baker:** — . . . refer to the auditor's guides. I'm of the belief that they are very comprehensive and they do provide a very thorough explanation of what comprises election financing, which is contributions made to political organizations, candidates, election expenses made during campaigning periods, and reimbursements made, or what we refer to as stipends, particular to the election expenses incurred.

I'd like to say, particular to election expense limits during any campaign or any given year which would apply to any campaign, there are expense limits that have to be adhered to by anybody involved in the electoral process. However, one of the prides that my office has is that we do not dictate to any political organization or candidate as to how they expend their monies. So when you're looking at a candidate's election expense return particular to the 1995 election, there were 206 of them, and the expenses contained in each and every return differ. Some have emphasis on staffing, some have emphasis on advertising, some have emphasis on fundraising efforts during campaign such as promoting themselves during meetings, suppers, etc.

I don't believe that the auditor, certainly having the guides that have been provided to my office, provides the auditor a general understanding of what is occurring during the time that these expenses are being incurred and that you have the in-depth audit for the assurance of all contributions and all expenses; that the auditor would now have to become involved on a full-time basis with each and every campaign that he might potentially be auditing.

With respect of that also, there is a stipend paid to auditors for auditing election expense return. At the present time, it's \$667. I can assure you, should you want that requirement of a Provincial Auditor to have absolute assurance of completeness of election expenses and contributions, that there indeed would have to be an amendment to the current provision of the stipend that is now or what I refer to as a token amount which is paid to an auditor for auditing a candidate's election expense return. I

believe that an audit generally would cost three times that.

**Mr. Kwiatkowski:** — I guess just a quick question. Is there anything in the Act as it currently exists that stops an auditor from doing any of what Mr. Atkinson was talking about, and specifically is there anything in the Act as it exists that would stop an auditor from reporting any unrecorded contributions or expenses if you felt that they existed?

**Ms. Baker:** — Absolutely not. As Michael had indicated, that should he find that he hasn't been satisfied through the candidate or the candidate's business manager, the party or the chief official agent of the party, it can be documented and forwarded to my office for my internal audit.

My office, under section 280 of the Act, has the authority to investigate, examine, request further documentation, and potentially go forward with a recommendation for prosecution should it be necessary.

**Ms. Jones:** — Thank you again. A couple of points. I think that you need to differentiate between registered political parties and their provincial office organization and candidates' campaigns, which are staffed by volunteers and are of a short duration and don't operate 12 months out of the year.

And they are directed by the Act in how to record, in how to expend. And I believe that each candidate's campaign has a what . . .

**A Member:** — Official agent.

**Ms. Jones:** — Official agent — that's the word, thank you — who is supposed to operate under Election Act guidelines. And at the end of that campaign, it then goes to an auditor who verifies, based on the information given to them . . . or not verifies — I'm sorry; that's the wrong word — but who submits his report based on the information given.

And I think that you could not, in that instance, expect an auditor to verify the completeness of the return that is prepared by somebody else.

I'm afraid that I'm having difficulty with this recommendation and would . . . if we're ready for a motion, I will make one.

**The Chair:** — Well I want to clarify first, and I've heard, I think, Ms. Ferguson say clearly that the Act was changed to strengthen, to ensure that there was proper accounting that took place by political parties and candidates.

And I think, Ms. Baker, you've concurred with that, that it is not The Election Act — that the procedures as outlined in The Election Act are correct, and we believe that they're being followed. And I think the auditor's office is following that as well.

I think the contentious point seems to be a direction given from your office as a sample. And if I look at the exhibit it says, a sample of an audit report that automatically instructs. If I'm reading this correctly, it instructs an auditor to put this statement into their audit report. And I look to what Ms. Jones was saying about having your office and the auditor's office

arrive at samples and/or direction that allows for someone who's not clear. And I think Mr. Atkinson, the example is one that he said — I don't want that statement down on books that I'm keeping. And likewise, there may be business managers of political parties and/or candidates who would say no, don't put that statement down because my books are accurate.

Is there flexibility? Is there some way of reaching a compromise here as suggested by Ms. Jones, that would indicate that we've worked towards the goal that we all want, which is accurate and complete reporting?

**Ms. Baker:** — I believe that that statement is drawn, as I said, from materials prepared by the Canadian Institute of Chartered Accountants, adopted by provincial jurisdictions as the Saskatchewan Institute of Chartered Accountants, of principles and guidelines to be followed when performing an audit.

I do not believe that that statement can be audited. I do believe that the Provincial Auditor's office is operating under those principles. I do not see how we can make an amendment particular to this area other than the removal of the statement from the guide.

It is standard. Excuse me. It is a standard . . . I apologize. It is a standard statement provided by an auditor on conclusion of audit of the material before them.

**Mr. Stewart:** — There seems to be some conflict between the Provincial Auditor and the Chief Electoral Officer as to whether or not number three is covered off by the current legislation. And I wonder if we could get an independent legal opinion on that before we make a decision.

**Ms. Baker:** — The office has sought a legal opinion from Department of Justice particular to the interpretation of the sections relevant to an auditor. Once received — I am not in receipt of it to date — once received for internal purposes to the committee, I would give consideration to forwarding it.

**The Chair:** — Mr. Stewart, your question and the response by Ms. Baker I think gives more, more credence to what Ms. Jones is suggesting, is that I think it's time for the auditor's office and the Chief Electoral Office to sit down to review Justice's opinion, to review what's presented by CICA as you've indicated, and the auditor's office opinion which may be on the same page — it may not be — and to be able to present through the auditor's office at a future Public Accounts meeting, a direction that could either change or put forward exactly what's put forward today. Because the conflict would continue and the interpretation would be, you know, contradictory on both sides. Ms. Jones, would you be willing to move your recommendation or resolution at this time?

**Ms. Jones:** — I'd like to ask the Chair a question, a little guidance first. Based on that latest statement, should we perhaps table it and . . .

**The Chair:** — That's what I think you're suggesting, is tabling of this . . . we're not making any judgment, as I understood you to say. You're not prepared to say we are in favour of the previous Public Accounts Committee's recommendation or that you are now opposing it and want to do something different.

What you're saying is . . .

**Ms. Jones:** — I'm close.

**The Chair:** — You're close, but you want to table it and you want to have both the Chief Electoral Officer and the representative of the auditor's office sit down and discuss very thoroughly what has been said today — and I'm sure that both have heard comments of the various members — and to come back with what might be a solution.

**Ms. Jones:** — I move:

That we table to a future meeting.

**The Chair:** — All right. If Ms. Woods has heard that recommendation correctly, we're tabling and we're asking the auditor's office and the electoral office to come forward with what might be the same, but hopefully it will be some improvement to what we think is a concern and what a previous Public Accounts Committee did consider to be a concern.

Any discussion? All in favour? Carried.

That brings our discussion on the Chief Electoral Office to its conclusion. Thank you very much, Jan and Michael, for being before us this morning. And thank you very much to Judy and Brian.

As I indicated this morning, we will have a recess now for a coffee break and when we convene at 11 o'clock, we will not be recording; *Hansard* will be instructed not to be here. These will be informal discussions as we look at the process for the appointment of a Provincial Auditor. We have to look at the audit committee. We have to look at all of the things that the Act, the auditor's Act instructs us to do as a Public Accounts Committee. And then we want to spend some time on the conference wrap up and discuss what we might do or might not do.

So that will take place through a working lunch from 11 till about 1. Okay? Recess until 11 o'clock.

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

**The Chair:** — Good afternoon, everyone. Welcome back. We have on this afternoon's agenda, Municipal Affairs, Culture and Housing. And, Brian, before we begin with presentation from the auditor's office and the department, I'd ask you to introduce any of your new officials from the auditor's office.

**Mr. Atkinson:** — Thank you, Mr. Chair. We have two additional officials with us this afternoon from our office. Kim Lowe, sitting over there, is an auditor with our office. She's here to observe this afternoon's proceedings. And with me at the table is Bill Harasymchuk. He is a manager with our office, and he'll be making a presentation this afternoon.

**The Chair:** — Great. Thank you very much, Brian. And welcome, Deputy Minister Mr. Mathur. I'd ask you to introduce your officials that you have with you.

**Mr. Mathur:** — Thank you, Mr. Chairman. To my left is

Mariette Nygren .She's our executive director of business operations and information technology. To my right is Larry Chaykowski. He is the executive director of financial operations for the Saskatchewan Housing Corporation. To my far right is Mr. Russ Krywulak, and he is the executive director of grants administration and provincial and municipal relations branch in the department.

Behind us, we have to my right Mr. John Edwards — he's the executive director of program and policy development and review branch. In the centre is Ms. Jan Carter, and she is the executive director of corporate services. And to her right, we have . . . sorry, to her left we have Joylene Campbell, and Joylene is our provincial librarian, acting provincial librarian.

**The Chair:** — Great, welcome. Okay, Bill, if you want to proceed with your presentation.

**Mr. Harasymchuk:** — Okay. Thanks, Mr. Chair, members. This afternoon I'll be presenting our audit conclusions and findings on the Canada-Saskatchewan Infrastructure Works Program which is contained in chapter 6B of our 1999 Fall Report, and our audit conclusions and findings on the department and the following special purpose funds and Crown agencies for the year ended 2000 — Saskatchewan Archives Board, Saskatchewan Heritage Foundation, Saskatchewan Housing Corporation, the Municipal Potash Tax Sharing Administration Board, and the Northern Revenue Sharing Trust Account which is contained in chapter 3 of our 2001 Spring Report.

I understand that the committee has decided to discuss the audit conclusions and findings for the First Nations Fund at another time.

Chapter 3 of our 2001 Spring Report contains a new recommendation relating to the new provincial/municipal infrastructure program managed by the department, and a recommendation related to the Saskatchewan Housing Corporation, which the committee discussed on June 6, and postponed its recommendation to this meeting.

The chapter also contains information on the status of some previous recommendations, including an update on the infrastructure audit contained in chapter 6B of our 1999 Fall Report.

I'll begin my presentation with an overview of our 1999 audit of Phase II of the Canada-Saskatchewan Infrastructure Works Program. Our office decided to audit this program in a response to an invitation from the OAG (Office of the Auditor General) of Canada to work together on this audit.

The Office of the Auditor General of Nova Scotia also responded to this offer. The OAG of Canada had audited this federal/provincial program several years earlier and had identified and reported to parliament significant concerns of how the program was delivered. The OAG of Nova Scotia had also audited the program and identified similar concerns. Both offices wanted to know if these concerns continued.

The OAG of Canada thought that since it was a federal/provincial program, it would provide an excellent

opportunity for the legislative audit offices to work together. They were right. Working together added a bit of complexity to the audit but it allowed us to piggyback on Canada's and Nova Scotia's knowledge and understanding of the program. Each office reported consistent results.

The Canada-Saskatchewan Infrastructure Program had two phases. Our audit focused on Phase II, which was about \$60 million worth of projects. It is a program established through a series of federal/provincial agreements. Under the agreements the federal government agreed to provide Saskatchewan with funding as long as the related payments met certain conditions. The federal and provincial governments shared administration and jointly managed the delivery.

The program had a large number of conditions. The department was responsible for ensuring the conditions were met in order to keep the federal funding. The agreement called for a targeting of funding to achieve investments and infrastructure to meet selected . . . This meant selecting projects where the funding was either incremental, i.e., money that they would not have otherwise spent, or accelerated, i.e., spending money sooner than they would have otherwise.

It also required selecting projects that created jobs. Exhibit 4 on page 201 sets out many more project requirements. These dealt with things like environment and technology, etc.

Our audit had three objectives. They were to determine whether the projects undertaken in Phase II conformed with the targeting and selection requirements of the agreement, the adequacy of the financial and management controls used in Phase II, and the extent to which Phase II met the requirements of the related environmental laws.

We looked at the system and practices in effect at January 1999. For the first objective, we could not form an opinion since we could not get enough information. The department, along with the federal government, did not gather information to determine if the project approved by them conformed with the targeting and project selection requirements of the agreement. The OAG of Canada formed a similar conclusion.

For the second objective, we found Saskatchewan had adequate financial management controls, except that they did not have information when they made the payments under this program to know if the costs were eligible under the program. They relied solely on declarations from the municipality that the costs were eligible and did not do any work to ensure that the municipality's declarations were reliable or right.

This was important from two perspectives. One, making sure Saskatchewan dollars were spent for the purposes intended and, two, making sure they met the conditions to claim the funds from the federal government. From a management control perspective, they did not set clear, measurable performance targets — for example, the number of short- or long-term jobs expected — did not report well on their performance.

For the third objective, we found that the department did a good job in ensuring the projects complied with environmental laws.

We made three recommendations to ensure that when a

government enters into an agreement it can be reasonably sure that both it and the other party can meet all the requirements of the agreement.

First, we recommended that the department work with the federal government to clearly define the program's objectives in measurable terms and set targets to enable monitoring of progress and the achievement of the program's purpose. This include the following: outline the objective of the expenditure; how achievements will be measured; conditions respecting the use of public funds; obligation to each party to collect, provide, and dispose the necessary accountability information; define for each specific activity the information necessary to measure the achievement of the program's objective; and send out the process to determine credible information is collected from each party within a reasonable time period to facilitate both monitoring and reporting.

Second, we recommended that the department work with the federal government to carry out an adequate review of supporting information. This review should make sure that the projects approved and costs incurred by these projects met the program requirements. We suggested they focus on larger and riskier projects. This recommendation will ensure that the provincial government can keep the federal funding under the program.

Third, we recommended that Saskatchewan ensure its agreements contain provisions that clearly assign responsibilities among partners, and also to provide sufficient resources to carry the administrative and other program requirements, including timely monitoring and reporting on the achievements of the results.

This recommendation arose due to a number of factors. First, the department said that they planned to rely on the checks and supporting information that the federal government planned to do later. The federal government's time frame for doing these checks kept moving. After two years the federal government has still not done the checks and the department had no apparent recourse and the department did not adapt the procedures to compensate for the late checking. Also confusion existed as to who should have taken the lead role in the selection and development of program indicators expected in the agreement.

After this audit we paused to determine what we've learned. First, working with legislative offices is good. It helped us do a better job and a smarter audit. It also helped us gain insights into how other offices carried out their work. It also identified best practices.

Second, we learned that a solid understanding of significant agreements is key. As mentioned, this agreement was complex, a lot of conditions. In this case, working jointly with other legislative offices and working directly with federal officials allowed us to gain a solid and common understanding. This in turn improved the department's understanding of what the agreement expected. For all agreements we ask, what is the funding arrangement? Do the conditions exist? How does the agency ensure compliance with conditions? What is the responsibility of each party in the agreement? And are they doing what they are expected to do?

Third, for these types of programs we need to proactively look at the work and reports done by other jurisdictions. In this case, both Canada and Nova Scotia had an audited program and issued reports with significant concerns about the financial management procedures.

Fourth, timely identification of potential and actual changes in program areas and assessment of the associated risk is important; and in determining how best these risks can be mitigated to an acceptable level.

I also want to acknowledge the good co-operation received from both provincial and federal departments involved in this audit. That's it for the Fall '99 Report.

Now for the Spring Report, we follow up on the status of the previous recommendations and made one new recommendation. On page 67 of our 2001 Spring Report, we recommended that the department should improve its procedures to ensure provincial/municipal infrastructure grants provided to municipalities meet the conditions of the related programs.

For the year ending March 31, 2000, the department paid municipalities \$9.7 million under a provincial/municipal infrastructure program. Under this program, municipalities must spend the money on projects that meet specific conditions. For example, these projects must bring infrastructure up to recognized standards in the areas of health, pollution, or safety.

As done in the federal/provincial infrastructure program, the department based the amount paid to municipalities on declarations signed by the municipality. Basically the municipality declared in writing that they intended to use the money for the purposes that met the program requirements.

The department paid municipalities based on declarations, did not carry out any specific procedures to check to see if the municipality used the monies as expected at the time of the payment or by December 2000, which was nine months after the completion date of the projects. At the time of the audit, the department had not collected information to ensure that the municipality spent the grant monies provided in accordance with program requirements. As a result, our office could not determine if the payments made under this program were used for the intended purposes.

We recognize that for certain programs it is important to get the funds into the hands of those who need the funds. We also recognize that the conditions are put in place to ensure funds are directed to the places intended. Given this, we think it is important that organizations that provide funding put appropriate procedures in place that help them ensure the correct people or organizations receive the correct amount of funding. This is important that these procedures be carried out in a timely manner. Therefore we recommended that the department should improve its procedures to ensure provincial/municipal infrastructure grants provided to municipalities meet the conditions of the related program.

Pages 68 to 70 contain the status of previously reported recommendations. We followed up on the status of our three recommendations resulting from our 1999 audit of the federal/provincial infrastructure program.

With respect to the first recommendation, the program was not extended at the time of our audit; rather, it ended. As a result, the federal . . . provincial government did not have time to define the program objectives in measurable terms.

With respect to the second recommendation, we expected the department to carry out sufficient procedures to ensure projects meet eligibility criteria set out in the program. In the case of the federal/provincial infrastructure program, the department relied on declarations from the municipality as to the eligibility of cost. It also planned to rely on a review of supporting documentation carried out by the federal government.

During the audit, the federal government completed its review of supporting documents to ensure the projects funded met the key program criteria. It found that a number of projects funded by both the federal and provincial governments did not meet the criteria. It did not quantify the extent of these amounts. The department did not seek repayment from municipalities for ineligible amounts paid and the amounts . . . and we were advised that the federal government did not seek repayment. As our recommendation indicates, we think it is important that when a department imposes conditions on funding that the department undertakes sufficient procedures to ensure that projects and funds under these programs meet those conditions.

For our third recommendation we found the department had not yet entered into a new arrangement with the federal government during our audit period. As a result we were unable to determine if the department met our third recommendation. This recommendation is of continued relevance. As a result we reiterate it on page 68.

On page 68 we recommend that the Government of Saskatchewan ensures its agreements contain provisions that clearly assign responsibility among partners and provide sufficient resources to carry out administrative and other program requirements, including timely monitoring and reporting on results.

Our next recommendation relates to improving public accountability through better performance reports. This recommendation was made in our last report discussed by the committee at its June 6 meeting. At that meeting the committee concurred with this recommendation.

Our last recommendation relates to the Saskatchewan Housing Corporation. This recommendation was discussed by this committee on June 6; however the committee's decision on this recommendation was postponed to this meeting.

On page 85 of our 2001 Spring Report we noted that the Saskatchewan Housing Corporation does not table financial statements for public housing authorities in the Legislative Assembly. Public accountability is strengthened when the government tables the financial statements of all government organizations in the Legislative Assembly. Therefore we recommend that the Saskatchewan Housing Corporation provide the Legislative Assembly the audited financial statements of its public housing authorities and housing territories.

This concludes our presentation to the committee this afternoon.

Thank you for the opportunity to set out our audit conclusions and findings related to the Department of Municipal Affairs, Culture and Housing. We look forward to the committee's support, discussion, and questions if any.

**The Chair:** — Thank you very much, Bill.

**Mr. Mathur:** — Mr. Chairman, thanks. During the process of the audit here we have worked closely with the Provincial Auditor's office and there are obviously things here that we have agreed with; there are things that we have worked on with that office.

You must recognize that here we're talking about two different periods of review. One is the '99 and one is the 2000. During that period there have been . . . there's not just been one infrastructure program; there are different programs. I would like us all to understand what the different programs are and what actions the department has been taking with respect to each one of those. My preference would be, Mr. Chairman, if you agree to deal with these issues one at a time, to deal with infrastructure first and then they'll go on to the housing. Is that acceptable?

**The Chair:** — Sure. No, we'll separate them as we deal with each recommendation. So I was just wondering if you wanted to make any, you know, overall observations or comments about Municipal Affairs in its entirety, or we'll get right into the specifics.

**Mr. Mathur:** — We'll get right into the specifics, I would say. Maybe before I turn over to Russ Krywulak to speak to the infrastructure program, the only point I would like to make is that this is a very complex program, as the Provincial Auditor's found out. It involves not just the province. It involves the federal government as well as the municipalities in a very active partnership in terms of determining the criteria for selection of projects, and then actually selecting the actual projects that are funded.

So I'm going to pass this over to Mr. Krywulak to perhaps provide an overview of the programs, the two of three programs that we've had, and take it from there.

**Mr. Krywulak:** — Thanks, Brij. As Brij mentioned, there have been several programs, three actually, since 1994. What I'd like to do is just give a brief overview of the three programs so that we can avoid some confusion because there is some out there. And what we could do after that is go to the specific recommendations.

In 1994 the federal/provincial governments signed an agreement under the Canada-Saskatchewan Infrastructure Program. Federal contributions to this program were \$57.71 million. This was called the Phase I of the Canada-Saskatchewan Infrastructure Program.

In March of 1997, this program was amended, this agreement was amended, where the federal government contributed an additional \$11.5 million, and this was the Phase II of the program. The primary goals of this program was to build or upgrade infrastructure to community standards, create employment, and ensure projects were accelerated or



incremental. This program ended at March 31, 1999.

The 1999-2000 federal budget did not include the national infrastructure program. Because of the infrastructure deficit in the province, the provincial government approved \$10 million towards the provincial/municipal infrastructure program with another 10 million coming from the municipal sector.

The PMIP (Process Management Improvement Project) was developed in consultation with SUMA (Saskatchewan Urban Municipalities Association) and SARM (Saskatchewan Association of Rural Municipalities). The program was project-based and the objective was to improve the physical infrastructure in municipalities which would improve the quality of life for Saskatchewan residents.

A ranking system was developed and projects were ranked accordingly. A project review committee was set up consisting of two members from the province, two members from SUMA, and two members from SARM. Projects were approved on the basis of the recommendations by this committee. This program ended at March 31, 2001.

The federal government, in its 2000 budget, announced another five-year national infrastructure program totalling 2.65 billion. A federal/provincial agreement was signed on October of 2000, allocating 56.7 million over five years to the province of Saskatchewan. This is the Canada-Saskatchewan Infrastructure Program. This is the latest one.

Criteria for this program was based on the recommendation by the Federation of Canadian Municipalities, which meant, in their report, when they lobbied the federal government for this province green projects were a top priority, and transportation was second, and so on. There was a list developed.

Development of this program was done in complete consultation with SUMA, SARM, and SANC (Saskatchewan Association of Northern Communities). The associations were involved in the preparation of the guidelines, criteria, ranking criteria, and even the development of the application form.

A project review committee was struck consisting of federal, provincial, SUMA, SARM, and SANC members. This committee reviewed and recommended projects to the management committee. A management committee consisting of two representatives from the province, two from the federal government, would approve the projects. The management committee is also responsible for managing and administering the program.

The management committee, in developing the new program, has incorporated and implemented all the recommendations of the Provincial Auditor. The Provincial Auditor's office was involved in reviewing the draft agreements, reviewing the draft criteria and guidelines, reviewing the draft application, and even reviewing the agreement between the province and the municipalities. There is also a draft audit plan that I believe the Provincial Auditor reviewed on — I'm not sure whether that got there yet — which will meet the recommendations that the Provincial Auditor has suggested.

The management committee of the infrastructure program

concur with all the Provincial Auditor's recommendations. Targets and objectives under the new program have been set. The management committee appreciates the co-operation and the assistance in developing the new program by the Provincial Auditor. And I would especially like to mention Judy Ferguson and her staff. She was involved from the start as we developed the new program.

We agree that the original program, we weren't quite sure what the Provincial Auditor was expecting of us. There were certain things in the agreement, in the first agreement, that we took out in the second because we knew we could not meet the requirements. For example, the incrementality of a project. That's pretty hard to prove whether a project is incremental or not; whether it's accelerated. A municipality applies for a project; say yes, this project is incremental. How does the management committee prove that? So in the second agreement when we negotiated with the federal government, that came out. And that's just one of them.

Other things that we . . . or the auditor identified that we improved on, is we thought that municipalities being a level of government, they have audits, that their affidavit or their signature on the request for payment form would be sufficient. The Provincial Auditor, and so did the Auditor General, advise that this was not the case.

We have since did spot audits on those projects. The findings that we found, we did not find anything that was irregular. Some situations that the Provincial Auditor has identified — under the first program if you remember it was a per capita program — the municipalities put in away more than the federal/provincial share, so when you took off the ineligible costs, the program still fit the requirements.

I'm not making any excuses on that. I realize that we should be doing spot audits on municipalities. What I would not want to see is having the municipalities do their own audit, and then the province goes in and does an audit, and then the federal government goes in and does an audit, and drive these people crazy.

So under the new program we have identified who is responsible for leading the audit, which is the federal government. We will assist with the federal government in certain audits. If somewhere in the South, we will handle those ourselves or lead in those. The ones in the North, the federal government will do. But the ultimate responsibility for the audit under this program is the federal government's responsibility and we are willing to accept their recommendations and their audit findings.

I'm willing to answer any questions on the rest of these recommendations. As I mentioned we have incorporated all of them. And I think you'll find that this new program, now that we know what the Provincial Auditor expects, we've tied all the loose ends, we've tightened up all the guidelines and the criteria. And as I said, we have an audit plan in place. As a matter of fact, projects have been identified for audit already under the new program and it should be carried out shortly.

**The Chair:** — Good. Thank you very much, Mr. Krywulak. Before I move to questions from members, I want to ask Mr.

Bayda . . . and again I have to apologize twice in the same day. I see that you have two other individuals from the comptroller's office who have joined you and I'd ask you to introduce them as well.

**Mr. Bayda:** — Thank you very much, Mr. Chair. It is tough to catch your eye sometimes. Sitting with me at the table this afternoon is Larry Boys; he's a manager with the financial management branch in the comptroller's office. And also Garth Herbert is here today and he's with the financial management branch as well.

**The Chair:** — Welcome, Larry and Garth, and I apologize for not having your introductions done at the very beginning.

**Mr. Wartman:** — I want to check this one thing, and that is from a Public Accounts Committee point of view, I would like to ask why is it that you think that three separate audits from three separate groups would drive those people crazy?

**The Chair:** — You don't have to answer it. We'll indicate that that was rhetorical.

**Mr. Krywulak:** — As you know, I'm also responsible for provincial/municipal relations so . . .

**The Chair:** — Okay. Well we'll open it up to questions. And again before we get into general questions, be aware that we're dealing with only part of the auditor's report and that's in the 2001 Spring Report, chapter no. 3, and specifically we're dealing with recommendations nos. 1 and 2 regarding the federal/provincial infrastructure program. So we'll centre our comments and our questions on that area.

**Mr. Bjornerud:** — Just one question. I have to agree with Mr. Krywulak. I've been out there as a municipal member and I have to take exception to what the auditor is saying here. It would drive us crazy. It does drive us crazy out there.

I'm wondering though, if we're in agreeance here. You talk about the local municipalities doing an audit and I know they do that. You're saying the federal government does an audit and now are we being asked to do another audit on top of that? Is that really . . . I don't think that was what you were asking, was it?

**Mr. Wendel:** — No. What we're asking to do is improve their procedures to make sure that they're carrying out this investigation and making sure the criteria are being met. We're not going to go out there.

**Mr. Bjornerud:** — Mr. Chair, are we going to go into general questions or are we strictly on the recommendations now?

**The Chair:** — No, we're not into the recommendations yet but I'm saying that's where we're focusing our discussion, is about the Canada-Saskatchewan Infrastructure Program. Yes, go ahead.

**Mr. Bjornerud:** — Some of the comments you made, I'd just like to check on some of the dollars. The Phase I, was it a three-year program, by the way, with the federal government?

**Mr. Krywulak:** — It started off as a three-year and it ended up as a five in Phase I, and then another two years were added for Phase II.

**Mr. Bjornerud:** — Okay, thank you. You talked about the federal government's share was then \$57.1 million, so actually that went over the five years instead of just three or did they . . .

**Mr. Krywulak:** — No, we got an additional 11.6 . . . an additional 11.58. That's the Phase II of the program. We are completing the Phase II and we're running out of money, and the federal government decided they would inject another \$11.5 million into the program. So we had to sign an amended agreement. All the criteria and everything was the same, it's just amending the amount of dollars, and that's what we call Phase II.

**Mr. Bjornerud:** — So Phase I actually is running into Phase II.

**Mr. Krywulak:** — Yes. There was some projects that ran over, yes.

**Mr. Bjornerud:** — The federal government put in then, if the numbers are right here, about \$68 million.

**Mr. Krywulak:** — That's right.

**Mr. Bjornerud:** — Is that a one-third, one-third, one-third? Is that the criteria then that follows all the way through?

**Mr. Krywulak:** — The funding was matched . . . the minimum funding was matched by the province. Under the first program the province even put more money in than the federal government and the municipalities went way over. The total investment over the five years on infrastructure was 360 million.

**Mr. Bjornerud:** — That includes monies from all parties?

**Mr. Krywulak:** — All sources, yes.

**Mr. Bjornerud:** — Okay. Just a bit away from this now that we're coming, if I understand it right, to the end of the infrastructure is 2002. Is that the last year of the Phase II?

**Mr. Krywulak:** — No. Phase II ended in March 2001.

**Mr. Bjornerud:** — So how long are we running the current infrastructure program and where do . . .

**Mr. Krywulak:** — The current infrastructure program will run to 2006. It's a five-year program.

**Mr. Bjornerud:** — Okay. And how many dollars did we have for that then, the new program?

**Mr. Krywulak:** — We got 56.7 million, matched by the province and it'll be matched by the municipalities. So you're looking at a total program of roughly 113 million or something like that.

What happens in these cases, though, is municipalities normally put in more because they want to get a whole package kind of

thing. That's why this program is project-based. The first program was per capita and that's why we couldn't meet a lot of the Provincial Auditor's requirements because the projects were borderline between maintenance or . . . The funding for villages was so small that they could not do a real infrastructure project, so they were doing things like building fences and stuff like that. So we learnt from that one.

So when we did the provincial/municipal infrastructure program, we sat down with the associations and we even told them the Auditor General's concerns and the Provincial Auditor's concerns and how we should handle the third one. And they felt, to help smaller communities, a project-based program would be best. And it's worked quite well. In fact, the new CSIP (Canada-Saskatchewan Infrastructure Program) program is based on that model.

**Mr. Bjornerud:** — Okay, thank you. Have all . . . In each year of the infrastructure program, I know there's a number of communities, municipalities out there that have been turned down because of, I presume, lack of funding. But in each year, has all the money ended up being used, or is there money left in these pools?

**Mr. Krywulak:** — No. What we do. . . what happens at times is we approve projects and six months down the line somebody will have cancelled out and that puts us in a real cash flow problem. So what we've done — we've had a few this year which were about six so far — what we did is down the priority list, down the list where we did the cut-off or we ran out of money, we contacted those communities and asked them whether they could still do their project this year and they said they could.

So what we've done is we, as a management committee, approved those and they're going . . . we will spend their money.

We also — I don't know if I should say this in front of the Provincial Auditor — we also allocate a little . . . we approve and commit a little more money than we have.

**Mr. Mathur:** — We sent him for training to Air Canada.

**Mr. Krywulak:** — The reason being is past experience — we have seen slippage, and what happens is we lose the funding because, last year under PMIP, a couple of communities cancelled on us in February, and year end is March 31. So those types of situations.

So what we've done under this program is committed a little more — about 5 per cent — to accommodate that and if we run into trouble, we've got agreements with the cities. The cities said if you need be, we will bail you next year, kind of thing. It's a very co-operative program between the three levels of government.

**Mr. Bjornerud:** — Thank you. I wonder if maybe you didn't farm in your past life, because that's how we work every year. Thank you for your answer.

Can you give me an . . . How many applications, like in a year, would we get, and how many are approved and turned down?

Like what percentage, or I suppose it fluctuates, but can we even cover half at the current . . .

**Mr. Krywulak:** — No, we don't. We got roughly 530-some applications this year; we approved 84. But we are getting good quality projects out of these.

As you probably realize, we hit all the boil-water projects for this year, and we're doing some pipeline stuff. We're trying to do our regional-type programs where services can be shared and that type of thing. That's . . . In our ranking system, if the applications come of that sort, they are ranked higher, where municipalities share services and that type of thing.

But it's a matter of money. They're all good projects. I know I get a lot of calls, and you probably do, saying, my project hasn't been approved. It's not because it's not a quality project; it's because we've run out of money.

**Mr. Bjornerud:** — One of the concerns I've had brought to my attention, and I'm sure your departments have too, is where a community is sitting out there, and we all understand that a lot of our sewer and water systems out there are 30, 40 years old, and I think our problems are going to magnify here quite quickly. We're already seeing some of that happen out there.

But in the case where a community has an emergency problem, the calls that I've had where say a sewer system has gone down — and it's very expensive for a small community — but the infrastructure program if I understand it right is not really designed to help them quick enough because they can't react to it. Do we have anything in place to help those communities? And I understand that there's a great number of these that come up each year, but I think the problem is going to get bigger. And I'm wondering if we have anything set up aside, maybe some of the infrastructure money held back or something, to deal with these projects?

**Mr. Krywulak:** — I'm glad you mentioned that. The program is not retroactive; the federal government wouldn't even bend on that, and I don't think the province would either.

What we've done, in the program there is an allocation or a stream for 20 per cent of the funding for what we call federal-or provincial-nominated projects. What that means is the federal government can nominate a project on behalf of a community or a bunch of communities, a project they feel they want to do. And the province has similar ability to do that. These particular applications have to go through SUMA and SARM also, so it's not like the federal and provincial governments are ganging up and saying, we want to do this. This goes through the same process.

What we found out this first-year experience was that some of the projects that the federal and provincial governments have put forward, the project review committee didn't like, so we had some additional funding in there that we hadn't allocated. And that's how we addressed the North Battleford situation, is we kept some back. And I think that's our plan in the future, for future years, is to hold some back for these types of projects.

Actually under that stream, we only did . . . not even 1.5 million. The rest we threw into the municipalities because we

felt their projects were more important.

**Mr. Bjornerud:** — The number that we are getting, and I'm sure, you know, I guess I could ask you to verify this, is that to fix up our water systems in this province will cost in the neighbourhood of \$300 million. Is that fairly close? Or are we in the neighbourhood there?

**Mr. Krywulak:** — That's the figure that's in the Sask Water report, I believe. We have asked SUMA to do an inventory for us of what's the deficit out there. They haven't got the capability to provide us with that information. SARM can provide us information on the roads; we know that. But SUMA, they just can't handle that.

FCM (Federation of Canadian Municipalities) report prior to the first program, I believe they said that there was 75 billion across the country. So, you know, I don't . . .

**Mr. Bjornerud:** — Yes, I understand.

**Mr. Krywulak:** — I can't verify that, I'm sorry.

**Mr. Bjornerud:** — I can see that. I don't know how you would put a figure on that because most communities don't even realize just how close they are to problems until they actually happen, so it's an unknown.

**Mr. Krywulak:** — Exactly.

**Mr. Bjornerud:** — Are we lobbying the federal government this time to put extra money in, in light of what happened at North Battleford? And I think we're going to see — well I shouldn't say to that degree in other areas — but the need of dollars in many other areas.

**Mr. Krywulak:** — That's why we accepted all the Provincial Auditor's recommendations. That's why the program is project-based. We want to demonstrate to the Auditor General and the federal government that we are building good, quality infrastructure projects. And with the data that we are collecting, the need that's still out there, we will keep that. And we are constantly . . . even the federal Co-Chair — like I'm the provincial Co-Chair on the management committee — has agreed that we will be putting something forward from the management committee to the federal Treasury Board saying: look, this is what we've done so far; this is what we still have outstanding; and here are the types of projects we've done — and we need some more money.

**Mr. Bjornerud:** — Thank you. Now that our problems with our water and our sewer infrastructure out there is costing us many dollars more than I think we would have planned even five years ago or known that was coming, are other projects then like rural roads and streets and stuff like that going to take a back seat to this because of the urgency of the water with the water problem?

**Mr. Krywulak:** — No. In the agreement with the federal government this year, like I say, we're learning from past experience. We gave the management committee quite a bit of flexibility as to, as long as we need our 50 per cent green, then the management committee has the opportunity of deciding, in

conjunction with the project review committee, what they should spend the balance of that 50 per cent on. And transportation is our second priority. That's our target and we've put a target on there between 30 and 40 per cent. And last year SARM was a little concerned because they saw all these sewer and water projects and it would have taken the whole amount.

What we did as a management committee we said, okay, we've hit our 50 per cent. Let's look at the rest of the sewer and water projects we have on the list and see if there . . . these communities can apply next year maybe. Are they really top priority? Are they really emergency type things? And we found that those, it was a capacity, say, a capacity issue or something like that, nothing to do with health and safety or anything like that. What we did is we then said, okay, let's look at the transportation applications. And we have a ranking system for those also and we ranked those out. And I believe we even did better than SARM expected because we did over \$6 million worth of transportation.

The other thing is the Prairie Grain Roads is running parallel to ours and we have the luxury of the federal person that sits on our committee also sits on that committee. So we have an opportunity to say, well, we'll just fall into the Prairie Grain Roads Program, and he would give us a good indication it would. We would then move that over so that there is no duplication and the funds are spent in the proper areas.

**Mr. Bjornerud:** — A community that has an emergency problem there with water or sewer or whatever in that situation, I mean they can't wait. We understand that, that they have to fix the problem and fix it now. A small community of say 500 that has to spend \$50,000 out there, can they reapply the next year then for that project they've already paid for?

**Mr. Krywulak:** — That's the problem. What those communities should do is when the problem arises is contact the office and see if we have any slippage — or maybe we know of something that's not going to happen — and we will give . . . even though we have cut-off dates for applications, in those types of situations we will say, put in your application and we'll put it through the normal project review committee. And if there is funding available we can approve it right now.

But that hasn't been the case yet. Like I said, it's just recently.

**Mr. Bjornerud:** — Good. Thank you. One more question, all the time. Right now there's the trend out there to take secondary highways, put weight restrictions on them, and upgrade rural municipal roads. Is the infrastructure money being used to upgrade these roads?

**Mr. Krywulak:** — The rural roads?

**Mr. Bjornerud:** — Well you probably understand what I'm talking about, I hope. In many cases out there — I know I've got some in my area; I think they're all over the province — where secondary highways, thin membrane highways, we're putting weight restrictions on them. I believe the Department of Highways are putting weight restrictions on these highways right down where you can't even haul grain on, trying to divert traffic over and then enhancing the quality of a rural road out

there. Say it's a low-grade grid road and they're upgrading it to a super grid or something, for all intents and purposes.

I was wondering, is there infrastructure money being taken out of the pool to upgrade these roads?

**Mr. Krywulak:** — I believe those are referred to the Prairie Grain Roads Program. We haven't had any applications of that sort that we're aware of.

Under this program also, any properties owned by the federal or provincial governments do not qualify. So we can't do any . . .

**Mr. Bjornerud:** — One more question, and I know this is a little off where we're supposed to be going here. But Kamsack, yesterday I heard on the way in, has a boil-water advisory. Can you give us any update on . . .

**Mr. Krywulak:** — I just read it in the paper this morning. That's news to me.

I should mention that we are . . . in the next round we'll be working with Sask Water and SERM (Saskatchewan Environment and Resource Management) as we go. They'll be invited to our project reviews of the applications with the committee and look at all these also.

Some of these boil-waters are not bad, but there are some advisories that are put out, and they attach that to their application and they say, well, we've got a problem here. What happens in those cases is we contact SERM, and it's not an infrastructure problem, it's an operational problem or a maintenance problem. So we have to be careful.

But a boil-water, we've done all the boil-waters last year. But this is a new one; I'm not familiar with it.

**Mr. Bjornerud:** — Well thank you very much for your answers and I'll pass to someone else.

**The Chair:** — I think Detective Columbo is finished. One more question here. Just one more.

Mr. Krywulak, one of the projects that's in east central Saskatchewan is a pipeline. And I recall a lot of questions with officials from my constituency with you, regarding a carry-over and establishing criteria where expenditures could take place in one year and rely on grant the following year, or infrastructure money the following year, to enable people to go basically to a lending institution to guarantee that a project could go forward.

Could you explain how a project of the magnitude of the pipeline going in, the water pipeline, what did you end up establishing as the parameters?

**Mr. Krywulak:** — In that case what we did is over . . . You could do a multi-year project. It doesn't have to be done in one year. You could do a project and say it'll be completed in 2005. So we ask the . . .

**The Chair:** — Are you talking about actual physical work or are you talking about funding?

**Mr. Krywulak:** — Funding. Or even physical work.

**The Chair:** — Yes, I think this was the opposite, was it not? That the physical work wanted to go ahead and get completed in this year, but being a 2-point-some million dollar project . . .

**Mr. Krywulak:** — Exactly.

**The Chair:** — . . . the finances weren't available. So what was the outcome?

**Mr. Krywulak:** — I believe we did that one over two years. And so that project actually is well on its way. They estimated 90 hookups; they're up to 140. So they're not going to have a cash flow problem.

**The Chair:** — But the funding for the project is there even though it will rely on next year's infrastructure money. And I reading that correctly?

**Mr. Krywulak:** — I'm not understanding you. The project is started.

**The Chair:** — Right. No, I know that; the project is a mile away from my place, so I know exactly where it is. I drive by it every day.

My question from the officials during the winter was that they were having difficulty getting in place the funding to do a 2-plus million dollar project. And at that time it seemed that there were restrictions that said the physical work could not take place in one year; the physical work had to be spread out over the two-year period of the program. And they said that wasn't what they wanted. They wanted to do the work in year one, but to rely on the funding.

In other words, a promissory note that there is infrastructure money for next year to allow them to go to a financial institution to get the proper loans and everything else put in place. Is that how it ended up?

**Mr. Krywulak:** — Yes. They can complete the project this year, but their agreement says that we will pay so many dollars this year and so many dollars next year. Now they can take that agreement to their financial institution and say yes, we've got a commitment from the federal/provincial infrastructure program that we're going to get X number of dollars, yes. No, that's okay.

**The Chair:** — That was, I think, what they wanted.

**Mr. Krywulak:** — I'm sorry. I didn't quite understand.

**The Chair:** — We ended up with the . . .

**Mr. Krywulak:** — The right answer.

**The Chair:** — . . . the right answer.

**Ms. Draude:** — I have one question. I had one of my constituencies were approved under the program and then, because of some of the details that were required, they didn't get to spend their money. And the frustrating part was it just

went back into the kitty, and they really didn't have an opportunity to apply again, I think it was two years . . . or it wasn't the next year anyway.

Did you change the criteria under the new program so that if you're approved the money can stay there even if the work is not completed in that year and it's completed maybe next year?

**Mr. Krywulak:** — The work has to be . . . because of the set-up we have in the province, the accrual accounting, what we commit in one year has to be spent, the work has to be in place. If we don't do that, then what happens is people that want to apply next year would be penalized because if we moved that project over to next year, we lose the funding from that project this year, and so instead of doing \$12 million worth of provincial funding, we would only be doing whatever the amount is, we would do that. But we lose that money as a program.

**Ms. Draude:** — But the money is already committed.

**Mr. Krywulak:** — For this year.

**Ms. Draude:** — So even if it's not spent, if they know they're going to spend it . . . you know, the town I'm talking about would have spent it in May of the year. Year end is at the end of March. It was just a real, real hullabaloo.

**Mr. Krywulak:** — Yes, but the Provincial Auditor says we have to check to make sure that that work is in place before we pay it.

**Ms. Draude:** — But it says you didn't. Sorry. That's the way . . .

**Mr. Yates:** — Are we ready for motions?

**The Chair:** — I think we're ready to start moving towards the recommendations put forward.

**Mr. Yates:** — Okay, I would move that the PAC committee accept the auditor's recommendations on no. 1 on page 200 of chapter 6.

**The Chair:** — No, we don't have to deal with those; that's the point I'm going to make. Because the 2001 Spring Report, which is chapter no. 3, supersedes all the others, we are dealing with recommendation no. 1 on page 67, recommendation no. 2 on page 68, and then we'll move to the next section on housing, and that will be on page 85; we'll deal with no. 9. Okay?

So, Mr. Yates, if you're prepared to look at recommendation or resolution no. 1 on page 67 and suggest a plan for it.

**Mr. Yates:** — I will move we concur.

**The Chair:** — Concur with recommendation no. 1. Are there any questions? Seeing no questions, all those in favour? Opposed? Carried.

Recommendation no. 2 on page 68 dealing with the infrastructure program. We've had discussion there about reporting and everything else. Mr. Yates.

**Mr. Yates:** — I will move we concur with the auditor's recommendation.

**The Chair:** — Concur with the auditor's recommendation as outlined in recommendation no. 2. Any questions? All those in favour? Opposed? Carried.

Now that will bring to a conclusion the discussion on the Canada-Saskatchewan Infrastructure Program, unless there are any other questions.

And we'll turn to the section that Bill has provided some input there on the Saskatchewan Housing section on page no. 85; 84 and 85. And on page 85, we have recommendation no. 9.

But before we get to that specific recommendation, I would ask Mr. Mathur if there are any specific comments or anything you want to bring to the attention of the committee on the section on the Saskatchewan Housing Corporation.

**Mr. Mathur:** — Thank you, Mr. Chairman. With respect to the Saskatchewan Housing Corporation, the meeting that we attended in June, this issue was discussed and the point that we would like to make is, first of all, we have no objection to providing this information.

What we indicated at that last meeting was that there's a certain division of responsibilities between the Saskatchewan Housing Corporation and the housing authorities. So some of the information with respect to the contributions that the federal, provincial, and municipal governments make to housing are usually contained in a summary form in the Saskatchewan Housing Corporation report. And only those matters that are within the purview of the housing authorities are contained within the financial statements of the housing authorities.

Therefore, to examine the accounts or the financial statements of the housing authorities only out of context with the Saskatchewan Housing Corporation's financial statements could sometimes prove to be misleading. I'm shortly going to ask Larry Chaykowski to explain that in a little more detail.

We would like to suggest that, yes, we could certainly provide these reports. And we've made a copy of a sample from one of the authorities available to the committee in June, and they requested that you review it and see if that's the kind of information you actually do want. Just short of it being a large bulk of information, it would be a fair amount of information, and it would of course, whenever you provide information of that kind, it adds some more cost.

But that's a moot point — cost is not the issue. If in the interest of transparency that information is required, sure. We would also include with it the financial statements from the Saskatchewan Housing Corporation so that the information can be reviewed within its context.

**Mr. Chaykowski:** — Thank you, Mr. Mathur. I think Brij has made most of the points that I would have, but I'll maybe add a little bit of context and refresh people's memory of some of the . . . kind of recap on some of the discussions that we had in June on this issue.

With respect to the relationship of the Saskatchewan Housing Corporation to the housing authorities and the territory offices is that the SHC, or the Saskatchewan Housing Corporation, is actually the owner of the assets, the properties themselves, and the role of the housing authorities — and in some cases, there are several smaller housing authorities that have a management and administrative support through a territory office — their role in terms of social and affordable housing is that of property management and tenant relationships.

So it's those activities that are reported in the housing authority financial statements, and if our . . . I think the point we were trying to make earlier is that if one were to, if a reader of the financial statement were to look at just the property management functions and the tenant relations functions and the costs associated with that and those things that are under the purview of the local housing authority board, and look at that in isolation from the larger picture, they may come to some inappropriate conclusions on that.

And as was indicated last June, we had handed out . . . had circulated a copy of the housing authority from Lloydminster. And I'm not sure whether the members have had a chance to look at it or review it.

But just to illustrate the point a little further, if you were to look in those financial statements on the part that deals with social housing in there, based on . . . all the rents that are collected from the tenants are collected by the housing authority, but only certain costs, or the costs that are related to the property management and their office and those things, you would look at the bottom line and recognize that there was a surplus or profit if you like, of some \$27,000.

Whereas if you looked at the larger picture and added the asset costs, and those kinds of costs that the Saskatchewan Housing Corporation is bearing on its behalf, because it is the owner, and that would include such things as the amortization of the building itself and the interest expense on the long-term debt, you would come to a different conclusion and there would be a loss of some \$90,000. And in general terms that loss of \$90,000 is what the federal, provincial, and municipal subsidy covers is the difference between there.

So the reader of the financial statement, just looking at this one in that context alone, may not have that information.

What we're suggesting is that all of the 20 stand-alone housing authorities and the 8 territory offices that provide a support for the smaller housing authorities — and there are some 280, I believe, housing authorities throughout the province — all of those financial statements are consolidated into the Saskatchewan Housing Corporation financial statements. And those are tabled with the legislature routinely, so the legislature is getting the complete picture in the total context of that. So the information is already provided in a consolidated form.

As suggested by Mr. Mathur, if it is the committee's wishes that they see the individual . . . that the Legislative Assembly see the individual financial statements, we can certainly provide that. This is one of about 28, and so we've put together a package. But I believe that we would put the consolidated statements on top just so that people would read them in that type of context. I

think that's about my introductory comments.

**The Chair:** — Mr. Chaykowski, thank you. Just a quick question. Back in the Spring Report the auditor's recommendation dealt with 14 housing authorities and 8 housing territories. Recommendation no. 9 has increased 14 to 20.

**Mr. Chaykowski:** — Right.

**The Chair:** — Is that because of the addition of new housing authorities or what's . . . why is the number greater?

**Mr. Chaykowski:** — What's reflected there is the number of separate financial statements that are tabled. At one time . . . there are in a number of locations, say, for example, in Humboldt there is a Humboldt Housing Authority which is also the territory office for a number of smaller ones, and at one time there was one financial statement that covered both of those operations.

The larger number that you now see, we have separated those and asked for separate financial statements from each operation. So it's not a growth in the number of, so much the number of entities, just the way we've asked them to report their operations. So we've now moved to . . . you know, from 22 different financial statements to actually there are 28 financial statements that are tabled.

**The Chair:** — Members, I don't know how many of you had the opportunity to review that Lloydminster one that was circulated in the springtime. And I'm wondering, from seeing that statement, Mr. Wendel, and seeing, you know, your recommendation that we get 28 of them, what do you see as the useful purpose for the Legislative Assembly to have all the financial statements provided to us?

**Mr. Wendel:** — That's been a recommendation of this committee for some time, that they wanted all of the financial statements to come forward, not only consolidated financial statements of organizations but their subsidiaries or in this case the housing authorities.

Now when the committee discussed this a few years ago they said, well we're not going to have a blanket recommendation any more on this. What we want you to do is bring these to our attention on an individual basis and we'll make a judgment as to whether we want that information made public or not.

So what I'm bringing forward is, here's an organization at this point that hasn't made all its financial statements public. Now you then have to decide whether this information would be useful to the public or to yourself for further transparency. And if you decide that you want them, fine. If you decide you don't want them tabled, that's the committee's decision.

**Mr. Harper:** — Just for clarification, if I heard you right, you're saying that every year you table in the Legislative Assembly a financial statement that incorporates all 20 housing authorities plus the housing territory. Is that correct?

**Mr. Chaykowski:** — That's correct. And also the operations of the Saskatchewan Housing Corporation itself is part of that.

**Mr. Harper:** — It's all encompassed in one report?

**Mr. Chaykowski:** — That's correct.

**Mr. Harper:** — So then the Legislative Assembly and the people of Saskatchewan do get a clear view of the operation of that aspect of the program?

**Mr. Chaykowski:** — In our view that's correct.

**Mr. Kwiatkowski:** — Thank you very much, Mr. Chair. I appreciate your recognition. If an individual within a specific housing authority area wanted to see the financial statements for that particular housing authority, is there a mechanism, a process whereby they can do that? Are they available for people to be able to review them?

**Mr. Chaykowski:** — These financial statements are . . . the readers right now, they're presented to the board; there is a local board that governs the operation of these housing authorities, a voluntary board. And that is who are, if you like, the principals that own these financial statements. If an individual wanted to see what those financial statements looked like, they would approach the board. We have no reason to think that that information would not be made available.

I can't speak with any certainty whether individuals have made a request and have or have not been denied. But certainly it's, you know, it's available in the local.

**Mr. Kwiatkowski:** — Well I in fact have changed my position on this. I think when we originally talked about it, I was having some difficulty saying what the merit of 28 or 30 separate financial statements, some territorial, some local, that kind of thing being made available to the legislature would be.

But in the last while I talked to a lot of individuals at the community level who aren't satisfied with the response that they're getting from their local housing authorities when they go to seek information, when they want detail around particular budget areas, those kinds of things; in some instances, they're being rebuffed quite rudely.

So I guess what I am thinking now is, is that perhaps if for no other reason than allowing, by it being tabled in the legislature then it becomes public, then individuals within local communities, if they do have concerns with their local housing authorities, that would certainly give them immediate access to that. So that's where I'm at now with this particular subject.

**The Chair:** — Any response, Mr. Chaykowski?

**Mr. Chaykowski:** — I'm not aware of any of those situations so I have no comment.

**Ms. Draude:** — I just have a quick question on the amount of money that the federal government puts in. You'd indicated that basically there's the three areas that pick up any losses that there are in the housing authorities. Is that split equally?

**Mr. Chaykowski:** — Right now if you looked at the total operations of the Saskatchewan Housing Corporation, including all the operations — and I'm referring to an annual report here,

our last annual report — roughly the contributions, about 34 per cent is provided by the federal government, approximately 18 per cent by the provincial government. About 2 per cent of that is through municipal governments, another 46 per cent by the clients themselves in terms of their subsidized rent. So, you know, that's roughly the distribution on that.

**Ms. Draude:** — And the last question is, then each area, each town would have a different rent, depending on which area, which town you're in. How is that criteria set up and is that looked at and re-evaluated on a regular basis?

**Mr. Chaykowski:** — The individual tenants' rents are based on their income and so there's a formula that's called rent geared to income. And tenants in the social housing, those in the low-income level would not pay more than 25 per cent of their income level. So it would vary more from, based on individuals' income than it would be on any other kind of factors that would be in place.

**Ms. Draude:** — But some towns may have, like the town of Spalding's housing grant is less than Porcupine's?

**Mr. Chaykowski:** — I don't think the location is the primary; again it's the individual. So there is a subsidization that goes right across all of the housing units. So it's not geared say necessarily to the market conditions locally, but by your income level.

**Mr. Yates:** — Yes, I have a couple of questions. First off, is it required of each housing authority to table an annual report with the department?

**A Member:** — Oh yes, absolutely.

**Mr. Yates:** — And in the event that there were concerns being raised by any one of our constituents, would it be possible for a member of the legislature to get a copy of that report and in some discussions with yourself in context, be able to respond to those types of requests made by members of the general public.

**Mr. Chaykowski:** — I would have to review that in the context of freedom of information guidelines. I'd have to see how that . . . whether that kind of information is restricted in any ways; but I'm presuming that information would be available.

**Mr. Yates:** — Now would that be different if they were tabled publicly then?

**Mr. Chaykowski:** — If they're tabled in the legislature, they would by virtue . . . that become public, yes.

**Mr. Mathur:** — They're clearly public, yes.

**Mr. Yates:** — Okay. Thank you.

**The Chair:** — Any other questions or comments? Let's deal with recommendation on the bottom of page no. 85. Mr. Harper.

**Mr. Harper:** — Mr. Chair, in regards to the recommendations put forward and the explanation that we've been given, I move:



That PAC does not concur with the Provincial Auditor recommendations.

**The Chair:** — Not.

**Mr. Harper:** — Not.

**The Chair:** — Okay. Discussion.

**Ms. Jones:** — A question, Mr. Chairman.

**The Chair:** — No further questions?

**Ms. Jones:** — Yes, a question.

**The Chair:** — Oh, a question. Oh, you're calling for the question.

**Ms. Jones:** — No, I'm . . . I want to ask . . .

**The Chair:** — You have a question. I'm sorry, Ms. Jones. Go ahead.

**Ms. Jones:** — I'm not really clear on how the local authority relates to SHC (Saskatchewan Housing Corporation). Does the local authority when they're dealing with funding, is it the complete funding in their locality or do they only handle certain aspects of the activity? Do they, you know, do they build the houses, rent them out, do a budget — all of that? Or do they only deal with certain things?

**Mr. Chaykowski:** — They only deal with a limited aspect, and that's what we would call property management which is taking care of the building itself. But the buildings or the units are owned by the Saskatchewan Housing Corporation. And so there is a management agreement that we have in place with each of the housing authorities that sets out what the expectations are and the relationship.

But in a general sense the housing authorities would be responsible for kind of the operation, the day-to-day operation of the different units that are out there and the tenant selection process locally, determining, you know, screening applications coming in, making the determination according to the program parameters.

**Ms. Jones:** — So audited financial statements then being tabled in the legislature would only provide limited information to a constituent who had a problem with their housing authority. Like it wouldn't tell how they determine their tenant selection.

**Mr. Chaykowski:** — No.

**Ms. Jones:** — That kind of thing. So these are audited financial statements and they'll really only have to do with property management.

**Mr. Chaykowski:** — Yes. The tenant selection process or the guidelines for that would be available through the Saskatchewan Housing Corporation, as would the rent type of calculation that I had described earlier.

**Ms. Jones:** — So anything to do with money for that building,

or budgeting, or that, would be available to a constituent through SHC's audited statements as opposed to the local authority's audited statements?

**Mr. Chaykowski:** — Right. You would see that information though in aggregate as opposed to a location at a time.

**Ms. Jones:** — Okay. That makes it much easier for me to decide. Thank you.

**The Chair:** — Yes, Mr. Mathur. Before you make a comment, Mr. Mathur, I just want to clarify. On the top of page 85, you indicate that there are 281 public housing authorities in the province.

**Mr. Chaykowski:** — Right.

**The Chair:** — You say that 20, or I should say the auditor says that 20 of the authorities are administered individually. And then, does that mean that the remaining 261, if you subtract 20, are then divided into 8 authorities?

**Mr. Chaykowski:** — The 8 territory offices.

**The Chair:** — The territory offices.

**Mr. Chaykowski:** — Yes. And they provide an administration and a number of administrative central support functions for those smaller housing authorities.

**The Chair:** — Okay. So does . . . Is there an identification of the 20, as to why the 20 are individual?

**Mr. Chaykowski:** — Typically it's because those would be the larger communities that where there's enough critical mass that they would be able to hire their own manager and their own support staff and that sort of thing.

**The Chair:** — Okay. Is there . . . And I guess I need from both of you, I need from the auditor and I need from you, what are the positives and the negatives to the recommendation that asks for the 20 financial statements to be made public through the legislative process or to remain as they are?

And I believe Mr. Kwiatkowski has identified that there are some people that believe that, you know, the request for information isn't being met as clearly as it could be. What are the positives, what are the negatives to this recommendation? From your point of view. And maybe, Mr. Mathur, if you want to make your comments now.

**Mr. Mathur:** — I'll make my comments and then perhaps Mr. Chaykowski may want to add to those.

First of all, you know, when you look at the 20 that are large enough to handle their own affairs and therefore file their own report, and those are obviously the larger ones, and in those financial statements you will get location-specific information.

Now in those territorial ones, which is the vast number of the smaller housing authorities, you will obviously not get very location-specific information; you'd get it at a level of aggregation greater than just the locality. So that's in terms of

what kind of information you'd get.

It seems to me from the discussion here, Mr. Chairman, if I may suggest, the issue may be that the public should have access to these financial statements of these authorities, and I think the department actually concurs with that, that the information from the housing authorities should be available to the public. I mean this is publicly funded and therefore there should be transparency.

There are two ways of doing this. One is to table everything in the legislature. And the other is what we require the municipalities to do, which is essentially to require them to have a financial statement which is available to the public. That is another way of achieving the same result.

As for the legislature, the legislature does get in a consolidated form the results of what goes on in the 281 housing authorities. And if the issue is with the local person who wants a little more information or more information about the specific functions that the housing authorities are carrying out in that locality, maybe that's best served at the local level by making it mandatory for the authorities to release this information to the public. So that's another solution, Mr. Chairman.

**The Chair:** — I'm just wondering, Mr. Mathur, is we've seen this discussion, as summarized on page 85, that the PAC committees of the past have dealt with this in '91 and '93 and '96 and last year, and now we're dealing with it again. So obviously there has been a belief all along that the housing authorities and the territories are government corporations in that they should be tabling their financial statements to the Legislative Assembly.

If that's not our belief any more, and which I think Mr. Harper by his motion is suggesting that that isn't our belief, then I guess we have to be assured that the system that is in place right now is sufficient to meet the needs of accountability and that indeed nothing is missing.

And maybe, Mr. Wendel, I'd ask you to comment on Mr. Mathur's suggestion about meeting the needs of the public versus, you know, the committees of the past's recommendation that we must have this tabled in the Legislative Assembly.

**Mr. Wendel:** — Well I guess it goes back to what we say in the report that if you table them, the Assembly and the public has access to them and they can use that information to judge the performance of the housing territories.

Now what I hear Mr. Mathur say is that he's going to make them available like the cities do. Like you could go to the city hall and ask to see their financial statements or get information. There's actually legislation on the books that people could do that.

The other alternative you might consider, if you think it's too onerous to put up the 20 housing authorities and the 8, is to come to some detailed schedule within Sask Housing's annual report. That may give you some information you could begin to ask questions. But there's alternatives to getting this transparency. We made it on the basis of audited financial statements because that's usually what's done. It sounds like the

committee wants something else that would still give them transparency. So that I leave with the committee.

So there may be a way of doing that within the annual report provided we get enough transparencies that people can question what's happening in the various territories and authorities.

**The Chair:** — Before I go to Mr. Harper, Mr. Chaykowski, did you want to make any further comments?

**Mr. Chaykowski:** — I think your original . . . your earlier question was the pros and cons of each and I'm not sure I have a whole lot more to add because I think most of those have been fleshed out already. On one hand the con would be that the information may be read out of context; on the other hand, if there are issues around individuals within communities not having access to a public facility and some of the reporting, that would be weighed on the other hand. So I think you need to look at the relative weight of all this.

**The Chair:** — Thank you.

**Mr. Harper:** — Just a question. Correct me if I'm wrong. But I'm operating under the assumption that if there was a housing project in the community of Hyas, Saskatchewan, and if I went to the town office in Hyas, I would be able to have financial statement for that housing project?

**Mr. Wendel:** — I think I'll ask the department to respond to that. I don't think so but . . .

**Mr. Chaykowski:** — Yes, I can't answer for any certainty whether the . . . You would have to approach the board. They're not, to my knowledge, publicized say in the local newspapers as municipalities are so you'd have to approach the board. And I'm not familiar enough to know whether people have approached the board and been refused or have approached the board and the board has conceded.

**Mr. Harper:** — So the financial statement the board prepares and makes available to you is not available to the public in any other manner, shape, or form?

**Mr. Chaykowski:** — Not that I'm aware of.

**Mr. Harper:** — Okay. But combined, when all those statements are combined, it does give us a clear picture of the operation of the program.

**Mr. Chaykowski:** — In the consolidated financial statement, yes, because then you have all the elements of not just what is happening locally in terms of local rents and local limited costs, but you also then have the benefit of all the information about what the three levels of government and their subsidies that are factored into the equation.

**Mr. Harper:** — And local rents and those factors could be different from one housing authority to another depending on the income of the clients.

**Mr. Chaykowski:** — On the income.

**Mr. Harper:** — So there is really no way of, say, a comparison

to make sure that everything is fair rent-wise. It depends on the income of the clients running the facilities.

**Mr. Chaykowski:** — Right. We would make the point that the rent geared to income formula is what brings equity to rents across the province.

**Mr. Harper:** — So then the financial statements of each individual authority would simply be the maintenance of those facilities.

**Mr. Chaykowski:** — By and large the bigger ticket items are the maintenance and rejuvenation as you've mentioned, the grants in lieu of property taxes that are paid locally, utilities, and other types of operating expenses.

**Mr. Harper:** — So the overall interest of the Saskatchewan taxpayer would be in the overall operation of the program rather than the individual facilities in the various locations.

**Mr. Chaykowski:** — Different taxpayers may have different interests. I don't think I could presume to speak for all taxpayers.

**Mr. Harper:** — I agree with you there but I would say the responsibility of this committee is to ensure that the taxpayers of Saskatchewan have a clear and accountable view into the operation of that particular program.

**Mr. Chaykowski:** — Right. Our view is that the social and affordable housing network in the province is managed on a portfolio basis in its totality and there are subsidies from different levels. And you get that complete picture in the Saskatchewan Housing Corporation financial statements.

**The Chair:** — Okay. Using Mr. Harper's example of Hyas, and I'm sure that Hyas isn't one of the 20 housing authorities — it must belong to a territory and many of those communities in that corner of the province belong, I'm sure, to the Yorkton territory. His question was regarding a very specific request of someone in a community, in this case Hyas.

If the financial statement is prepared by the Yorkton territory, and I think you made reference to, you know, the overall territory versus something that's very specific to a community, in this case Hyas, is that how we would see the financial report of the Yorkton territory?

**Mr. Chaykowski:** — Within the individual housing authorities there are some very detailed schedules that are appended to it that show different, if you like, what we would call projects. And some of those could be very location-specific, but there tend to be an appendix to the . . .

**The Chair:** — But there wouldn't be an appendix attached to the Yorkton territory that would show what happened at the Hyas level, the community of Hyas. There wouldn't be that degree of reporting done, specific reporting — we'll use that word, Mr. Kwiatkowski, thank you.

**Mr. Chaykowski:** — I'm sorry, I don't have a territory office one with me that I can use as a reference. I can get that information back to you.

**The Chair:** — The reason I'm asking the questions, Mr. Chaykowski, I'm wondering, you know, when we have the concern about the public wanting to have access — and it's our job, as Mr. Harper has pointed out, to ensure the public has access — when they would see a territorial financial statement, and in this case I believe it is the Yorkton territory, and you can correct me if I'm wrong, would they have any additional information that would be specific to the community of Hyas? Or would it be in such a general context as to show the entire territory that they wouldn't have any relevance to the community.

**Mr. Chaykowski:** — I'm sorry, I can't answer that with any certainty right now. I don't have those other ones with me and I haven't looked at those individual ones.

**The Chair:** — Okay, thank you. Mr. Kwiatkowski, are you still wanting to respond?

**Mr. Kwiatkowski:** — Sure. Just in referencing your comment about this committee having dealt with this particular issue for over a decade now, if we are going to concur with this particular recommendation that the Provincial Auditor has made, then I would be quite happy in accepting the alternative as suggested by the deputy minister, that of requiring the local authorities simply to make a copy of their statements available to the public within their own jurisdictions. One way or the other I think we can resolve this.

**The Chair:** — I would think, Mr. Kwiatkowski, your suggestion wouldn't mean that we would concur with this one. Because if you reject it or you concur with it, you've made a decision, and you're either going to table it to see what kind of . . . and I think we did that this morning on one, where we're asking for a sort of an alternative to be proposed from both the auditor's office point of view and the department's point of view, as to whether or not there's something different that can be determined to still meet the needs of the people of the province and still, you know, to deal with the concerns of previous PAC committees, and of course this committee, that we want to make sure that there's still some degree of reporting.

**Mr. Wartman:** — Thank you. I would also be concerned about the level of detail at the local level in terms of the way that rents are figured out according to income and that. Is there some level of privacy that is also expected by the people that are there? Would the level of detail be so much that personal privacy would be invaded? And I think, you know, if we're going to make a recommendation that it be available at a local level, we need some assurance that there will be some level of personal privacy as well.

So I just . . . I think we're not there yet. We don't have that information available, do we, as to the specificity, and therefore I would move:

That we table until we get that information.

**The Chair:** — Okay. I can't entertain that motion because I already have one from Mr. Harper, but Ms. Jones, do you have any questions?

**Mr. Wartman:** — Table actually takes precedence, does it not?

**The Chair:** — I'd ask Mr. Harper to withdraw maybe first.

thank you very much. We'll see you tomorrow morning at 8:30 sharp.

**Mr. Harper:** — In that case, since Mr. Wartman's motion has come forward, I will withdraw mine.

The committee adjourned at 15:05.

**The Chair:** — Okay. And I agree with that. Do you have a question, Ms. Jones?

**Ms. Jones:** — No. I was just going to make a tabling motion, but I therefore have . . .

**The Chair:** — Okay. Mr. Wartman's motion to table until we have further discussion between the department and the auditor's office about arriving at what might be another solution to our problem.

Any discussion? No discussion on tabling. All in favour? Carried. Opposed? Not carried.

**Ms. Jones:** — Mr. Chair, Mr. Chair . . .

**The Chair:** — Yes, Ms. Jones.

**Ms. Jones:** — While they're coming up with an alternative solution or whatever, I would like to know, you know, coming back to the next meeting, I would request that we be provided with the type of information that would be available on the basis of what the Provincial Auditor is recommending, or recommends that we consider doing. And he doesn't really care if we do it, right?

Like I want to know what this statement would show. Because if the local authorities are only in charge of a limited scope, and the rest is available through SHC, I mean, what is it we're saying should be tabled or shouldn't be tabled? Like I'd like to know what a statement would look like when it comes back.

**The Chair:** — Right. And as I understood, that's why I asked the question, that there are 261 authorities that are going to be divided into 8 territories, so you have over 30 in each of those territories. That must be a fairly extensive financial statement. It's going to deal with large numbers even though it won't deal with specific locations or communities.

**Ms. Jones:** — If it's not useful to the public, there's no point in it, is my point.

**Mr. Kwiatkowski:** — A sample statement was circulated, Mr. Chair, by the authority, I believe.

**The Chair:** — It was like June. It was Lloydminster.

**Mr. Kwiatkowski:** — Yes. That was the sample from the Lloydminster authority.

**The Chair:** — But that's an authority. And I think what Ms. Jones is requesting is what is the territorial statement going to say for the balance of those 261 which we haven't seen and we don't know whether it addresses Mr. Wartman's concern about privacy and the like. So I think that's what we want to see.

Great. Thank you very much, Mr. Mathur, and to all your officials. And the auditor's office and the comptroller's office,