

STANDING COMMITTEE ON PUBLIC ACCOUNTS
March 29, 1983

Mr. Chairman: — Order. I welcome everybody to public accounts for the second session of the 20th parliament. Sorry about the initial confusion about the time yesterday. I'd forgotten about your caucus meetings on Tuesday. Hereafter meetings will be 10 o'clock Tuesday, 8:30 Wednesday and Thursday. And that's 10 to 12 on Tuesday; 8:30 to 11 Wednesday and Thursday.

Mr. Lutz: — Would you say again, please, Mr. Chairman?

Mr. Chairman: — At 10 to 12, Tuesday; 8:30 to 11, Wednesday and Thursday. Unless there is some desire to change that.

Okay. The first item is the receipt of the compendium of management letters. I assume you've got that. It's public accounts exhibit no. 5.

The second item . . . It will be a lot better once I get this bun eaten. The second item is the comptroller's report. Normally, the public accounts would have filed a report in May, would have met again in March, at which time you'd have the comptroller's report from the previous year's, from the previous session's deliberations. The comptroller, obviously, will not have had a chance to follow up on any of these items. I'm wondering what is a reasonable date for dealing with that.

What was going through my mind, and I will run this past the committee for your comments, was to schedule a meeting in early September to deal with the comptroller's report.

Let me ask a question. By that time, would we have your report on both the first session and the second session, or just the first session?

Mr. Benson: — That would depend on how lengthy this session runs.

Mr. Chairman: — Okay, assume it runs till the middle of May.

Mr. Benson: — And I guess it would also then depend on the issues we are asked to look at.

Mr. Chairman: — So at this point in time you don't know.

Mr. Benson: — Right.

Mr. Chairman: — Okay. But is sometime in early September a reasonable date for dealing with the report from the first session? How does that strike everybody?

Mr. Glauser: — Well, we do have the authority to meet when the House isn't in session.

Mr. Chairman: — Yes.

Mr. Glauser: — September would seem to be . . . because the summer months are hard.

Mr. Chairman: — Yes.

Okay, I gather, hearing the vice-chairman's comments and hearing nothing, no other comments . . .

Mr. Engel: — Well, run that by me again. September is a better time to meet for this committee than . . .

Mr. Chairman: — We've got a farmer here, I just forgot. You may not want to meet here in the middle of harvest.

Mr. Engel: — Not very badly, not bad enough

Mr. Chairman: — I had forgotten about it. That may be harvest. Well, why don't we . . . Does that affect anyone else? No, it doesn't. No. Okay, well why don't we pick it . . . That might affect Ralph, and Ralph will be harvesting a lot later than you'll be. In Rosthern.

Mr. Glauser: — Well in the latter part of September would you be . . .

Mr. Chairman: — The latter part of September . . .

Mr. Glauser: — Wouldn't you be through in the latter part of September?

Mr. Chairman: — Allen would probably be finished the latter part of September. Ralph, may perhaps . . . for harvesting, he might not.

Mr. Engel: — Well the latter part of September, early October is great, you know.

A Member: — Play it by ear.

Mr. Chairman: — We'll play it by ear, I think.

Mr. Engel: — How many days? Oh! Just a one-day meeting. Oh, you could work that, because there would be rain or something coming.

Mr. Chairman: — We can't necessarily schedule

Mr. Engel: — How many days do you need for calling a meeting?

Mr. Chairman: — We can't necessarily schedule a meeting though on the day it's to rain. Gwenn takes pride in her ability to get everything co-ordinated. But to do it on a day it's going to rain, that's going to tax even our ever-efficient Clerk.

Okay, well, why don't you leave it . . . why don't we leave it in September? Your vice-chairman and I will try and coordinate, try and get a date when it isn't hitting any of the farmers in his caucus, and I'll try and get a date after Allen is finished as well.

Mr. Folk: — Well, if it's just a matter of one day, why don't we just pick September 15th for approximate . . . the 20th. For one day.

A Member: — It's the middle of harvest.

Mr. Chairman: — Okay, let's tentatively pick . . . We better pick a date that is a Sunday. What day . . . Do you want to meet on the . . . What day do you guys want to meet? Do you want to come in on a Friday, in case you can pick up a football game or something? Or does it matter?

Mr. Glauser: — Would you rather come down here on a Sunday night, and ready for Monday morning, or do you want to put it the other end?

Mr. Engel: — I'd come in the morning of the meeting.

Mr. Chairman: — What do you guys do? What do you boys do from Saskatoon, and P.A.?

Mr. Folk: — Probably come in the night before.

Mr. Chairman: — So Monday, so Monday meeting would be handier for you.

A Member: — Monday would be fine.

Mr. Chairman: — All right, you come down for the football game Sunday afternoon, which is a lot more likely. Okay. Yeah, 12th, 19th, 26th . . .

A Member: — Do you have a Roughrider schedule there?

Mr. Chairman: — . . . (inaudible) . . . I better dial 9 first.

A Member: — We want a game that isn't rained out, but too wet for Allen.

A Member: — Just a local rain.

Mr. Chairman: — Yes, for the Roughrider ticket office. Pardon me? 525-2181. Thank you.

A Member: — I'm going to be real proud of this. It's in verbatim.

A Member: — This is how we spend our time.

Mr. Chairman: — Yes, I'm looking at the calendar in September '83. I'm just wondering what dates your games are? September 4th and the 18th, both Sundays at 1:30. Thank you very much.

Well, it looks like all things are taken care of . . . (inaudible) . . .

A Member: — . . . (inaudible) . . . book some tickets for those of us that don't have seasons tickets.

A Member: — What if they asked who's calling? An interested party.

Mr. Chairman: — Yeah, I'm an interested party.

A Member: — . . . (inaudible) . . .

Mr. Chairman: — No, I think we'd like to receive it ahead of time. Can we not just ask

you submit those at least a week ahead of time? We would like to have the report in the hands of our Clerk at least a week ahead of time so she can mail it out so we can read it. Okay. I'll leave to our secretary and to you to see that that happens.

Okay. Consideration of the schedule of the public accounts committee meeting for the second session of the 20th legislature. I wonder if it wouldn't make more sense to do 4, then do 3. Go through the report, then I think it might be easier to set ourselves a schedule of who we want to hear when. Unless there's some objection to that, let's go to 4, and go through this report.

Mr. Engel: — . . . (inaudible) . . .

Mr. Chairman: — Pardon me? It was delivered in the House. Now, the . . . Okay, I would, I was thinking, and I had a brief . . . I raised the question with our secretary, who hasn't had an opportunity to review it yet. I would think it would be appropriate to have the Provincial Auditor, or the legislation establishing the Office of the Provincial Auditor referred to this committee. The, the question in my mind was whether or not we need a formal referral from the Legislative Assembly, or whether or not we can simply, once it is tabled, simply schedule a session to consider it. I was operating under the assumption that we could schedule a session to consider it, since it was discussed at some length in the report and the need for the legislation was discussed in the report.

Out of abundant caution I asked our secretary, who has not had an opportunity to review it, but I would like that put on the agenda the legislation setting up the Office of the Provincial Auditor. I think the . . . This is the sort of the watch-dog which works with the Provincial Auditor. It strikes me as making good sense that we spend some time on the legislation and review it. This House does not have the tradition that the federal House does of having almost all bills referred to some standing committee. We very rarely refer bills to standing committees. This . . . Except the committee of the whole. This, however, I think, may be an exception. We may want to refer this to the, to the standing committee. So I would like that on the agenda. The timing will depend on the timing of the introduction of the bill, and the mechanism will depend on how we do it, and I, I raise that for any comment or any dissent that you may have from that point of view. Any dissent from that point of view that we should look at the legislation?

I, I'll, I'll, I'll sort of stake out my ground. I'm not going to go into a great song and dance about the need for comprehensive auditing. I, you know my views on that, but I'm not going to make a great scene about it when we're reviewing this legislation. We're going to hopefully spend some time in the fall on the subject.

We have the suggestion from the member of Lakeview, the member from Lakeview, that we visit some jurisdictions which do have comprehensive auditing. Some of our number are going to go to the Canadian Comprehensive Auditing Foundation annual conference, so I don't intend to make a great scene about it reviewing the legislation. It is just generally that the, whether or not the legislation meets the needs of the Provincial Auditor, in part the question of comprehensive auditing.

Mr. Glauser: — Are you talking about before or after the fact?

Mr. Chairman: — Before, after first reading and before third reading, during the time it is being considered by the legislature. As I say, I initially proceeded on the assumption that we wouldn't need any special reference from the legislature. We could just do it because it's raised, the question is raised in the auditor's report. But I just want to be

very sure of that, and Gwenn will give us something on that.

Okay, the other item which . . . The other item which I wanted to examine was raised in the . . . It was raised in 1.3, page 8, and that is the question of other auditors doing the crown corporations. And I guess the witnesses there would really be the Department of Finance, wouldn't they? Who would we . . . Who would we call for witnesses on that issue? I was confused about who we'd be dealing with. I, I'm . . . (inaudible) . . . I guess I can put the question to the Provincial Auditor. I would like the committee to spend some time examining that, as a broad question,

Mr. Lutz: — Mr. Chairman, as far as this section is concerned, I think we have stated our position here fairly succinctly, so that takes care of that end of it. I don't know who in finance you would call.

Mr. Benson: — The . . . Well, I suppose you could call the deputy minister.

Mr. Chairman: — I guess that's who you would call. Yeah, okay. Okay, finance then, as well, on the issue of the auditing of crown corps.

Mr. Katzman: — What's the issue on that one, if I may?

Mr. Chairman: — Okay, let me just, let me just bring the member from Rosthern up to date on what we've done so far.

Mr. Katzman: — Just that one issue. I don't . . . I'll get the rest . . . (inaudible) . . .

Mr. Chairman: — Okay. We're going through the Provincial Auditor's report. The Provincial Auditor raised in the, in the current issues of importance, section 1. He raised the issue of a legislation. I indicated that I would want an opportunity to have the committee discuss and review the legislation.

Mr. Katzman: — What legislation?

Mr. Chairman: — Setting up the Office of the Provincial Auditor. That was an issue that I want, that I would like the public accounts committee to review.

Mr. Katzman: — We have no right.

Mr. Chairman: — Well, I've asked . . .

Mr. Katzman: — We have no right.

Mr. Chairman: — Well, let me finish, please. I think we do have the right. The issue was raised in the Provincial Auditor's report. The Provincial Auditor's report was referred to us. I therefore think the matter is properly before, properly before the committee. However, out of abundant caution, I asked the secretary to get us a ruling on the thing. The other alternative is the one that you're pursuing, and that is that we would need to have the matter referred to us, that we would need the legislation referred to us by the Assembly. I don't think that is the case because it's in the Provincial Auditor's report, but I've been waiting for her definitive statement on the matter.

In any case, it doesn't seem to me to make much difference. I can't imagine the . . . I

can't imagine the government caucus refusing to refer it to the committee; that wouldn't make any sense, So it seems to me it's just a matter of how we do it, not if.

Mr. Katzman: — You can . . . you . . . Ned, the way I understand the rules of this place (and I apologize for being late on that one) is that a policy decision is what you're into there, not a financial decision. And therefore you're into some pretty tricky grounds.

Mr. Chairman: — Well, I would . . .

Mr. Katzman: — I mean, we got our hands slapped when we were in opposition whenever we went near policy. Financial, yes, but we're into policy now.

Mr. Chairman: — Ah, but this is a new government, Ralph; it's far more open.

Mr. Meagher: — I'm glad to hear you say that, Mr. Chairman. I'm glad to hear you recognize that.

Mr. Chairman: — And I'm just waiting, because when we file the interim report, I know that statement will be read back to me.

The . . . Apart from what the tradition of this committee used to be, why would this committee not review something which is so fundamental to its work as that legislation?

Mr. Katzman: — We . . . We may make recommendations what we think should be in it, Ned. That may be proper, but to review legislation prior to it coming to the House is totally . . . (inaudible) . . . After the House is . . .

Mr. Chairman: — No, no, no, no, it maybe a matter of . . . This was between first and third readings. I wanted the committee to take some time to discuss the legislation after it had been introduced in the House and before it was given third reading.

Mr. Katzman: — A question to the Clerk. I think we have the right to send it, after second reading while it's in committee of the whole, here, but not . . . I think there is a mechanism in the rules to send it here after second reading.

Ms. Ronyk: — Mr. Chairman, legislation from the House could be sent to this committee after first reading but not in the proper bill form. Only the subject matter could be sent here after first reading. After second reading, then the bill itself can be . . . (inaudible) . . .

Mr. Katzman: — That's what I thought.

Mr. Chairman: — Then the member from Rosthern is right. I think we'd want it after second reading then, because . . . (inaudible) . . .

Mr. Katzman: — That's fair, that's the proper way to do it.

Ms. Ronyk: — And at that point the committee would be . . . (inaudible) . . .

Mr. Katzman: — Because otherwise, Ned, you're asking for, you know, special privilege.

Mr. Chairman: — Okay. The issue is, I think is, the procedure — whether or not we need a special reference from the legislature or whether or not it's already before us given the fact . . . (inaudible) . . .

Mr. Katzman: — I think the minister just has to stand and make a motion: you don't need anything special, if I remember correctly.

Mr. Chairman: — The . . . Our, our secretary is going to tell us . . . give us the definitive word on that.

Okay, that was the first issue I raised that I wanted to go over. A second broad issue is the issue of the auditors other than the provincial auditor auditing crown corporations — auditing crown agencies, I'm sorry — as mentioned in item 1.3, and that was the item . . . specific item we were on when the member for Rosthern arrived. I raised the question with the Provincial Auditor and his staff, and the comptroller, as to who we would call as a witness to discuss that issue. The comment . . . The suggestion was made that it would be the deputy minister of finance and whoever he chose to bring with him.

Mr. Katzman: — Well, I have a problem with that one again, Ned, on the same basis as the last one. If I've sat here for, I guess, eight years now . . . seven years time now, and the comment by the Provincial Auditor when you see Price Waterhouse or different companies doing audits for the Provincial Auditor . . . I assume he's appointed them or the Minister of Finance has appointed them.

A Member: — Not so.

Mr. Katzman: — Who appoints the ones in the past? CIC (crown investments corporation)?

Mr. Lutz: — The Lieutenant Governor or the treasury board. Not me.

Mr. Katzman: — Mr. Chairman, is your suggestion via the report of the Provincial Auditor suggesting he should automatically be first crack at them?

Mr. Chairman: — No, I don't know that I have a position at this point in time on it. I just . . . He raises the issue of the . . . The issue is raised in this report and I wanted an opportunity to discuss the issues which he raised in this report.

Mr. Katzman: — Okay. My concern . . .

Mr. Chairman: — I don't know that I . . . don't know if I can give you a definitive statement or position right now.

Mr. Katzman: — Now here's the opinion I have, and I maybe incorrect once again, but I'm going by, as I did on the first one, the rules and procedures sort of, type of thing. My understanding — and I can stand corrected here — is the Provincial Auditor can only handle, should . . . sorry . . . is basically to handle the departments of government and granting . . . and places we give grants to, example, some of these places that we did in the universities and so forth, but the crowns is a separate issue, I understand, and therefore it's the Lieutenant-Governor by most of the legislation, or it says Provincial Auditor, blah, blah, blah, Am I incorrect on that?

Mr. Wendel: — I think section 22 of the Provincial Auditor's act spells out what he's responsible for, and it's all government spending.

Mr. Katzman: — But crowns . . .

Mr. Wendel: — In crown corporations or colleges or whatever it is.

Mr. Katzman: — Well, being technical, and I'll use this one for an argument, the potash corporation of . . . is considered a non-government agency, because of the rules it is required to meet to trade in the United States. And it's considered . . . It's got some special clauses in there that sort of make sure that it's quasi away from the government. Otherwise they aren't allowed the certain privileges they're allowed in the States. Now I don't understand it all, the legalities of it . . .

Mr. Wendel: — What they've done is to create subsidiary companies under The Companies Act, under the Canada Business Corporations Act, down in the States, and I think that's how they . . .

Mr. Katzman: — They've got around the rule.

Mr. Wendel: — Right. In so far as the potash corporation, it is defined as public property, in the right of Her Majesty, the Queen. So it is no different than any other agency of the crown. That's the impression we've . . . (inaudible) . . . for years.

Mr. Glauser: — I think the other issue that came up when we discussed this, and this was at our seminar, and the issue that came up there . . . I don't think it was just a case of two and two makes four, or whatever. I think it was also a case of the auditor not having sufficient staff to handle all the functions, all the crowns, and so on. And that was a reason to begin with why perhaps that the crowns were removed from the Provincial Auditor.

Mr. Chairman: — Well perhaps some, perhaps some members of the auditor's staff would like to comment. They may not know what the reasons were.

Mr. Wendel: — Well, we're not privy to the reasons, and we're not saying that it's necessary all these be returned to the Provincial Auditor. I think what is required is some way we can ensure that the Legislative Assembly's audit requirement is met. There are a number of ways of doing that, and there's no, we don't have the resources to take them all back, nor have we even entertained that thought.

Mr. Lutz: — Nor have we suggested it.

Mr. Wendel: — We would have to pickup all the staff that Deloitte Haskins has got and that's unthinkable. Like we couldn't do that. That's, but I do say we do have a problem to make sure the Legislative Assembly's audit requirements are met.

Mr. Lutz: — On page 9 of my report, there is a middle paragraph, the four-liner which says:

My inability to discharge the Legislative Assembly's audit and reporting requirements results in insufficient information being made available to the

Assembly to assist it in holding the government accountable.

That is the point of this discourse, not the fact that there are other auditors out there. That's not the point at all. We have never quarrelled with the ability of the administration to appoint an outside auditor to audit the crowns. We have never quarrelled with that. That is a policy decision which the government of the day can certainly make. We have never objected to that anywhere. What we are saying is condensed in that little middle paragraph on page 9. There is not sufficient information being made available relative to all government agencies to assist the Assembly in holding the government accountable.

Mr. Katzman: — Well, Mr. Lutz, I don't want to get into a political argument because that's not the proper place for it, and I'm going to be careful with my words, but I read through your comments here and my concern is that there is a reflection upon the past government, as well as the present government, of gamesmanship by suggesting in your . . . (inaudible) . . . that you are the only person allowed to, or required to, by the act, to make sure they're audited.

Mr. Lutz: — Where does it say that?

Mr. Katzman: — I'm reading between the lines. What you're saying to me here is . . . What you're saying to me is that, unless you authorize, or are aware, not of . . . I think as long as you're aware that it's being done is sufficient, rather than having to have you say you appoint each one or arrange for it. Maybe I'm misreading what you're saying then.

Mr. Folk: — I think you . . . I think you covered that off in the last paragraph on page 9, where you explain it. Perhaps you could expound on that a little bit more.

Mr. Wendel: — Okay. That, that's an alternative to solve the problem. Now, there are other alternatives. You can do what Ontario has done. This is what Alberta has done. There are many ways that you can solve this. That's an alternative. Now, that doesn't have to be the one. Certainly, from our point of view, it would be what we would prefer. Now, it could be from the government side they would prefer something else, or from the Legislative Assembly.

That's one method. Now, maybe if I could just make myself clear like what, what we were talking about before the audit, like there's . . . It's two pieces. There's one piece where you tested the financial statements. You say, 'Those present fairly.' We have no problem with that. There's another piece that says, 'This certain information, these certain audits are supposed to be done pursuant to section 22 as a special report to be made to the House on those matters.' Now, we're not able to do that function. But we could. We could go out there with our own people and go out and actually do that, that second audit, but that would be duplication. Now, if we could somehow . . . Duplication . . .

Mr. Lutz: — Not a waste of time.

Mr. Wendel: — So, what we've been trying to do with one of these audit firms is to have them express an opinion on this, since there is no opinion at this point. If you go to the index, page 60, section 22, we're trying to get an opinion expressed on those matters, so that, if there is something serious, we can bring it forward into this report. Like, you'll find SaskComp and you'll find Sask Housing. At this point, we're not in a position to tell you whether any of those that are done by outside order should also be in this report, because we don't, we don't go and look ourselves, nor do we get a report

from the other auditor.

A Member: — What is before the . . .

Mr. Wendel: — That's what we're talking about . . . (inaudible) . . . We're not talking about the attestation to the financial statements. That's all fine. We have no quarrel with that. They're professional chartered accountants. We've attested those financial statements and they're fine.

Mr. Lutz: — They did not relieve me of the responsibility for reporting under section 22, which is these things, internal control matters. And yet, I haven't got the ability to cause the other audit or to report these things to me. The other auditor is not required to report, report these things to the Assembly. So, in those cases, where crowns are being audited by outside auditors, his material is not being reported anywhere. And this is what we're talking about in this section.

Mr. Katzman: — That has been the custom and the uses over the past few . . .

Mr. Wendel: — Yes, it's been a problem since about '78 and we have been trying to work around it. We've been working with this other firm trying to come up with this agreement.

Mr. Katzman: — Why did it never appear in the report until this year?

Mr. Wendel: — We've been . . . Like I said, we've been trying to get this opinion for some time and we just haven't been able to get it.

Mr. Lutz: — Over the last two years we had what we thought was a negotiating thing moving with this one firm. We thought we'd use the one firm as a pilot project, and we thought we had it going, but it hasn't flown, then or now, and so we'd better address the subject. Another year had gone by and we still didn't have this report.

Mr. Chairman: — Okay, the member from Saskatoon Mayfair.

Mr. Glauser: — I'd just like to get one thing in here, and that is that, okay, the Department of Northern Saskatchewan, for instance, was that . . . That audit was prepared by outside auditors, eh? Or was it done by . . .

Mr. Chairman: — There aren't any line departments that are done by outside auditors.

Mr. Glauser: — Okay, then I would like to refer to one statement, and it's on page 40. And it says:

My auditor's report contained a reservation because sufficient appropriate audit evidence was not available for my examination to form an opinion on the valuation of the loans receivable.

Now, if this is an audit that you people perform, then it seems to me that, you know, that paragraph tells me that perhaps it was a case of time involved in not being able to do that. I would, I would like a further expansion on that, so that now we get a comparison to what is missing in the outside auditors' reports as to what is missing here.

Mr. Lutz: — Okay, can I start on this one please, Fred, and you could . . .

Originally Mr. Wendel addressed two subjects which arise during an audit. If there are financial statements the first matter is the attest function where the auditor says, 'These financial statements present fairly,' or if they don't present fairly he tries to indicate, (a) the reason why they don't, and, if he can, in what material respect they don't. That's item one. That's what this one is. We could not really certify that these statements did present fairly.

The other auditor will have the same problem in his audits. Hopefully, if he doesn't have a qualification, he's happy.

The other matter we're discussing (and it has no connection with the attest function) is the section 22 items in the act, for which I'm still responsible to report to the Assembly, and about which I do not have the knowledge to report because they gave the audit to an outside auditor.

Have I expressed that the way you might have? Two different things. This is the attest function on page 40, and we qualified the financial statements for northern Saskatchewan economic development because we couldn't satisfy ourselves that an asset was collected.

This other thing is what I refer to as legislative compliance — things that the government, the legislature, requires me to do, and I can't do it if I don't do the audit. Therefore, I tried to get the other auditors to provide me with this information. I don't have the power to collect that information from the other auditors. They are not required to report it. Indeed, there is no mechanism for them to report it. Therefore, it's not being reported.

Mr. Katzman: — What you're saying if I read you very correctly now, is that anybody else that does audits, besides you, should be required to follow some of the same rules you're required. Now, if that's what you're saying, that's one issue, and that what you're saying to this committee, and therefore I don't think we need the Department of Finance here, as was indicated when I walked in, what we have to decide to do (and this we have the power to do I believe, by the committee), is to recommend that all those doing audits on behalf of the government should follow the same requirements as the auditor. Now, that's one issue. And that's what you're coming down on rather . . .

Mr. Wendel: — You have made that recommendation when you went to that comprehensive auditing recommendation.

Mr. Lutz: — This committee already made that recommendation.

Mr. Katzman: — Okay, and if they won't follow it, they don't get any more work. It's that simple. If you want the work, you do the job the way the requirements call for. I mean, what are we fooling around with?

Mr. Chairman: — Go ahead, the Provincial Auditor.

Mr. Wendel: — But we don't like . . . That's the problem. We don't have the power to compel them to make a report to us.

Mr. Katzman: — We do. Government does.

Mr. Lutz: — And nothing in their appointment requires them to. And there it sits.

Mr. Katzman: — So what you're saying is in their appointment sheet they should be directed they must follow the same rules as the auditor. And that solves all the problem and we're not fussing around.

Mr. Lutz: — The special report would have to come to me because I'm the only one who can report to the legislature.

Mr. Katzman: — That's fair game; that's fair game.

Mr. Lutz: — It comes through my shop to the table. And that's what we're talking about here.

Mr. Katzman: — But that's not the way it's coming out in public.

Mr. Lutz: — It says down here, on page 9, 'My proposed legislation contains provision for the Provincial Auditor to audit or cause to be audited, blah, blah, blah.'

And I don't care how this is done, provided the outside auditor is required to report on the same basis as I am required to report under section 22. That is the point here. There are things falling through the cracks in the floor. I can't compel the other auditor to report to me; nothing in his appointment requires him to report these matters. So he does his attest function audit, he certifies that the financial statements present fairly. And unless I go in and duplicate effort, which is costly, and get this information myself, we're in a bind.

Mr. Benson: — I was wondering if it might be appropriate to address this issue at the time we are addressing the legislation for the Provincial Auditor.

Mr. Chairman: — Yes, that thought had occurred to me that we should deal with the legislation first, before we deal with this issue separately, since the legislation may raise the issue. I thought the same thing, Gary. The . . . I . . . He might . . . I just raise this and I'll leave it. We might want to hear the Department of Finance's views on this. I would be surprised if they accepted the proposition as readily as the member for Rosthern does. I just . . . I'm just from Missouri on this one. I go back a long ways. I know they have . . . They don't necessarily operate from the same viewpoint. At any rate, let's put them down. But, keep in mind that we will not deal with this issue or the Department of Finance before we deal with the legislation.

While we have the Department of Finance here, I would also like to deal with — and this is the last of the broad issues which I had — this question of virements. I'd like to go over that issue as well when we have the Department of Finance here, so I'd like them here anyway. But again, we can do all . . . We can do these after we deal with the legislation.

Mr. Katzman: — Ned, when do you plan this committee to sit again?

Mr. Chairman: — We had discussed . . . Oh, do you mean when is the next sitting? I would hope we might get started tomorrow morning. I don't know whether that's realistic or not. That was my hope. The . . . the members of the . . .

Mr. Katzman: — Mr. Chairman, I've got to leave. Unfortunately, they have a meeting, and they need one more body in internal economy to make a quorum, and it requires me

Mr. Chairman: — All right. Here's what . . . Here's what I was going to propose. One of the groups here is legal assistance. I think that we're going to want to deal with that group in any event. My thoughts were that we could call them for tomorrow morning at 8:30.

Mr. Katzman: — And my thoughts were . . . I would like . . . I think we had an agreement that we would get this book, which we just get today, we would compare it to our other book, and then we would start to sit. And, for that reason, Mr. Speaker . . . Mr. Chairman, we're only going to sit one day, which is tomorrow.

Mr. Chairman: — It's not a big issue with me . . . (inaudible) . . .

Mr. Katzman: — I would just as soon give me some time over the long weekend to compare the two books before we start making some decisions. I mean, it's easier. One day delay is all we're talking about.

Mr. Chairman: — Yeah, it's not . . . it's not a big issue with me and I . . . (inaudible) . . . if they don't want to sit tomorrow. The other alternative suggested by the secretary is that we may well be spending tomorrow on this book. So it may be much ado about nothing, because we may not get finished this thing today. Let's just leave it and I'll advise you later. I think that's all we can do.

Okay. Any other . . . Any comments on these broad issues before we get off onto the . . . At some point in time, I'm going to want what must be my 18th explanation of virements. I can never keep these straight. Why don't you, why don't you people, as an exercise in, in, in distilling complex issues, if there are simple explanations, why don't you try to tell us what a virement is, and what your concerns are about the existing procedure?

Mr. Lutz: — I am of the view, Mr. Chairman, that Mr. Benson is probably more qualified to explain virements than I am because he deals with them more often.

Mr. Benson: — Well, the issue of virements is: when the appropriation act is passed there is moneys appropriated to what's called a vote, which is generally a department, and within that vote there is identified in the estimates a number of subvotes which simply goes to further portray where those moneys are being earmarked. It's been a long-standing issue whether the practice of moving moneys from one subvote to another subvote, upon, at the, really by the Minister of Finance, is a legal transfer of authority to spend. It's been the position of the Provincial Auditor that that really should be endorsed by the House, rather than . . . as a special warrant, rather than the Minister of Finance simply to transfer the moneys between these subvotes. So it's, it's a question of whether that should come up to the House, or whether it should, we should be using a special warrant to transfer the moneys to the authority to spend, or simply

leave it an internal matter within the Department of Finance, through the treasury board process.

Mr. Glauser: — Has this not been going on in not only this jurisdiction but in many other jurisdictions for some length of time?

Mr. Benson: — Well, the process of virements, and maybe the Provincial Auditor might like to comment, is not consistently applied throughout Canada.

Mr. Chairman: — First of all, what is a virement?

Mr. Benson: — Okay, if I can go back. If you understand, the money's being appropriated to different votes, okay? To move authority to spend money from one vote to another really requires a special warrant to increase the spending of another vote, and you lapse or freeze money in another department. Now within the vote then, what is the authority to move a money from one branch to another branch, for example? We use a virement to move money from the bureau of management improvement to the comptroller's branch, for example, towards the end of the year if the estimates for the comptroller have been less than what we had thought and there is money available in the bureau of management improvement. It's an internal process, and we use a virement to move money from one to the other. It stays within the whole authority for the vote for which the legislature has appropriated the money in the first place; but it's a long-standing issue with the Provincial Auditor and ourselves as to whether that virement is adequate authority to move that money.

Mr. Chairman: — A virement is . . . I want to walk you through this. I want to make sure that we understand what we're talking about. A virement is an authorization to transfer from within a vote, from one subvote to another, as distinct from a special warrant which is authorization to transfer from one vote to another, or just add to one vote. It may not be a transfer at all. Okay. Who signs the virement? Is it a cabinet document? Is it a treasury board document? Is it an internal Department of Finance document? Or whose name appears at the bottom of the . . . (inaudible) . . . ?

Mr. Benson: — It's the deputy minister of finance can sign a virement.

Mr. Chairman: — All right. And is it then a Department of Finance decision or a treasury board decision?

Mr. Benson: — It's a treasury board decision.

Mr. Chairman: — Okay. And the . . . Now, your particular concern is, and I guess I'm back to the Provincial Auditor now . . .

Mr. Lutz: — Mr. Hunt, I think, would like to address this.

Mr. Chairman: — Your particular concern is as follows.

Mr. Hunt: — In the past, the narrow legal matter we were questioning, with respect to authority, wasn't that the authority wasn't contained in the former appropriations acts, and it's now contained in the finance act. We agreed that there was statutory authority for the Minister of Finance to make these transfers between subvotes; however in some legislation concerning certain programs, the amounts were to be spent in connection

with those programs were specifically directed to be made from amounts appropriated by the Legislative Assembly for the purpose. And we questioned that in those circumstances the expenditure of funds in connection with those programs which was in excess of the amounts appropriated by the legislature by, and . . . these were made possible by the virement procedure taking funds which were appropriated for another purpose, placing them . . . Transferring the authority to this purpose didn't constitute an authorization was made by the legislature.

So that was the narrow legal matter we were questioning. What we had suggested was that procedures similar to those for special warrants be instituted in connection with virements, so that these increases in spending authority, which is what virements really are — the fact that you are recognizing savings and capturing them by transferring them out of a potentially underexpended subvote . . . That's maybe another issue, I think, but the main feature is that in both cases, in special warrants and virements, you're actually increasing the authority with respect to a program expenditure. And we . . . I think we've suggested here that it warrants the same consideration with respect to the legislative review . . .

Mr. Lutz: — What is the difference between a special warrant and a virement then, John, in treatment and how it's handled? Maybe the members would appreciate that . . . (inaudible) . . .

Mr. Chairman: — That may assist as well.

Mr. Hunt: — Well, a special warrant is authorized by cabinet, by order in council.

Ms. Ronyk: — And must be authorized by the House.

Mr. Lutz: — It's House exposure eventually.

Mr. Hunt: — Well, the practice has been to include special warrants in the supplementary estimates, and to the extent that that's done, we don't normally comment. We're required to comment if special warrants authorize the payment of any money. And if, in fact, the special warrants weren't confirmed in the supplementary estimates, we would list them, I expect, and identify to the Assembly where the legislature hadn't authorized expenditures of these sums. However, when they're confirmed by supplementary estimates we simply give recognition to that fact and that's been the practice over the years, that the special warrants equate with supplementary estimates. And although it's not approval by the legislature before the fact, it constitutes ratification of those authorized expenditures.

Mr. Chairman: — The . . . (inaudible) . . . of your complaint, I gather, is in the last paragraph of 211 on page 12, which says, 'I recommend (This was your recommendation, but it sets out your problem) . . . I recommend that consideration be given to amending this legislation so as to provide the legislature with the equivalent mechanism to review and approve, as presently exists for special warrants.'

What you seek is not so much a change in current procedure as an opportunity for the legislature to scrutinize spending plans as they eventually are effected.

Mr. Lutz: — Yes, I think that's accurate, Mr. Chairman. I guess our position could be enunciated thusly, since the legislature does in fact vote the original estimates. We rather hold the view that the legislature should also be aware when those original

estimates are changed between programs.

Mr. Chairman: — The . . . Right.

Mr. Hunt: — I think in conceptional terms we tried to lay the basis for this kind of thing in section 1.1, where we've identified a couple of quotes that were utilized in the Kelly-Hanson study, which you were looking at earlier, and the Lambert royal commission. And, of course, this quote that we have here has been a major fact of English political and constitutional history, that the management of finance is a basic essential of responsible government, and the control of taxation and supply are by the House of Commons ensures that governments are responsible and will obey and answer for their actions, though they command a majority.

So that the principle of parliamentary control of the appropriations is one that's firmly embedded, I think, in Canadian as well as British constitutional history. And by presenting the estimates, the government is proposing a course of action which they ask parliament to concur in. I don't think it's been generally held that departmental totals — vote totals, if you will, as we call them here — I think in many other jurisdictions the votes are really what we describe as subvotes. Those are the purposes for which the moneys are being sought to be spent. Really, a total for a department of health of \$600 million does not identify, except in a very general sense, the purposes for which the moneys are to be spent. It's really those subvotes that identify those purposes and that's the basic element of parliamentary financial control that I think we're trying to address here.

Mr. Glauser: — Okay, the way I'd understand that then is that within a department, where you transfer in . . . by way of virements from one subvote to another, doesn't in any way distort the final total in that department, and therefore no one really knows what happened to those funds. One department can . . . One subvote will be over, another subvote will be under. You haven't overextended in the department .

A Member: — That wouldn't alter the Department of Health.

Mr. Glauser: — No, so what you're saying is that then gets lost sight of. Whereas, if it was done by wards, then it would be something that would be showing up in estimates as additional funds going to that . . .

Mr. Hunt: — If the practice was maintained, and include them in the supplementary estimates.

Mr. Lutz: — Mr. Chairman, perhaps I could go back into the days of my predecessor who held this position. He encountered a problem one year where the administration of the day put through a special warrant to provide additional funds to a program. Before the ink was dry on the special warrant, there was a virement document went through, which moved all that money from there over to here. It was a case of they didn't want to talk about this program where they were going to put this money in ultimate, so they special warranted the thing to a, I guess you could call it a popular acceptable program, then promptly vired it out. You know, it never even got cool. It just went oop, right over there. And this is the kind of thing, I believe, we are addressing here also.

A Member: — That will never happen any more.

Mr. Lutz: — We think that the virement should receive some exposure. It is an altering

of programs which the legislature originally approved.

Mr. Chairman: — The member from Saskatoon Mayfair put it fairly succinctly. You can distort the programs and the legislature has no way of knowing . . . (inaudible) . . .

All in on virements?

When you achieve an easy familiarity with virements, special warrants, etc., you have come a long way towards being an expert in the area of public administration. It is not the easiest beast to tangle with.

The next item is social services. It is a given . . .

A Member: — . . . (inaudible) . . .

Mr. Chairman: — Yes, I think we do. I'm sorry, we want finance. We wanted to deal with that, finance, on that issue. Again, probably after the legislation is made. Who knows, it may . . . No, I guess that would not be part of the legislation of the Provincial Auditor's. No. It doesn't matter . . . (inaudible) . . . Sorry, Cal.

Mr. Glauser: — I'm just wondering if we aren't spinning our wheels here in going through this book at this time. I think we would be far better off knowing what the legislation is, because when we're talking about virements and the likes, we don't know what's in the legislation. We maybe are talking about something that has been cured, who knows. We don't know. And, are we going to do that all the way through?

Mr. Chairman: — Well, I would . . . just let me respond to that. I went through the same mental exercise with respect to virements, thinking first of all they should be done after we deal with the legislation. I then realized that the legislation setting up the Provincial Auditor's office will not deal with virements. That's a different piece of legislation altogether; that's the Department of Finance. It's an issue separate and apart from the Provincial Auditor's office.

Moreover, the legislation, the rest of these items are deal by and large with particular departments and more particular problems. And the legislation for the Provincial Auditor's office will affect our deliberations about . . . with respect to the provincial . . . separate departments.

Social services. It is a given that we're going to want to see social services again. Now, with social services we had . . . we'd, we'd said that we wanted some information back from them. And it seemed to me that we have given them a deadline of July 1st. Thus my current thinking is, and we could fine tune this before we leave. Please, everyone try and remember to remind me to deal with it before we pack it up. My current thinking is that we might have a special session on social services perhaps sometime in July if we receive their report. We may do it in conjunction with the September meeting. We'll just have to fine tune it. It depends how much else we've got to do. But it seems to me we're going to want . . . It seems to me that social services will have to be dealt with separately and it'll probably be sometime during the summer because we don't have their report.

Are there any particular questions about social services?

Mr. Lutz: — Mr. Chairman, as a general comment.

Mr. Chairman: — Yes.

Mr. Lutz: — Would it be possible for the committee to make available to a witness department a copy of the compendium from which we are reading so that they know where they're at in the scheme of things. Mr. Fogg, I believe, was the one who asked for that when the SGI (Saskatchewan Government Insurance) was here. It makes it difficult for the department to know: 'What are you looking at?' They don't know what we're looking at.

Mr. Chairman: — Why don't we go one step further than that. Why don't we provide the witnesses . . . When we notify them that we want them to attend, why don't we provide them with the excerpt from the Provincial Auditor's report? Xerox the page and send that to them, together with the compendium of management letters.

Mr. Lutz: — Mr. Chairman, I don't mean the total compendium, because it's probably no concern of welfare what we say about northern. Their page of the compendium.

Mr. Chairman: — Their page of the report and their page of the compendium, and give that to them when we call them.

Mr. Glauser: — Well, then I would like to go one step further and I would like to see them provide us with . . . We should be asking, through this committee, for them to provide us with the letter that they received from the auditor.

Mr. Lutz: — In total.

Mr. Glauser: — Yes.

Mr. Lutz: — I believe, Mr. Chairman, that has been the practice of this committee.

Mr. Glauser: — Automatically? Yeah, but we don't get it . . . We don't get it beforehand. We're looking at it, we're looking at it just on the table.

Mr. Chairman: — All right, why don't we do that? We will provide them with the excerpt from the . . . of the report and the compendium, and in turn we will ask them to provide us with the management letter and their response to it, at least 48 hours in advance of the . . . if possible, 48 hours in advance of the meeting. That may not be possible, because we don't always give them 48 hours notice. But, that is a goal.

Any questions about the particular comment about social services? It seemed to me to be fairly straightforward.

Okay, legal assistance. I think we are going to want to have legal assistance here. To put it mildly, this is to remain and relevant. My thoughts were that for lack of any better system we might take these things as they come up in the Provincial Auditor's report so logic or . . . (inaudible) . . . simplicity. I thought we might call legal assistance relatively early, and they have to be on first thing because they're coming from Saskatoon, so we've really got to put them on first thing in the morning. And my thoughts were that we might call them first whenever we get around to calling them, and that doesn't look as if it's going to be tomorrow.

Mr. Glauser: — What's your main concern with them?

Mr. Chairman: — The concerns set out in the Provincial Auditor's report: that they are apparently unable to determine whether or not eligible recipients were receiving eligible services. Okay. Conditional grants and loans. I also thought we would probably want to have industry and commerce back to deal with this issue. Any dissent from that point of view? Any dissent? I don't know that we're going to take two or three days with them, but I would appreciate the opportunity to discuss the issue raised with them. Now, DNS. That's another given. The only . . . that we're going to want them here; it's just a question of when. Do you want to go with that early or late, gentlemen? It's really a government caucus issue, if I may put it that way. It's something I think you'll be going over far more exhaustively than I.

Mr. Glauser: — Well, I think that under the circumstances, and with that legislation that will be coming forward to, you know, when it's finally dismantled, it may become rather redundant because these are all scattered in every which direction.

Mr. Chairman: — You want to deal with it later rather than earlier. Is that what you're saying?

Mr. Glauser: — Pardon?

Mr. Chairman: — You want to deal with it later rather than earlier.

Mr. Glauser: — Well, I'm not too sure that there'll be any necessity to deal with it any more.

Mr. Chairman: — The member from Rosthern . . . We have got as far as DNS. I was just assuming that we would want DNS before the committee. The only issue in my mind was when. The member from Saskatoon-Mayfair raised an issue of whether you're going to want them at all, and . . .

Mr. Katzman: — Why don't we just leave it? I guess maybe I'm . . . (inaudible) . . . apologize. Both Allen and I had to go to the meeting today.

Mr. Chairman: — Were you at the board of internal economy?

Mr. Katzman: — Because the quorum system requires certain members to be there. I have some hesitation, Mr. Chairman. I said it earlier. I want to read this book before I decide what I want to call, in my mind, the auditor's, the comments, and reflect them back to his old comments. I don't know what he's saying about DNS in here yet, because I haven't had time to look. And subject to when we're going to meet again, and if it's next . . . I guess it'd be next Wednesday would be the first opportunity for this committee, I'm prepared not to make any decisions today, in my mind, except give me some time to check all this over and read it.

Mr. Chairman: — I think we can make some decisions. We needn't finalize the list, but surely we can make some decisions about who we want. I've indicated that I would want to have an opportunity to deal with the legal, the community legal services commission, and . . .

Mr. Katzman: — Why would you want them here?

Mr. Chairman: — . . . To deal with . . . (inaudible) . . . Page 13. I also indicated that I

would want an opportunity to discuss with industry and commerce their issue of the conditional grants and loans, as was raised in the report. And we might as well have them on stand-by for next Wednesday, or next Tuesday, assuming that we get finished with the Provincial Auditor's report tomorrow.

Mr. Katzman: — Are we sitting tomorrow?

Mr. Chairman: — Well, what I had thought was we could go through the Provincial Auditor's report today and tomorrow. You don't have to call anyone. Let's just at least go through the report and get that much done.

Mr. Katzman: — Well, I'm in direct dispute with the chairman, I guess. When we met in the last committee, we agreed that we'd come back to get this report and then give them time to study it. I believe the chairman is trying to push the committee faster than what the final decision was in the last committee before we reported. We do not have a time constraint this time.

Mr. Chairman: — I . . . but listen I . . . If it is the view of the committee that you don't want to meet tomorrow, I don't care. I'm just wondering why . . . I'm just wondering if it is terribly useful to go over this document in . . . to spend a long time on this document. It seems to me that the crux of what you're doing, what we're doing is in the *Report of the Provincial Auditor* not in the . . . (inaudible) . . .

Mr. Katzman: — This document, tied to last year's document, will reflect where you want to look in the Provincial Auditor's document, and the three tie together as far as I'm concerned. And that's where you and I are disagreeing. I haven't even got through this report because I was waiting for this one, so I could take last year's and this one, tie them together with this, so I had the whole picture, so I wasn't running with only two thirds of the picture.

Mr. Chairman: — Okay, are you saying then that you don't want to go through the Provincial Auditor's report till next week?

Mr. Katzman: — Well, my understanding — and I apologize if I was wrong — was basically we're meeting so we could table this report properly, and then we would give them a couple of days to tie them together. Am I wrong on that, Rick?

Mr. Glauser: — Well, no, this is . . . And I would have to agree with what Ralph is saying in that . . . And this was the suggestion even that the auditor talked about, that you hang on to last year's so that you can compare the two and see what progress has been made, if any, and digest it from there.

Mr. Chairman: — Okay. I hadn't thought, I hadn't thought . . . I guess I had misunderstood the discussion then. I hadn't thought that would be, that would be necessarily an advance of the preliminary review of the Provincial Auditor's report. If you guys want time to do that in advance of reviewing this report it's . . .

Mr. Katzman: — I may have misunderstood too. But I was working on that basis that I would have this long weekend to tie it all together.

Mr. Chairman: — Okay, well if that's what, if that's what the committee wants to do, if you want to adjourn this thing now, at this point in time, come back next Tuesday and go through the Provincial Auditor's report . . .

Mr. Katzman: — Next Wednesday?

Mr. Chairman: — No . . .

A Member: — Monday's a holiday . . .

Mr. Chairman: — So, Tuesday morning is travelling time. It's Wednesday morning, yes.

If you want to come back Wednesday and go through this thing, that's . . . I don't care.

A Member: — That's my preference.

Ms. Ronyk: — Other committees are also planning to meet: communications committee and regulations committee will both be meeting either on Wednesday or Thursday next week. If we do that, we'd like public accounts and crown corps not to meet so those other two can get their business out of the . . . (inaudible) . . .

Mr. Katzman: — That's just . . . that's super, then. Then we're two weeks away, and we should all be ready.

Mr. Chairman: — Okay, you were . . . I had hoped to get started before that. Perhaps it isn't possible. The . . . It isn't a big item, but . . . (inaudible) . . . I guess next week is shot anyway.

Mr. Katzman: — I think that makes it — so the 12th will be our first meeting if my memory serves me correctly.

Mr. Chairman: — Okay, if that's what you wish then, we will adjourn this thing until 10 o'clock, Tuesday, the 12th. Is that what you prefer to do?

The committee adjourned at 11:45 a.m.