

STANDING COMMITTEE ON PUBLIC ACCOUNTS
March 29, 1984

Public Hearing: Report of the Provincial Auditor for the year ended March 31, 1983

MR. CHAIRMAN: — This is the second meeting of this session. We'll begin with the alcoholism commission. Mr. Provincial Auditor, I saw this problem arise in more than one department — a failure to follow up on grants. It's not a problem that's unique to the alcoholism commission, is it?

MR. LUTZ: — Oh no, no.

MR. CHAIRMAN: — But still a problem of some magnitude when one considers the extent of the grants that this government, or any other government, makes these days.

I seem to recall, when we were in office, half of the money we spent out we simply put a stamp on the envelope and sent it to someone else to spend. Half of the money the government spent was just grants to one organization or another.

MR. LUTZ: — Well, Mr. Chairman, what we have tried to do in our report this year is to report those items in the same sequence, and for the same reasons as you will find we must report on page 38, which is section . . . (Wait awhile, I lost that one I think. Where did I leave that one?) Here we go, section 12, I'm sorry, on page 42. And if you go down to (g), "Essential records were not maintained, or the rules and procedures applied were not sufficient." . . . to do certain things.

So, if an organization of government makes a grant to another organization, and attaching to the making of the grant are certain terms or conditions, if those are not met then we so report. I think that's what this is all about.

MR. KATZMAN: — Mr. Chairman, if I may make a suggestion. I don't have the feeling we need to call these people, all of them, that have done the thing. But I think we have to let them know that we don't appreciate them not following the rules, if I'm reading correctly what's written in here.

We have two choices: to ask what the resolution of the problem was when the comptroller got done with it, or when Mr. Lutz got done with it, after they talked with them. If something has been done to cure the problem, fair game. If nothing has been done to cure the problem, we must remind them of their duties and suggest the alternate recommendation would be that the Public Accounts Committee, in the future, would have to ask the organization giving out the money that you're going to have to not give them the next cheque until you get the statement from the year before.

MR. CHAIRMAN: — Is this one . . . Yes, Mr. Kraus.

MR. KRAUS: — Well, Mr. Chairman, I was going to say there's the grants issue in general that has to be addressed. But I think, in particular, there are some of these agencies that we could at least indicate we feel have corrected the problems. That won't apply to everybody.

But in the case of the alcoholism commission, in their management letter and from discussions with them, the information that they have provided indicates that they have addressed their shortcomings in their grant systems, or the systems for monitoring grants. So we feel comfortable in saying that about the alcoholism commission.

In general terms though, as far as the grants go, and I guess this is a much bigger issue, and you'll notice in my report I've indicated that the comptroller's office is going to assess whether or not we can actually develop a policy that we could apply to all grant programs. The problem is is that the eligibility for grants and the nature of grant programs are pretty varied. As you know, they vary all the way from social assistance grants to universities, or grants to agencies of any number of types. We're not sure that we can come up with one satisfactory policy.

In the past, what we've done when we have been involved, we've established some rules and criteria that a particular agency should follow for their grant program. Therefore, there isn't any real excuse why a department should not be following an appropriate policy. I can't excuse them. Whether or not there is a clear-cut policy or not is, I guess, not the only point, but I think in my report I've certainly addressed that we're trying to see whether we can establish an overall policy for grants.

Failing that, we may have to develop a series of policies for different grants. But we feel part of the onus is on us to make it a little clearer. Nevertheless, the departments should know what they are supposed to be doing, in any event, because sometimes they've consulted with us; in other situations it's a matter of good practice.

MR. CHAIRMAN: — Okay. You said part of what I was going to say . . . (inaudible) . . . I thought we might wait to see the management, to reply to the management letter . . . (inaudible) . . . and you've already answered that, in fact, by saying that the management letter, in your view, indicated that it addressed the problem.

MR. KRAUS: — We were satisfied with what . . . (inaudible) . . . said.

MR. CHAIRMAN: — Okay. SHC.

MR. KATZMAN: — Mr. Chairman, before we are completely out of step, would you indicate that type of comment on each of the ones that we come through, as we're going through the book here, rather than having to wait later on. It may save some time.

MR. CHAIRMAN: — Okay. SHC. There were a number of difficulties unearthed with respect to SHC in last year's discussion. I would sort of assume that members would want to follow up on those problems that we discussed last year. I would sort of assume that this is a corporation that we would want to discuss — we'll want to call.

MR. GLAUSER: — I think that would, perhaps, be advisable, and see what has been done in there to correct some of the situations that did exist.

MR. CHAIRMAN: — Okay. I'll flag SHC to call them . . . (inaudible) . . . Saskatchewan Community Legal Services Commission. I would sort of make the same assumption about them. I kind of made the same assumption about legal services. There were a number of concerns expressed last year, and I think we would . . . Yes, go ahead.

MR. KRAUS: — Mr. Chairman, I did address that specifically in my report, and my report indicates that the committee's concerns have been addressed, and identified four different items that they have done, or things that they have done to fix the problem. So after you've read the report that I tabled the other day, you may feel that you don't want to call the legal aid commission in, as they have been addressing them.

I think perhaps the auditor may have been alluding to that in his report where he said that they were implementing a system, but it wasn't fully operational when he did his audit. Now, of course, I can't speak for Mr. Lutz. He may not have seen, yet, as to whether or not it is fully operational. But from the information they're giving us again, it sounds like they've got . . . (inaudible interjection) . . . Yes.

MR. KATZMAN: — Mr. Chairman, I thought that was the feeling we got from them when they spoke here, that the new system was starting to work.

MR. CHAIRMAN: — Industry and Commerce.

MR. LUTZ: — Mr. Chairman, if I may, are you going to call legal services commission . . . (inaudible) . . . or do you . . .

MR. CHAIRMAN: — I think we're not going to flag it for the moment until we . . . (inaudible) . . . and so on. I think we're not going to flag for the moment. Industry and Commerce.

MR. LUTZ: — Do you with me to comment on this one?

A MEMBER: — Yes.

MR. LUTZ: — The department administers a number of programs to provide grants, loans, etc., and during the year under review, my representatives were not able to examine a formal policy for the collection of loans, or a formal policy to ensure compliance with conditions attached to certain grants or loans. This is much the same as the previous one. Procedures applied could be improved to ensure compliance with the regs and agreements, so as to ensure that the money dispersed is used for the purpose intended by the legislature, to ensure that public property is safeguarded. This falls into one of these other requirements on which I report under the new act.

MR. KRAUS: — Mr. Chairman, we know they have developed policies that we've reviewed, and that we were satisfied with. Whether they've implemented them though, satisfactorily or not, we don't know. Okay, so I could say that while they've developed policies, whether they're implemented and working satisfactorily at this point, I don't know.

MR. CHAIRMAN: — Why don't we flag them until we have . . . unless until we get some indication that it has been implemented? Controls . . .

MR. KATZMAN: — Mr. Chairman, why don't we not flag them, as far as the Social Services, and the other one? That's two we want for sure. Why don't we flag them on a questionable list?

MR. CHAIRMAN: — All right, a second list, a tentative flag.

Controls over electronic data processing — that is an area that I do want to discuss. I guess it would be with the utility corporations and with the systems centre. Is that accurate or not?

MR. KRAUS: — I would think, Mr. Chairman, it would fall into the . . . Certainly SaskComp is responsible to ensure that the security that they can provide is adequate.

Secondly, though, the people that establish policies for financial administration for systems, for government proper, would have to speak to it, as well, and I guess that would fall into my shop.

MR. KATZMAN: — One's 2.2.2 and one's 2.2.1. So they're two different issues.

MR. KRAUS: — As I understand it — maybe Mr. Lutz could speak to it — but I think he's identified that he's concerned about some of the aspects of data processing, computer systems, and he's given some specific examples. I think there's about three or four of them in a row.

MR. LUTZ: — There are two different issues here, Mr. Chairman. One is a general statement regarding controls over EDP over all, and the second one deals precisely and specifically with the Saskatchewan Computer Utility Corporation.

If we look at the middle of page 10, I guess the second complete paragraph:

With regard to the controls over the development of new computer systems, my representatives observed a number of departments and crown agencies where these controls were deficient. In some cases deficiencies resulted in the failure of the department or crown agency to maintain essential records. Further information

regarding these controls in section 2.2.2, 2.2.3, 2.2.4, and 2.2.10 of this report.

MR. KATZMAN: — Maybe we should handle them there, with those numbers.

MR. GLAUSER: — Yes, I would think that we would want to assure ourselves, particularly as the security aspect is concerned, because there is now a case before the courts in the United States where a fellow was accessing information, and critical information. And I would think that this is a most important part here, over and above the . . . The other part is just as essential, but if they can't get the first part, then it is unlikely that it would have that much influence on the second.

MR. WENDEL: — That's what our report is saying. The first part is, the security could be improved greatly, and that's on page 10, second paragraph.

MR. KRAUS: — Yes, I've been talking to Mr. Nelson of SaskComp about this, and he asked that I pass on this information and talk about it in general. And if you want to call him in, and some of his people, he'd be pleased. But he did say that you might want to be aware of these factors, and one is that, as far as their security goes, is that they're examining their security features to ensure that they're satisfactory. It's almost like any system, whether it's a security or not, there's no perfect system. You've got to have an acceptable system.

Secondly, what they've been doing is working with their customers to make sure the customers are aware of what's available, because a computer facility like SaskComp can have security features the customers decide they're not going to use, for whatever reason, and so they're trying to make them aware. But, then again, the customers have to buy into the security, and use it.

And I guess, finally, he said that they have entered into a contract now with a firm where they will have back-up for their computer in the case of a disaster. I don't believe it's operational yet . . .

MR. KATZMAN: — It is.

MR. KRAUS: — It is? Okay, well, they have got that three-point program kind of going now. And he said if the committee wanted to talk about it further, he'd be pleased to appear. But they are addressing the issues.

MR. CHAIRMAN: — . . . (inaudible) . . . I think we'll flag those.

MR. KATZMAN: — Mr. Chairman, I'd like to argue with you, just for a point. Why don't we flag them when they're 2.2.3, 2.2.4, and 2.2.10 . . . (inaudible) . . . than this issue? The way I read 2.2.3 and 2.2.4 and 2.2.10, they may be better off doing that way and doing the exact departments rather than the whole ball, it seems.

MR. WENDEL: — Those 2.2.3, 2.2.4, 2.2.10 are only one part of three parts to this would be the problem, or four parts.

MR. KATZMAN: — How would you suggest we tackle it, if we do get to it? Who do we talk to?

MR. WENDEL: — I think your original suggestion of SaskComp, the comptroller, whoever is responsible overall for systems . . .

MR. KATZMAN: — Okay, then are you suggesting we don't need the individual departments, or we need them as well?

MR. WENDEL: — We think you need them as well on 2.2.3, 2.2.4, 2.2.10.

MR. KRAUS: — I think the point to keep in mind — I shouldn't interject, but . . . — is that there are many . . . You can imagine, with the size of the government, there's a lot of computer applications always being brought up, and so that means that there are many that are brought up satisfactorily, or not every one that's developed has problems. And so this is just like any other systems problem or situation where they're delivering grants or whatever.

They have responsibility to develop their systems in accordance with suitable standards, and so on, and so, I guess, you have to discuss the issues with the agencies who are putting these systems in as well. I mean, there are accepted practices for systems development that they should be following. And I think there's a number of issues here that are being addressed. Each situation isn't addressing the same problem. I believe the auditor would concur with that; each one is slightly different.

MR. KATZMAN: — My question is this: reading 2.2.3, 2.2.4, and 2.2.10, I almost think the answers under 2.2.1, the comptroller may be the only one necessary if 2.2.3, 2.2.4, and 2.2.10 have indicated to the auditor in management letters that they have that problem resolved.

MR. LUTZ: — The problem with 2.2.3, if we can try to put this thing in context, 2.2.3 was not a case of controls over EDP for control's sake. The problem in 2.2.3 was the fact that they computerized their data and their accounting function without having something in place to make sure that it was going to function right. And we ended up having to hold back their financial statements for two or three or four months because we just couldn't put everything together.

MR. KATZMAN: — My question is: Mr. Comptroller may say to us, "It's all in place and correct now," so what's the sense of bringing him in. I don't know what his letters say; that's why I'm asking. If it's corrected, do we need them? If it's not corrected, we need them, I think that's sort of been the rule.

MR. CHAIRMAN: — I gather it was agreed that we need SaskComp and the comptroller in any event. What we are discussing is whether or not we need the other departments with them. I think that decision is hard to make until we discuss the matter with SaskComp and the comptroller in detail.

MR. GLAUSER: — Mr. Chairman, I was just wondering if that step had been taken now to notify, to request the replies to the letters.

MR. JAMES: — They've gone out, or going out first thing this morning, the requests. They were all typewritten and photocopied yesterday. So if we can get those replies back today, tomorrow, and certainly by Tuesday, anyways, we should have some sort of response.

MR. GLAUSER: — Yes, we've sort of got the cart before the horse here a bit, in that if we had those, we could make some pretty snappy decisions here.

MR. KATZMAN: — I would agree to putting 2.2.3 and some of those on that question list till we get back the replies. Okay. So we put utilities on reserve. We put the comptroller on for sure. Okay. And we're putting 2.2.3, which is Highways, on the question list. Is that correct, Mr. Chairman?

MR. CHAIRMAN: — I'm sorry I was . . .

MR. KATZMAN: — 2.2.3, Highways, goes on the question list?

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — 2.2.4, it goes on the question list?

MR. CHAIRMAN: — Right.

MR. KATZMAN: — And 2.2.10 unless it's a different problem. There may be a problem here because 2.2.10 says the number (2) has a different kind of error specified, like there was an error in their computer that that caused the trouble.

MR. WENDEL: — Development controls, then. When they put up the new system, it wasn't properly . . .

MR. KATZMAN: — Okay. So 2.2.10 tentatively. Good enough.

MR. LUTZ: — Mr. Chairman, if we can go back to 2.2.3 — this is a problem which arises when somebody decides to install a new system for their organization. We rather hope this will have a salutary effect on any other organization in government who is proposing to put up a system for the accounting records, etc., etc., etc. What we're trying to do here is advise them that they need to make sure that that new system is going to work before they scrap the old one.

MR. KATZMAN: — Fair game. We may have it . . . You know, we can float . . . We may indicate it here. But they may have chaired the thing, so there's no sense bringing them here. Because every department reads the little book and they'll get the message quick. At least I hope they would.

MR. ENGEL: — They'll read it with a little more diligence, Mr. Katzman, if we bring them here and discuss what problem they have. I can see a real problem here. There's a vulnerability of a computer. If the records are fed into it and not kept, and the computer is a failure, there's a loss of records. I've had experience in that kind of thing.

MR. KATZMAN: — My comment, Mr. Engel, would be very simple. We may be able to handle, although when we handle the comptroller's section, because they're the guys that develop the programs for these people. Now the question is: do we need them both, or does one side do the job? I don't know.

MR. ENGEL: — The bottom line is, though, that the essential records for the Highways' revolving fund were not maintained. I'd like to flag that one, more, Mr. Chairman, than just a question mark.

MR. KATZMAN: — It depends on what the letter comes back saying it was cured or not. I think that was . . . Maybe I'm wrong.

MR. KRAUS: — I can shed some light on a few of these issues. Again, I'm not here to defend the departments particularly, but I know in the case of Rural Affairs, for example, they had an error in their logic. They did finally correct the thing and, as far as we know, the program is operating the way it was intended.

In some of these other cases it isn't quite that simple. The Highways situation, they made a fundamental error in that they didn't test their programs before they started the new system, and it got them into trouble. We've been working with them for quite a while. They've had a plan in place, a schedule that's supposed to finally test all these systems thoroughly, and then I guess their records weren't processed through that new system going back to April 1, 1983, so they've been trying to catch that up. And they haven't completed that yet, Mr. Katzman.

MR. KATZMAN: — They're not done . . . (inaudible) . . .

MR. LUTZ: — Mr. Chairman, if I may refer back again to page 10, the first complete paragraph, I would like Mr. Wendel to speak to this subject briefly, if we may, please.

MR. WENDEL: — Yes. In this 2.2.1 there are a number of issues being addressed. One is

computer security, which is password protection and so on, to make sure people aren't getting unauthorized access to computer data. Now we haven't named all the departments that had that problem (and agencies), and there was a reason for that. Like, some of them we didn't want that out in the public of who they were, and so that . . . (inaudible) . . .

MR. CHAIRMAN: — Understandably. It might . . . (inaudible) . . .

MR. WENDEL: — If you want to, like we can provide you with the names, but I think I'd prefer that you turn off the tapes . . . (inaudible) . . . somebody will tell you the names. You do what you want.

MR. MARTENS: — Yes, yes for security reasons.

MR. LUTZ: — As Mr. Wendel said, if it is the wish of the members that these departments, and what not, be identified, I think we would probably give them to the members in confidence, and if the members wish to air the names of these places, by all means. But we don't want to do it.

MR. KATZMAN: — I have one comment. If you give us the name, would you please just put an A, B, C, beside them, and we'll refer to them that way, rather than ever put a department name out in this kind of situation — as we've done before.

MR. LUTZ: — We don't propose to give you the names unless we're directed to do so by this committee.

MR. ENGEL: — May I suggest we discuss that tomorrow morning?

MR. KATZMAN: — No, because we ain't going to be here tomorrow morning.

MR. ENGEL: — Well the next . . . Tuesday.

MR. CHAIRMAN: — All right.

MR. ENGEL: — And in the in camera session and then we can get some idea of what we're talking about.

MR. CHAIRMAN: — Yes, that's a good suggestion. Defer the discussion of whether or not we want the names to the in camera session. We'd have a better grip on it, I think, if we discussed it in camera. That's a good suggestion.

I think that we scoot along then to do 5 — Saskoil and Gas.

MR. KATZMAN: — Just one moment, Mr. Chairman.

MR. ENGEL: — There were three . . . (inaudible) . . . given as one, the issues that were arising there, Mr. Wendel.

MR. KATZMAN: — I just want to ask one question. Would you tell me where we left those 2.2.3 and 2.2.4 and 2.2.10 — under question mark?

MR. CHAIRMAN: — Under question mark, that's right.

A MEMBER: — Good enough.

MR. CHAIRMAN: — Oil and Gas?

MR. LUTZ: — The Saskatchewan Oil and Gas Corporation is not audited by myself, but under

the various clauses of my new legislation I am now able to get from the outside auditor an internal control opinion, and the external auditor for Saskatchewan Oil and Gas has advised me that there were inadequate controls over disbursements, caused by lack of segregation of duties in the area of purchase invoice data entry, update of vendor-payable master files and the approval of computer-generated cheques. The condition noted was the result of an inadequate control procedure, as opposed to non-compliance with established control procedures. Accordingly, I conclude that the rules and procedures applied were not sufficient to safeguard and control the assets of the corporation.

Mr. Chairman, this procedure we now have in place with the outside auditors, is in place, enabled to be in place, simply because of the new legislation. We've had a round of negotiations with the other auditors of these other crowns, and we're getting these opinions from the other auditors, in addition to their normal attest of the financial statements work.

MR. CHAIRMAN: — Okay. Saskoil and Gas. Is it the view of the committee that we need to call these people?

MR. KATZMAN: — May I ask what came back . . . (inaudible) . . .

MR. KRAUS: — I'm not involved with this type of crown, Mr. Chairman. It's a CIC crown.

MR. LUTZ: — We are involved by the auditors, Clarkson Gordon, that this particular matter is being corrected, or has been corrected. Now we haven't gone there to look yet. If we find that it has not been corrected when they come down on it next year, we will then probably go in and do our own look at it. We also have that ability.

I would doubt it's worth calling them, but then maybe you didn't ask my opinion.

MR. KATZMAN: — By the sounds of it, it's being corrected.

MR. LUTZ: — Yes, we are advised that it's being done.

MR. GLAUSER: — I think they're a very reputable firm, and I would think that they would comply.

A MEMBER: — If you're talking about Clarkson Gordon . . . (inaudible) . . . Saskoil.

MR. GLAUSER: — No, no, no, I'm talking about the accounting firm. I mean they are the ones that have implemented the move, so . . .

MR. CHAIRMAN: — It is the view of the committee, then, that we don't need to call these people at this point in . . . this year?

A MEMBER: — Yes.

MR. YOUNG: — From time to time throughout your report here, you see this lack of segregation of duties in the area of purchase, invoice data entry, update of vendor-payable master files, and approval of computer-generated cheques. Now what exactly is going on in their cheque-writing room that you're quarrelling with when you use these standard phrases?

MR. LUTZ: — Mr. Chairman, Mr. Young, I am not quarrelling with them. Clarkson Gordon is. Let's get that straight first.

MR. YOUNG: — Okay. Fair enough. Right. "You" is in the wide sense of the word — "you," meaning accountants.

MR. LUTZ: — What they probably do — I'm guessing here — but very likely there are cheques that are computer-generated and computer-signed, and there they sit available, and are probably pre-signed before they're being used. I'm guessing at this because I haven't looked at their, at the work they're . . . (inaudible) . . .

MR. HUNT: — It's difficult for us to comment in respect to detail, but normally the "segregation of duties," sort of comment, is one that is speaking to the concentration of incompatible functions, with one particular employee, normally, which provides them with the opportunity to perhaps misappropriate assets and also conceal that misappropriation. That's normally the situation.

MR. YOUNG: — Writing invoices to himself and then paying to the company, or something like that; he could do that . . . (inaudible) . . . got all the powers to do it.

MR. WENDEL: — If he had all the controls all centred within one person, that's the concern.

MR. LUTZ: — If one person can do too many things, one person can raise fictitious invoices, one person can raise cheques to pay those fictitious invoices — this is an extreme case. But if they don't segregate duties adequately (and this is what Clarkson Gordon says they have not done, or did not do) then these things can happen. This does not infer that it happened. They're just telling us this is . . .

A MEMBER: — That's right.

A MEMBER: — It's a risk.

A MEMBER: — The potential for abuse is there.

MR. YOUNG: — You read in the . . . the banker in Montreal that took the X millions and millions of dollars to Las Vegas by writing himself loans just underneath his authorizing power. So even in the finest presumable institutions they can get away with this.

MR. WENDEL: — But that would be the same issue here. They wouldn't have enough segregation of duties in that case, either.

MR. LUTZ: — I'd like the sport that blew \$10 million in Atlantic City, they used to send up their jet to pick him up. I thought that was kind of neat.

I would suggest that if the committee wants the detail of this thing, you could either call Clarkson Gordon and the corporation, or you can call the corporation. There's nothing wrong with that. I just don't want to get into this whole thing. We have their opinion and that's really what we have.

MR. YOUNG: — My answer was very satisfactory. I just used a poor choice. This is an oddball case because it were . . . (inaudible) . . . Clarkson. But you used those same words when you're talking all the time. But when I said "you," I meant "you accountants," not meaning the provincial auditors.

MR. KATZMAN: — We don't need them by the sounds of his . . . (inaudible) . . . then.

MR. CHAIRMAN: — Okay. I guess we do not want them then, by the sounds of it. Westside Community College . . .

MR. KATZMAN: — Is this Battleford?

MR. MORIN: — Buffalo Narrows, I believe.

A MEMBER: — Up in the north-west corner.

MR. CHAIRMAN: — Okay, Buffalo Narrows then, we are told.

MR. LUTZ: — In Westside Community College in our view, has not maintained adequate and essential records in that the auditor for that college qualified his report. And later on in this report you will find a verbatim of his certificate, and the reasons why he . . .

MR. CHAIRMAN: — What page is it on?

MR. LUTZ: — Page 29.

MR. GLAUSER: — Mr. Lutz, was this not on here last year?

MR. LUTZ: — I believe it was, Mr. Glauser. I don't have last year's report with me. But I think it was, yes. It's sort of an ongoing problem, I believe.

A MEMBER: — Yes.

A MEMBER: — Have you got last year's, John?

MR. HUNT: — Yes. Page 44 of last year's report. That was for the year ended June 30th, 1981. It was qualified as well.

MR. LUTZ: — For the same reason, give or take.

MR. KATZMAN: — How much money have we gotten about there?

MR. WENDEL: — What page is that in the Public Accounts, Gerry?

MR. KRAUS: — Their expenditures are in the order of a half a million dollars. It's the Buffalo Narrows training centre fund. Is that the one that is the question?

MR. LUTZ: — Westside Community College is how we've got it identified.

MR. KRAUS: — Westside Community College. Just let me look again; that may be a little larger.

MR. KATZMAN: — Who would we call if we called them?

MR. CHAIRMAN: — The board, I would think, or the . . . I guess not, it's not a board. The member from The Battlefords may have an idea.

MR. MORIN: — Well, they do operate under a board . . . what you call the directors. The principal, maybe, or maybe the principal and the chairman of the board.

MR. KRAUS: — I don't have anything to enlighten you as far as their status goes. We've been dealing through Advanced Education and Manpower, and it was my understanding that something was going to be done about this, but I just don't have any word as to whether it's been approved or not. And I'm quite concerned about it myself, so I would support . . .

MR. CHAIRMAN: — The notion that they should be called. The member from The Battlefords.

MR. MORIN: — Mr. Chairman, in view of the fact that it has been ongoing apparently, maybe they should be called, just to sort of strengthen their resolve to solve their problems.

MR. CHAIRMAN: — Agreed.

MR. KATZMAN: — One question: who do we call? Is it Mr. Maxwell's department, like Advanced Ed., or who do we call?

MR. KRAUS: — They administer the program in general terms, and provide the grant moneys that are paid to the community colleges.

MR. MARTENS: — That isn't really, Mr. Chairman, the people that I think we want to have. We need to identify the people who are in control, and that's what this auditor's report seems to indicate. It's not the control within the department; it's the control that they have out there.

MR. KRAUS: — That would be the board of directors, and the chief executive officer of the community college then, in my opinion.

MR. CHAIRMAN: — Let me ask a question: does the Advanced Education and Manpower have overall responsibility for supervising the expenditure of these funds? Are they, in a sense, responsible for monitoring this, or is it a grant, or is it just an autonomous organization . . . (inaudible) . . .

MR. KRAUS: — These agencies are quite autonomous. They are autonomous with their own board of directors. Certainly the government provides a good part of their funding, but they have been structured so that they're autonomous to the board of directors.

MR. KATZMAN: — Can I try a suggestion, and just because I don't know better — that we call them, and in conjunction, we call somebody from the department to be here, so that the problems developing here will be watched if they're developing in other areas. There's probably other areas that this department supervises. It may be the wrong way to do it, but, it may be killing two birds with one stone.

MR. CHAIRMAN: — It might be useful to have the departmental officials here as resource people. Why don't we do that? Call the chairman, director, and the chairman, the principal. And . . . (inaudible) . . . Minister of Advanced Education and Manpower or whomever he may designate to come.

MR. YOUNG: — On a deal like this, the chartered accounting firm that was involved out there — is there any necessity for anyone from that outfit? Or do we have their total report to work with anyhow? Horning and Brown, it says here.

MR. KRAUS: — Well I was going to say, Mr. Chairman, that from looking at the information provided by that auditor, the records were in such serious shape that I don't think that he would have to say too much. I mean, I feel it's serious enough that he wouldn't need to provide too much explanation for this.

MR. YOUNG: — . . . for him to help us to point out what was wrong with it, if you know what I mean. We may ask these people: "Well, we hear you have some bad records, guys." And they say: "Oh, tell us about it." And you'd be at no place for what was wrong.

MR. CHAIRMAN: — Where do Horning and Brown operate out of? Is this a Regina firm.

MR. KATZMAN: — Saskatoon. Lorne Horning? It used to be called something else.

MR. WENDEL: — It's Horning and Brown, but Mr. Horning has now left the practice, and I believe it's now Brown and Riggs, out of Saskatoon. So I believe that would be the firm you'd have to call. It's the same address but the name's changed.

MR. CHAIRMAN: — Do members feel we need a member of the firm here? Or would you want the provincial auditor's staff to inform themselves in advance of the problem and be prepared to come fully informed about the nature of the problem?

MR. GLAUSER: — Mr. Chairman . . .

MR. WENDEL: — We don't have first-hand knowledge.

MR. GLAUSER: — What I'm wondering is is the financial statement public on this organization?

MR. WENDEL: — It should be. I believe it's in the *Public Accounts*.

MR. KRAUS: — It is now. Yes, the financial statements that were tabled are rather . . . yes, as part of the *Public Accounts* document, would be the June 30, 1982. That's the financial statement.

MR. LUTZ: — What page. What page?

MR. KRAUS: — Page H89 in volume 1.

MR. GLAUSER: — Well, if we could get those statements prior to . . .

MR. KRAUS: — You've got them in your volume 1, I'm sorry, volume 1 of your *Public Accounts*. And it is this set of financial statements where the auditor has indicated in his auditor's report that there are serious deficiencies in the accounting records and in the system of internal control. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures were properly classified and recorded. That's a fairly serious qualification in an auditor's report.

MR. GLAUSER: — What page is that?

MR. KRAUS: — H89.

MR. CHAIRMAN: — Order, order, order. The *Hansard* is having a terrible time with this multi-sided discussion.

MR. YOUNG: — Mr. Lutz, on a situation like this, did Horning and Brown provide you with some paper are to their chit notes from their attendances up in the North, or something like that?

MR. WENDEL: — We haven't looked at the working papers.

A MEMBER: — But you have them, though?

MR. WENDEL: — No. Not in this case. We could get them, I guess, if we asked for them. In this case we haven't asked for them. In some cases we do.

MR. YOUNG: — I was just wondering — this is for a global question, not just for this instance — but when these people are involved, they don't provide you with a big summary of what happened up there?

MR. WENDEL: — We ask them for certain assurances and correspondence and documents. Sometimes we go and look personally at what the auditor has done, look at his working papers; sometimes we don't. In this case we haven't, but we do have correspondence with Horning and Brown, where he gives us more information on this thing.

MR. YOUNG: — Oh, you do have correspondence that gives you more information now?

A MEMBER: — Yes.

MR. LUTZ: — Mr. Chairman, I think, and we would prefer that if you can get this auditor here, it would be better. Anything we told you on this would be second hand, not necessarily something we had verified. And we would prefer that you call this auditor in, maybe with the college people, I don't know how . . . (inaudible) . . . We can do this for you, but it's now second or third hand.

MR. YOUNG: — Certainly it would be good to have the real auditor there because, say the principal got defensive on the thing, he could say, "No, no, those papers and cheques are up in accounting." The guy would say that, no, they were in sitting on your desk. And you wouldn't be able to jump into an argument like that.

MR. CHAIRMAN: — If we are then moving to a view that we want the auditor here (that's a private auditor), what is the provision, Mr. Clerk, for paying them?

MR. JAMES: — I'll have to check on that.

MR. KATZMAN: — Could Mr. Comptroller or Mr. Lutz give us some idea? — who have been here longer?

MR. CHAIRMAN: — Perhaps. I don't recall.

MR. YOUNG: — We have the power to subpoena anyhow. If nothing else, we can bring him in on a piece of paper.

MR. KATZMAN: — Except the question is: who pays their expenses and time and so forth? I think that's what Ned is asking.

MR. YOUNG: — If we have the power to subpoena, then we have the power to pay out the funds.

MR. CHAIRMAN: — I agree with the member from Saskatoon Eastview. Let us assume that we have the power to pay them, and the Clerk will check that, and if there is any problem let us know, and we can then take other steps. But I would make the same assumption you do, in that, if we've got the power to call them, we've got the power to pay them.

MR. LUTZ: — Mr. Chairman, failing that, I would suggest that the auditor involved would then be in a position to bill the college as his client for consulting fees or whatever kind of fees he wants to call them.

A MEMBER: — The college would get clipped for the . . .

MR. LUTZ: — Well, he's going to get paid. If he doesn't get paid through this vote, then he's going to bill that client.

MR. CHAIRMAN: — One way or the other he'll get paid. So we'll ask the Clerk to try to straighten out the responsibility for that.

MR. KATZMAN: — Mr. Chairman, I just ask one courtesy to the chartered accountant firm. And being the time of year it is that we be very careful on the time of calling so he doesn't sit here for two or three days, I'd like to think he'd be first up on whatever day he's here . . . (inaudible) . . . situation.

MR. CHAIRMAN: — We might also call them after April 30. If we do indeed wait, sit, if we do indeed . . . We might leave them till last and if we don't finish by April 30, call them afterwards when it's a more relaxed period of time for them. That's a good point.

MR. MARTENS: — We will also have to leave some consideration for those people who are coming from Buffalo Narrows or wherever.

MR. CHAIRMAN: — They are going to have to be called on a Tuesday — first thing on a Tuesday morning.

MR. LUTZ: — Mr. Chairman, in the compendium of management letters on page 42, there is some detail relative to this problem — page 42. There was a management letter that the auditor sent us. And we have put in excerpts from that letter on page 42. It might give you some better idea of what was coming down.

MR. KATZMAN: — Who do we request copies from in this case?

MR. CHAIRMAN: — West Side Community College.

MR. LUTZ: — The total letter?

MR. CHAIRMAN: — Their response to this letter, yes.

MR. LUTZ: — This was the letter written to us by the auditor, or sent a copy of this management letter to the college. But you should get it from the college.

MR. CHAIRMAN: — Okay. Yes . . .

MR. YOUNG: — Mr. Chairman, if I just might. If we're going to do this up right there's obviously . . . For future purposes, as mentioned, there's going to be some, certainly, expansion to the community college, and it would be nice to touch up one or two of them now so that, hopefully, things work good down the road. I think that is some of our function as well.

But in these community colleges, to my understanding, there's certainly changes quite often from chairmen, and often of principals, and it may very well be that present-day principal and chairman are not one and the same two people as were under the year in review. And I think that we must ensure that we have both the old and the new, if there are the old and new, and, hopefully, it'll be the same people and it won't cost us any more money. But for instance, if there's a new principal now, and there was an old one then, I would think that we wouldn't be doing a full job if we called the new principal, and not the new and the old.

MR. ENGEL: — As far as correcting the problem is concerned, Mr. Chairman, I think the new principal would do it. We've run into the same problem with calling departments before, and the new department says . . . (inaudible) . . . that maybe that's the reason why he's there.

MR. CHAIRMAN: — That has not been the practice . . . (inaudible) . . .

MR. ENGEL: — Of calling one that's not on the payroll.

MR. CHAIRMAN: — To call the villains who may have got into this. The practice has been to call the current officials and ask them to take responsibility and to fully inform themselves.

MR. ENGEL: — Corrective measures are from here on in, not in the past . . . (inaudible) . . . there's a fraud involved.

MR. GLAUSER: — This problem is not only one year old. It's not two years old. It even goes back further than that, now that I recall this. It was in public accounts three . . . (inaudible) . . .

A MEMBER: — The first year you were here.

MR. GLAUSER: — Yes. So . . .

MR. ENGEL: — Page 42 says the period covered year ending June 30, '82.

MR. YOUNG: — So the bottom line is, if it's a new replacement, the rest of you don't want the old guy, eh?

A MEMBER: — You can't.

MR. YOUNG: — You can't? — you can subpoena anybody, Ralph. The "can't" doesn't exist.

MR. KATZMAN: — The comment I would make, Mr. Young: the way I understand the situation is, we may be able to subpoena anybody, but practice has been to subpoena those in charge at the time that we review it. If, by luck, the person who was in charge prior is around, and comes along, great. But we have never said, "You must bring the fellow that was there at the time." If we does it's a bonus to both them for answering questions, and some departments do it that way, but I don't think we've ever made anybody do that, to my knowledge.

MR. YOUNG: — I'm not trying to be vindictive, Ralph.

MR. KATZMAN: — No, no. I know. I'm just worried about . . . Like in all government departments, with all the switches that just happened in the last few years, we're trying to tell the guys here, "We're calling this department. You find your officials that you're going to need." I think that kind of message is what we send back to them. "You find who you need to make sure you can answer the questions."

MR. GLAUSER: — Yes, I think that what we're after here is that the thing has happened; let's get it corrected. I think that's where we're coming from on this now is that, you know, it's spilt milk; let's clean it up.

MR. YOUNG: — I don't see the point to you people at all. You assume that it would be no help, and he'll be dragging his chin and upset because he lost his job. The guy may be of some help. You're prejudging what his participation may be in this whole thing by the position you're all taking.

MR. CHAIRMAN: — The practice in the past has been just to call the . . .

MR. YOUNG: — I don't care what the practice has been. It's not a rule that we have to follow, Mr. Chairman.

MR. CHAIRMAN: — No, I'm sorry. Could I finish? The practice in the past has been to call the current officials, since what we are concerned about it not laying blame, but correcting the problem. And the current officials are the only ones in the position to do that.

It would seem to me, as a matter of sort of logic and good sense, we could call the current officials. If they are unable to provide us with any information, that would be time enough to subpoena the former officials.

MR. YOUNG: — Your assumption though really is, Mr. Chairman, that the old guy is not going to be of any help in solving the problem because of some sort of animosity you presume he's going to have, and on and on and on. I don't take that as a given, right off the bat. And if we get them all here in one arena as opposed to calling them in afterwards, and he's by himself and without the benefit of other people at least listening to him and commenting on the things he said about the way the circus ran in the past.

MR. CHAIRMAN: — My experience has been that the current officials are usually able to give you any information you want.

MR. YOUNG: — Pardon me?

MR. CHAIRMAN: — My experience has been the current officials can give you any information you want. There's really been no need to call the former officials. That's been my experience.

MR. ENGEL: — I think we should look at page 42, and quit speculating a little bit, and just read the content of the letter. In the bottom line, it's commented that the college does not have adequate personnel in the accounting department. I'm not sure it's going to help an awful lot to pull people in. Commented that the accounting for revenue and receipts could be improved. But the next line says: commented that all of the college's funds should have the same fiscal year-end.

So I think that it sounds to me as though there was some sloppy accounting, and records weren't maintained by the end of the month, and so on. And basically, that was because there weren't enough staff on, according to this thing. So if that is the case, I think we can bring in the present people at the college with the accountant and help them set up a proper bookkeeping system.

MR. YOUNG: — It doesn't say "shortage of personnel," it says "adequate personnel." It might have had an army of accountants there that were incompetent.

MR. ENGEL: — It's possible. But the point I'm making is, I think that they need to work together. I like the idea of bringing the accountant along down that is going to be doing their auditing — if we can bring him in such a way that they don't decide to get a new accountant. They could just say, "Hey, this guy is nuts and blew the whistle on us. We're going to get us another accountant." And we'll have that same problem on and on, forever and ever. So we've got to be careful that we're not doing the accounting business a disservice by making it look as though these big mean guys squealed on you. So we're after a correction of a disbursement of some funds, and that adequate records are kept and maintained.

MR. YOUNG: — I would think that the accountants are presumably beyond corruption, so no matter who they got for accountants, they're going to get called to account. So there'd be no mileage in the board changing accountants because these bad accountants turned them in to the auditor. I wouldn't imagine there's any threat to the accountants . . . (inaudible) . . . here losing this client because he turned them in.

MR. CHAIRMAN: — I've got a speaker's list, and I want to ask the Provincial Auditor to comment on the perspective raised by the member for Assiniboia-Gravelbourg that the community college might try to find themselves a more compliant firm of accountants.

MR. LUTZ: — Mr. Chairman, I guess, in the first instance, the auditor for the college did not report to me. He reported to the board. He merely provided me with the information at my request. So the first thing that happens is that he is the board's auditor. The board can replace an auditor at any time, I would presume, but I don't think it's going to gain them anything to do so because, undoubtedly, the next auditor will be in the same position, and have to report the same thing. I would expect that . . . (inaudible interjection) . . .

MR. CHAIRMAN: — The member from Battlefords was in here, but maybe on a different issue.

MR. WENDEL: — In the case of community colleges, I believe it's the Lieutenant Governor in Council who actually makes the appointment.

MR. CHAIRMAN: — I see. It's not the board. Okay, that's different. That's different.

A MEMBER: — I think that's provided in the community college . . . (inaudible) . . .

MR. MORIN: — The comment that I would make relates to who we need to call on this thing, and I would think that what we want to do is look at correcting the problems, and we have the problems itemized by the accountant's report. Consequently, whoever was in place at the time the problems occurred is irrelevant, I think.

We want to know what the problems are, and they're identified, and to be talking to the people who are going to correct them, and to impress on them the fact that they need to be corrected. And that would be the current administration of the college and their masters. So I don't see the need to go back.

MR. CHAIRMAN: — I've got to ask this. Okay, let the member for Saskatoon Eastview make one more stab at the thing, and then I think we are going to move on.

MR. YOUNG: — I'm losing, but I'm going down fighting on this one . . . (inaudible) . . .

I'm not suggesting, Miles, in any fashion, that the old guy is going to come out of the grave and correct the problem, but I do feel his presence here, and what he or she may be able to contribute to the thing will be helpful in correcting the problem, which is what, I agree with you, is the problem.

But just because he's now out of control . . . I mean, it may not even be this old guy, maybe they're all the same people. It could be a tempest in a teapot, for all we know. But if there is an old person, I think that that person would be helpful in helping the new person to correct the problem that we all want to get corrected, and thus I don't write him off as being useless, as the rest of you people do.

MR. CHAIRMAN: — I want to extend my congratulations to the member from Saskatoon Eastview for arguing his case so ably. But, unfortunately, I think you have lost. I think the majority view is that we'll not call the old employees, if there are old employees, until we are convinced of the necessity of it.

Okay. Revenue, Supply and Services. Both these departments — they're now two — both these departments are coming. I think there's little need to go over the report in great detail. That's the function of the in camera session before the accountants, so . . .

MR. HUNT: — Revenue, Supply and Services, I believe, is Revenue and Financial Services. Supply and Services was formerly Government Services. I believe you're talking about two former departments who have new names, is that not correct, Mr. Kraus?

MR. KRAUS: — Yes, yes, that's correct. Correct.

MR. CHAIRMAN: — I think they are both to be called. Indeed, Supply and Services was on standby until a few moments ago, when we unleashed them.

Department of Urban Affairs . . . (inaudible interjection) . . . Yes, they're already coming. Department of Urban Affairs. I want to call these people. I have had complaints about that renter's grant.

A MEMBER: — About the . . . Pardon me. What?

MR. CHAIRMAN: — People getting more than one renter's grant.

MR. MORIN: — Renter's grant?

MR. CHAIRMAN: — Yes. Renter's rebate. I've heard complaints about that. I would like to discuss that matter with . . . (inaudible) . . .

A MEMBER: — That's what department?

MR. CHAIRMAN: — Urban Affairs.

MR. KATZMAN: — Well, I'm going to have to . . . Mr. Chairman, I'm going to make a suggestion here, and maybe it's . . . I'm not looking for an argument, and I'm not looking for a fight. My comment is: is there anything in this report that says we should call them for other than what your opinion is, if somebody got two cheques? Let's deal it one step at a time. That's all I'm asking . . . (inaudible interjection) . . . Okay, safeguards were missing . . .

MR. ENGEL: — No, no, that property tax rebate's been paid more than once on the same property. Renter's rebate for non-existent renter property. I think those are the complaints that have been showing up.

MR. YOUNG: — It doesn't say that it has. It said that it was insufficient to prevent or detect if two home-owner grants went out. Right? There's no citation here of two cheques going out.

MR. CHAIRMAN: — There is no suggestion that it actually happened, that they had . . . No evidence that this actually happened.

Mr. Wendel, you've . . . Nothing to add.

MR. WENDEL: — We're just reporting on the rules and procedures in this case. There was a risk of this happening. Now, we may have instances of it happening, but we haven't cited them. That's the case in all of this, the issue that we're dealing with.

MR. KATZMAN: — Can Mr. Kraus help?

MR. KRAUS: — Well, in general terms, we've examined the information that we've received from Urban Affairs, and are not totally satisfied at this time that everything has been addressed.

On the other hand, I'm sure the auditor may have found a few examples where there have been specific problems, but he is identifying that problems may occur, or something may happen. Without going into the specific here, I believe there could be one or two of these (a) through (e), for example.

It may be very difficult to put a system in place to prevent everything, to prevent all these things from happening. I think the auditor has an obligation to identify weaknesses. It doesn't mean you can put a system in, though, to make sure all these things will be corrected. I'm talking in general terms, but I think that's a fair statement to make.

MR. CHAIRMAN: — It's a fair problem.

MR. KRAUS: — Renter's rebate for non-existent rental property. I'm not sure anybody, for example, could give you a list of what the rental properties are in Saskatchewan. I assume any home owner could suddenly have a rental property if he decided to rent his basement out, or not rent it out but somebody was there and claimed the rebate.

I mean, that's the nature of these programs, and there are situations that are going to exist where somebody tries to beat the system, and I'm not sure you can put things in place to protect yourself 100 per cent.

MR. YOUNG: — The hospitalization number, if it's punched into anything, would, you know,

flash buzzers and ring bells and things, because you have to put that on your application.

MR. KRAUS: — I think what's happened in the recent past . . . I wasn't aware of this until just recently, but I think the SHSP (Saskatchewan Hospital Services Plan) number, you can now get two numbers, or a variation on the same number for the same family. So it doesn't have the same control attached to it that it used to have.

MR. WENDEL: — You can always set up fictitious people on SHSP. It has happened in the past. I don't know if they've tightened that up or not.

MR. GLAUSER: — No, my question is: do these people buy time, computer time, or is it an in-house operation?

MR. CHAIRMAN: — . . . (inaudible) . . .

MR. KRAUS: — Oh, they are using SaskComp. They have terminals, of course, as I recall, in Urban Affairs, but I believe their programs are on SaskComp utility. That's right.

I believe in these particular programs, we're not talking about an in-house computer here, are we Mr. Auditor? I believe it's . . . (inaudible interjection) . . . Yes, it's at SaskComp utility. Yes.

MR. YOUNG: — It would be a criminal offence, anyhow, for these people to do this. Not that that's going to save much, but . . .

MR. CHAIRMAN: — Not that that cuts a lot of ice.

MR. KRAUS: — I guess I'm not trying to say that every criticism or concern that the auditor has raised shouldn't be improved upon. There may be some in here, though, that get into an area where the cost may not justify the benefits.

MR. KATZMAN: — That's the key word that I would like to comment on, the cost justified, the same as we had the discussion last year in Revenue, E&H tax. Now here we go again.

My only question is: If we have some of these cases pop up, we may want to have them here, and say, "Look it guys, clean up your system." We may as well just tell Mr. Kraus, "Mr. Kraus, get in there and put as many safeguards in the system as possible." I'm asking for guidance, because I don't know what's right.

MR. KRAUS: — We have, Mr. Chairman, begun our own review of Urban Affairs or these programs, because of the concerns raised by the auditor. Because I guess we'd like to make sure that they're doing what is practical and cost-effective to fix the problem up, and identify those issues that may have to remain somewhat weaker than we would prefer, but it's impractical to add any more cost. So we are undertaking review — the simple answer.

MR. LUTZ: — Mr. Chairman, perhaps one comment on, under the Provincial Auditor Act, Section 12(1)(g) requires me to report whether or not, in my opinion:

essential records (were or) were not maintained, or the rules and procedures were not sufficient: (i) to safeguard and control public money; . . .

And if we perceive a case of this nature, we will report it, whether there has been a loss or not. Hopefully, it will close the barn door before the horse is gone.

MR. CHAIRMAN: — I'm not sure you have, because I've got complaints about the thing.

A MEMBER: — Well, yes.

MR. CHAIRMAN: — Well, is it agreed to call this group to discuss these, and I suppose whatever other issues as they arise?

MR. KATZMAN: — I'll make another suggestion here. Rather than calling them, we have . . . The first group we're calling for sure with questionables, subject to certain things. Would you like to start a third grouping called: people we would like to call, if sufficient time? I'm not sure we would want to call them or we don't. I can't read the committee.

MR. CHAIRMAN: — You're getting an A list, a B list, and a C list here.

MR. KATZMAN: — That's what I'm developing, yes. No, we've eliminated a lot of them. I don't know. What we're doing is checking a system, rather than a problem that happened. We're not sure if we had a problem, but the system would allow a problem to happen, so we're suggesting we want to discuss the system to close these loopholes. Okay.

The other cases on the calls is there's problems, and we want to talk about those problems. If the Provincial Auditor's bill had not had this one line and said "possible", he wouldn't even have reported it. This is something he wouldn't normally have reported before.

MR. WENDEL: — He would have reported it before.

MR. KATZMAN: — He would have reported it. Okay. Fair. I can make three lists or two lists.

MR. CHAIRMAN: — I think three lists. In my view, I have nothing . . . (inaudible) . . . It seems to me three lists is a bit of an over-sophistication in the sense that we've for the A list and the B list. We will prioritize the A list until we want to call first.

A MEMBER: — Okay. Put it on the A list. Good enough.

MR. CHAIRMAN: — But we may not call them first. Social Services is obviously coming. We decided that yesterday, I think.

Rural Affairs. Is this something that we need to ask the comptroller, Mr. Kraus, whether or not . . .

MR. KATZMAN: — We have them flagged as a question mark, Mr. Chairman.

MR. CHAIRMAN: — Social Services?

MR. KATZMAN: — No, 2.2.10.

MR. CHAIRMAN: — 2.2.10 is already flagged as a question mark. You're right. Alcoholism commission is flagged as a question mark.

MR. KATZMAN: — 2.2.11 — no, it is not, Mr. Chairman. We have not . . .

MR. MORIN: — We dealt with them earlier on their grant . . .

MR. KATZMAN: — We decided not to call them, Mr. Chairman.

MR. YOUNG: — The Alcoholism commission?

MR. KATZMAN: — We decided not to call them.

MR. KRAUS: — 2.2.11 is another situation where, without going into the details, the answers that they have provided we're quite satisfied they fixed the problem up — 2.2.11. Also, by the

way, 2.2.10, Rural Affairs, has fixed the problem up, too. In fact, we investigated that one the other day and we're satisfied.

MR. KATZMAN: — Yes. We didn't talk about 2.2.10 when we were . . . (inaudible) . . .

Mr. Chairman, with that comment of Mr. Kraus', I would suggest we could stroke 2.2.10 off, then, and if 2.2.11, alcohol, has cleaned up its problem, both in 2.2.3 and 2.2.11, there's no need to call them.

MR. CHAIRMAN: — They appear to be accounting problems, don't they?

MR. KATZMAN: — So that strokes 2.2.10 off, as well.

MR. KRAUS: — Well, the problems obviously existed or the auditor wouldn't have reported them in both 10 and 11, and we were concerned as well. But they have taken steps to fix them up. Provided they do what they're doing now . . .

MR. KATZMAN: — What happens is they show up next year, and if then, we really haul them in.

A MEMBER: — Yes, but, because they've agreed to do what, I guess, essentially what the auditor would recommend or we would recommend.

MR. KATZMAN: — Yes, that's the past procedure. If they've cleaned it up, we don't haul them in. But if they show up the second year, whammo! — they get it. So I scratched 2.2.10 off my list too, Ned.

MR. CHAIRMAN: — All right.

MR. KATZMAN: — To the Clerk: 2.2.10, we've scratched it off our questionable list.

MR. CHAIRMAN: — Department of Rural Affairs in effect, rather than . . . (inaudible) . . .

A MEMBER: — Does that mean don't call?

A MEMBER: — Yes.

MR. CHAIRMAN: — Have we scratched 2.2.11 as well?

MR. KATZMAN: — I thought we just did.

MR. ENGEL: — Yes, 2.2.11 we never decided to call.

MR. YOUNG: — A general question, Mr. Chairman, if I might, again for the auditor. In various departments, sir, oh, of government, a lot of employees, say, in Tourism — the game officers, and in the liquor licensing . . . People have cars, and it's always been a lot of community thought about it, and they run them around and use them for this and that. And I presume there's guide-lines for these people — that they can't use their car to go for a trip to Yellowstone with their family or something.

How, if at all, do you get involved in checking the control system within government departments for public servants using government vehicles? Because I don't see it, and so on, and how is that checked to ensure that government vehicles, for instance, aren't abused? How does that wire into your job as Provincial Auditor? I'm asking; I don't know.

MR. LUTZ: — Mr. Chairman and Mr. Young, when we audit a department, we do a very small per centum of their vouchers on an examination basis. We can't do a great many, because we

don't have the facilities. I guess I would have to tell you, between doing a department, we will review a cross-section of vouchers, travel vouchers, S4s. When we do CVA, we'll review the revenue from these various departments for car rentals, and unless we did, in fact, come across a very peculiar looking thing, or an anomaly, if you will, there is a distinct possibility we would never, ever detect an item like that. It could happen.

MR. YOUNG: — They're on a credit card and, if they've got a credit card that shows up Chicago — that they've been down there — the obvious question is: "What in the dickens were you doing counting ducks and geese in Chicago?" But you don't go through the credit card come-backs or anything?

MR. WENDEL: — We wouldn't go through them ourselves in detail, but what we would do is look to see what kind of system they have at central vehicle agency to make sure they could catch abuse — or within tolerable limits. Like, you're always going to have some who will get by, but within tolerable limits we would look to see what system they have. Now, the details of that — I'd have to have the auditor in that actually does that on it. Like, I personally don't know.

MR. YOUNG: — And he would red-flag it to you if he saw something out of line.

MR. WENDEL: — Yes. Oh, yes.

MR. KATZMAN: — Okay, Mr. Young, maybe I can help, only because of the debate that's taken place in the House prior on this question. The rule is: any civil servant who has an assigned car may use it for his personal use. He must pay mileage of a certain amount for using it. He is required each day to fill out a form of his miles when he starts the day and finishes the day, and that is a log that's kept in his car. And he must fill it out certain times and it is spot-checked. He then fills out — I'm not sure if it's an S4 or what it is in the department, but I think it's called an S4 — mileage to and from and where it went each time, and weekend mileage, and he has to put how much he pays in there. Miles, you were involved in this as a government employee years ago. That's the simplicity of the system. That is balanced by his supervisor who checks it against his gasoline card — those rip-out things — which has all the information corresponding, where he filled up and so forth. The check is in the lower echelon, rather than when it gets higher up.

MR. YOUNG: — My whole reason for bringing it up is that we're here to protect public funds and watch how the dollars go. And I would think that the abuses that could arise on that great arena would dwarf anything that the Westside Community College or someone else that we're chicken-feeding around on here. And yet we're into all this, and that stuff seems to just go by. And we're not attempting to review the policing methods of departments, that the departments use here.

MR. LUTZ: — Well, we do the systems-based sort of audit now. Undoubtedly, our people who have done the CVA (central vehicle agency) audit have looked at their system and between mileage per litre of gas, etc., which is done in CVA, hopefully the system would be adequate to catch a serious sort of situation like this.

MR. YOUNG: — Apparently it is because nobody has red-flagged it to you guys to put into the book here.

MR. MORIN: — Mr. Chairman, just because I was involved with this for a couple of years, the point that Mr. Young raises is excellent. Ralph itemized the procedure, and he's right on. The problem with the procedure the way it is, regardless of what the auditors say, is that a bright chimpanzee can beat it, and it is being beaten left, right, and centre all over the place. All you have to do is fill gas at home. If you're in a community like Yorkton — you know, that's your base — you fill your gas there all the time, and you can manipulate around the system quite comfortably. I know it's being done, and I think that any public servant who told you it wasn't being done — he would smile and say it's not being done. But it is being done and has been

done and probably will always be done, because with the number of vehicles that are there, it's impossible to control. And you know, you just have to . . . I think we have to count on people's basic honesty that they're not going to rip it off too badly.

MR. ENGEL: — Miles said pretty well what I was going to say. I think the thing we looked at — the former administration — was that: do you pay a civil servant an allowance for using his own vehicle on the job and he can jigger with those numbers? Or do you give him a car and tell him that when you're using it yourself, on your personal thing, that he can jigger a little bit there? I think you draw a balance between . . . Some administrations will, right down the line, just give people a travel allowance and they use their own vehicle. Other governments have an awful lot of cars. And I think either system works, as far as I'm concerned. I prefer maybe to use my own vehicle. I'd buy one that I'd feel comfortable in. Ford doesn't design a car for a tall guy. You know, I've never found a seat belt yet that fits comfortable on a Ford, and yet I can get into a GM and I can get the seat in a position I like.

So if CVA would have a thing our and saying that I'm supposed to drive a Ford, and I'm on the road all the time, I'd be at a chiropractor every week. So, I think it's a matter of . . . And I think even in this administration now, there are some departments where individuals are using their own cars and getting mileage for it, in some positions.

MR. YOUNG: — That's not my point. I'm not quarrelling with public servants getting cars to use to go out and be an ag rep or whatever in the heck they do with their car. It's that I would have thought, that with the kind of known abuse that we all kind of know of from time to time, and that we hear about on coffee row and so on, that it would somehow surface here because it could, overall, with a different control system, amount in great savings, far more than we are going to save in Westside. And that is our function — to watch where the bucks are being abused. Maybe we're not performing that because of the fact that we're leaving it to the departments and supervisors in the various departments to keep tabs on their fleet of guys with cars and things.

Maybe I'm off on something that's not our proper jurisdiction to be delved into in the kind of detail that I'm talking about. But that's one area where I know, before I ever got involved with government, where I could see government waste and abuse. And now I'm elected and we're dealing with chicken stuff here for most of the time.

MR. DEPUTY CHAIRMAN: — I think I would like to add one comment in here, and that is, throughout my life working in financial institutions, what our experience was that 99 per cent of the people are honest. And if we're going to spend money to go after 1 per cent of the people, maybe the problem isn't as large as what it would appear to be out there in the boondocks. So that's just a comment I would like to make.

Mr. Katzman, you have another additional comment.

MR. KATZMAN: — Along with what Mr. Glauser said, the other thing that's done within the group — the cities and so forth that give you a car — the question was presented to city council in Saskatoon many years ago about this exact problem. And the comment was about the employee driving the car back and forth, like home each night and then to work in the morning, and he was allowed to do that free of charge. The response back was a survey done, and the cost to plug that car in overnight in the winter-time for the city of Saskatoon was greater than to let the guy take it home and back, and he paid for the plugging in of the car at night. So the city actually saved money by allowing him to plug it in at his home. They did some kind of study on it. And that goes back to prior to '75.

Also — and I will go back to the city again, because that was a smaller shop and I knew what was happening there — the fellow that was driving his car that shouldn't have been, his own buddies in the department (in the lower level, that never got to the top) made sure he quit doing it

because it would hurt them in the long run.

MR. YOUNG: — I know as well . . . We're off the cars, but you do the same things with meal vouchers. They are given meal vouchers, and half of them are on diets and the other half don't eat it up, and they're putting in X amount of dollars for a meal when they are on some sort of an inspection or something. And it doesn't exist. And it's as rippy-offy as the car thing is. And again, you know, you'd have to go chase the restaurant hostess down to find out if, in fact, he bought a meal.

MR. KATZMAN: — Mr. Young, I would make a comment. There's no way that I eat, live on the allowance that a government employee is allowed on the day. I'm always into my own pocket, and I would assume there's as many into their own pockets as have a little extra. So I think it would balance again. There's a formula there. I think Mr. Engel's been out with me on meals, and he knows that I eat rather well, and \$21 a day doesn't cover it.

MR. YOUNG: — That's not the point. The point how much you eat is your own perogy, so to speak. But if you don't go out and eat at all and put in the darn voucher for dinner time, then it's a fraud.

MR. KATZMAN: — It's a flat rate, Mr. Young, negotiated and decided under a formula of some kind, and therefore it's cost of living, and all those other things are . . . It's the same as mileage; it's a formula.

MR. DEPUTY CHAIRMAN: — Okay. Let's not get a debate going here.

MR. MORIN: — Yes, I'd like to add one thing to my former comment. Al is right. No matter what system you have, there is an opportunity for some guy to abuse it. The system that we have now, I don't think you can have major abuses. The problem you have is you get chiseled; you get two-bitted to death. And the major problem that people complain about around towns and that, when they see their buddy, is he's taking his kid to the hockey rink, or she or he is going to pick up groceries.

When the government changed, just by way of information, we tried to crack down on government cars, and with the driving them back and forth and that type of thing. And I know in the Battlefords the government parking lot is right behind my office, and we left them in the government parking lot overnight, and we found that vandalism that occurred, having these vehicles not watched over night and not in a compound where people couldn't get at them, was more, probably, than guys taking them home and using them to take their kid to hockey once in awhile. So there has to be a balance.

You're right. We get chiseled probably pretty good on that, but I don't know how you'd ever control it.

MR. ENGEL: — Mr. Deputy Chairman or do we address this to the Chair?

MR. CHAIRMAN: — Back to your revered chairman.

MR. ENGEL: — We were discussing whether there are savings that are dollar-wise instead of pinching pennies on some of these other issues here, and should we be looking at all of them?

I think we can wind up a long debate and say that, when central vehicle agency and some of these departments come in here, we could get some statements from them, and I'm with Mr. Young on this area that maybe we should determine means of saving some money in these areas.

On the other hand, if you have the morale of the public service, and you have a lot of people involved in the vehicles and say, hey, park your car here, and you walk home or you get

another means of getting there, and then you take the government car when you're on your job, I think that there are some areas there where we're either going to have to pay them more money, or offset that another way. I think that there's a reasonable solution there. It hasn't been super misused in my book.

MR. YOUNG: — Presumably, Mr. Chairman, we can, if we dream up things of our own such as this, we can bring them to this forum if the auditor has mentioned them at all in his report.

MR. CHAIRMAN: — Oh, indeed. Absolutely. The Provincial Auditor's report is of assistance to us. Our responsibility is the public accounts which are referred to . . . (inaudible) . . . Legislative Assembly. Any expenditure mentioned therein is the proper . . . (inaudible) . . . discussion, whether the provincial auditor within his role saw fit to comment on it indeed. I have some departments not mentioned in the Provincial Auditor's report whom I want to call, but indeed . . .

Just with respect to vehicles, I was minister of this department for some years, and I ate, slept, and drank vehicles for awhile, because I thought I was going to save tons of money by reducing the number of vehicles, getting public servants on buses, etc., etc., etc. I tell you, it's very hard to do.

MR. YOUNG: — The expenditures of the Legislative Assembly itself — are they for our review as well?

MR. CHAIRMAN: — No, that's the one exception.

MR. YOUNG: — The one exception.

MR. CHAIRMAN: — Yes, that's referred to the Board of Internal Economy. There is actually a . . .

MR. KATZMAN: — No, that goes to the . . . that committee . . .

MR. CHAIRMAN: — There is a separate committee.

MR. KATZMAN: — There is a separate committee, because the Speaker must come in and handle them, because he is the chairman of the Board of Internal Economy. And we have a committee — Gwenn could help me — that sits . . .

MR. CHAIRMAN: — Yes, Estimates Committee.

MR. KATZMAN: — Yes, Estimates Committee. That does the Board of Internal Economy.

MR. YOUNG: — Why I brought that up is because, when we first came into this building as elected people, there had been printed more Leader of the Opposition paper in the store-rooms than I've ever seen in my life. It was piled yai high . . .

MR. KATZMAN: — Mr. Collver paid for it himself.

MR. YOUNG: — He did?

MR. KATZMAN: — Oh, yes, it comes out of the grant. Comes out of the grant that he gets, and he pays for it himself.

MR. YOUNG: — And I just thought, "Holy Smokes, somebody overprinted a lot of paper." But if he paid for it, that's okay.

MR. KATZMAN: — He gets a grant to run his office, and what he does with it is his business.

A MEMBER: — Fair enough.

MR. CHAIRMAN: — Just with these central vehicles, then I suppose we'll get on. My deputy minister at the time informed me that the Department of Government Services had more vehicles than they had employed in North Africa during the war. They fought and won a war in North Africa with fewer vehicles than we come to run a few thousand public servants . . . (inaudible) . . . But it proved to be an intractable problem getting rid of them.

Any, upward and onward, if we've done with the Leader of the Opposition letter head and . . .

A MEMBER: — What's a tire worth on that, Allen? A thousand bucks?

A MEMBER: — Oh, heavens.

MR. CHAIRMAN: — The transportation costs were that much.

A MEMBER: — I don't care how much . . . (inaudible) . . .

MR. CHAIRMAN: — As long as you don't find out personally.

Okay, Souris Valley Regional Care Centre — anything there for the good and welfare?

A MEMBER: — No, let it go.

MR. CHAIRMAN: — Mr. Kraus.

MR. KRAUS: — What issue was that . . . ?

MR. CHAIRMAN: — Souris Valley Regional . . . 2.2.12.

A MEMBER: — Page 16.

MR. KRAUS: — I don't believe that was a major issue at all.

MR. CHAIRMAN: — Okay. DNS.

MR. KATZMAN: — Mr. Chairman, on this one here, we just ripped it to death last year. Do we want it back again? It's the same darn issue, and it's dead. The department's dead. They don't do it that was any more, do they? Somebody help me out; tell me if I'm wrong or right?

MR. CHAIRMAN: — The only who might is a member who is not here — Paul. If it isn't a passion for anyone here, can we simply lay this one over, and . . .

A MEMBER: — Put it on the question list.

MR. CHAIRMAN: — . . . I'd like Paul Meagher to . . . Not even put a question mark. Just ask one member of the government caucus to raise it with Paul Meagher, and see if he wants to bring it up . . . (inaudible interjection) . . . He doesn't? You've talked to him? Drop the thing then, because Allen and I are not wanting to spend vast amounts of time in the area.

A MEMBER: — Carried.

MR. CHAIRMAN: — Revenue, Supply and Services is coming up under . . . They're going to be under a number of different heads, and we'll no doubt get into the question again of . . . (inaudible) . . .

MR. KATZMAN: — 2.3.1., you're talking about.

MR. CHAIRMAN: — 2.3.1., yes. We'll no doubt be getting into that area again; we'll no doubt stray into that area.

MR. KATZMAN: — Which one's that?

MR. CHAIRMAN: — The question of whether or not they're collecting all the E&H tax.

MR. KATZMAN: — So, you want 2.2.3. plus 2.3.1. That's two issues.

MR. CHAIRMAN: — Yes, this comments on systems for the assessment and collection of revenue. No, I just wanted 2.3.1., if that's what you're asking.

MR. KATZMAN: — That's what I'm asking. Thank you.

MR. CHAIRMAN: — 2.3.2. — Mr. Kraus, we had a go at this last year, and I recall various officials sort of purging themselves of their sins and promising a new and better day would dawn. Has it?

MR. KRAUS: — Quite frankly, I'm just not quite sure what problem the auditor is addressing here, because I've got a number of issues in my briefing book here on the management letters, and I'm just not sure which one this is.

MR. CHAIRMAN: — Perhaps we'd better have an explanation from the Provincial Auditor . . . (inaudible) . . . You want to get in before they comment?

MR. KATZMAN: — Doesn't matter. I think last year we identified where all the programs on a big board. I question Mr. Kraus if he knows if that has been done.

MR. CHAIRMAN: — Of which this was one aspect.

MR. KATZMAN: — Last year we asked if we have a list, and we assumed . . .

MR. KRAUS: — Oh, yes. Yes.

MR. KATZMAN: — That either industry or . . . (inaudible) . . . That's all been done?

MR. KRAUS: — Yes, it has.

MR. KATZMAN: — Okay.

MR. CHAIRMAN: — What is this program then?

MR. LUTZ: — This weakness arises because of the absence of reconciliation procedures between departmental records of costs to be shared and claims received to the Department of Finance records of disbursement on cost-shareable programs. We don't know whether all costs which are cost shareable are really claimed.

MR. CHAIRMAN: — And, presumably, neither do they.

MR. KRAUS: — In that particular program then, we've been advised by Industry and Commerce that they have modified their manual procedures that does now include a monthly reconciliation.

MR. LUTZ: — Here again, we reviewed their system, and we found in some areas that the system was really not adequate to make sure that all of the shareable costs were being compiled, and that they were ending up in cost-sharing claims to the federal government.

MR. CHAIRMAN: — Before I recognize the member for Rosthern, may I ask whose information is the latest here? You say that you believe the problem is in hand. Mr. Lutz says, but not entirely, there are still some soft areas.

MR. KRAUS: — Well, if I could, Mr. Chairman. We have the advantage here over the members in that we are getting a chance to see any responses to the auditor's concerns, and so I have information here that we've taken from the department's response to Mr. Lutz. And they have indicated in that response that they have, in fact, changed their procedures, and this is in response to the recommendation made by the auditor.

MR. KATZMAN: — I think, right along his comment, last year it was pointed out, and I would assume when the auditor was doing his report we were still just . . . Sorry. The department had just met with us previously, maybe a month or two, and was in the process of changing. And I'm gathering from Mr. Kraus that he has the latest information, which means that the system is now in place. And if it ever . . . If it shows up next year, we know that the system was no good.

MR. ENGEL: — Does the reorganization of this department have any effect on that Mr. Lutz?

MR. LUTZ: — It's approximately a year since this particular subject arose. We won't know until we go back and visit them again.

MR. CHAIRMAN: — All right.

MR. KATZMAN: — My comment is, we discovered it here, and they promised to clean it up in that year. So it may be cleaned up totally.

MR. LUTZ: — Mr. Chairman, I think the problem is that when you incur costs in this department, whether those costs are going to cost shareable, or whether those costs are not going to be cost shareable, they all look the same. Unless they put a system in place to somehow — I guess I can use the word "flag" these things as they go, so it's pretty difficult to go back later and decide that this one or that one or that one back in February should have been, and the one in August will be, and the rest aren't. If you don't do it as you go, as you incur the costs. It's you know . . . And this is the system that was not there.

We will go back and look at them again, and if they have, in fact corrected this, this won't appear again.

MR. ENGEL: — Does Mr. Kraus feel that the new system is in place?

MR. KRAUS: — They've addressed the problem that . . . (inaudible) . . .

MR. ENGEL: — When there's a new program implemented, or accounts set up, that that will be identified if there is federal funding involved in . . .

MR. KRAUS: — Oh, that's very true. Right, I think this was . . . There was a number of things associated with this particular situation, and this one was that Mr. Lutz wasn't satisfied they were balancing their expenditure records to the expenditure records that I have, to ensure that the cost sharing — any expenditures that should be claimed, would be claimed. And they have now amended their procedures to that.

MR. ENGEL: — Is the Department of Industry, Trade and Commerce plugged in on SaskComp or are they doing their accounting manually?

MR. KRAUS: — This would be a combination of manual procedures that they have, and the expenditure system that they're running here happens to run through a computer that I have in

my office.

A MEMBER: — Okay.

MR. LUTZ: — So then can you identify, as they go along, those costs they incur that should end up in a claim?

A MEMBER: — Yes.

MR. LUTZ: — On a day-to-day basis?

MR. KRAUS: — There is an ability to code it to a certain point, Mr. Lutz. But a certain amount of analysis has to be performed by the department.

MR. LUTZ: — And this has to happen when the . . . (inaudible) . . . is incurred or it's unlikely you're ever going to find it again. Is this right?

MR. KRAUS: — That's correct. That's right. And I think that's what you're addressing here, is that they weren't reconciling in that. We're saying that they have now said they fixed it up.

MR. KATZMAN: — 2.2.3, Western Development Museum is next.

MR. CHAIRMAN: — I missed that. Are we going with Industry and Commerce? No, we are not. Okay.

MR. KATZMAN: — 2.3.3. — Mr. Chairman, this goes back, if I am correct, back to that suit between the Western Development Museum and Mr. Phelps, or whoever it was? From then on it became a concern that who donated what to what from then on. No? This one here says from the Government of Canada. But Mr. Phelps is the one that raised this issue many years ago in a court suit between who owned what equipment at Western Development Museum.

MR. LUTZ: — No, no. On page 28 of my report there is a reservation of opinion in the auditor's report, and that's what this thing is addressing.

MR. GLAUSER: — Mr. Lutz, was that not on there last year as well?

MR. LUTZ: — Yes.

MR. CHAIRMAN: — Well, perhaps we should call them then . . . (inaudible) . . .

MR. ENGEL: — When was the last time we had the Western Development Museum before this committee?

MR. KATZMAN: — Two years ago.

MR. ENGEL: — They've been here two years ago, eh?

MR. KATZMAN: — I think it was two years ago.

MR. CHAIRMAN: — I don't recall them being here two years ago.

MR. LUTZ: — I don't know if they have ever been here. I can't recall.

MR. GLAUSER: — They haven't been here since I have been, and that's two years.

MR. ENGEL: — I think we should call them.

MR. CHAIRMAN: — Okay, agreed to call WDM.

MR. KATZMAN: — Well, I just have some hesitation here. When I say hesitate, what are we calling them for?

MR. CHAIRMAN: — To deal with the issue raised by the Provincial Auditor. It appears to be ongoing problem.

MR. KATZMAN: — The reason I ask the question, we decided yesterday that we would try to notify them what we were calling them for, each time, from now on. So, if this is the only issue . . .

MR. LUTZ: — Reservation of opinion on your financial statements would be a reason.

MR. KATZMAN: — Yes, so that they know what information to bring.

MR. CHAIRMAN: — It should be made crystal clear to departments, if it isn't, that when we say this is an issue we want to discuss, it's not the only issue we want to discuss. They should be prepared to discuss any items in the *Public Accounts*. We will be particularly incensed if they don't bring information on the item we specifically draw to their attention. But they should attempt to come prepared to discuss any item.

MR. KRAUS: — I just want to clarify one this, Mr. Chairman. I want to know whether the auditor feels that this is something that the Western Development Museum can fix, or whether it's uncontrollable, because there is a point here where the auditor will find himself in a position he's unable to confirm, with the group that provides him with the funds. Okay, he can't confirm . . . Or that may be the issue here, and that's what I'm just not sure of.

MR. WENDEL: — If I might, Mr. Chairman. No, we feel that their procedures could be tightened up. There is a weakness here.

MR. KRAUS: — As well as the fact that it's difficult to verify with . . . (inaudible) . . . Canada because you don't know who to send . . . Or you may not know exactly who to send your request to because of the size of the federal government and the funding agencies.

MR. WENDEL: — The problem is that any of these branches of the museum can apply for grants from the federal government. They can receive those grants, deposit them in a bank account, and it won't be recorded in the books. So that's the concern.

MR. KRAUS: — Your concern then, is that the head office, if there is such a thing, should have more control over what the various museums are doing . . .

MR. WENDEL: — That's correct.

MR. KRAUS: — . . . in terms of grants.

MR. LUTZ: — There's no central body to make application for these grants. Each of these things can make their own application; get their own grants; put them in a bank account as they see fit, and never necessarily go near the books of the museum. At that point it becomes a little difficult to find out how the money was spent.

MR. YOUNG: — Well, I don't see what the mileage is in calling these people under those circumstances. It escapes me what we can do with them.

MR. CHAIRMAN: — I would think it would call them to account . . . That's the function of the committee in a sense.

MR. YOUNG: — And tell them to write every federal government department and agency that ever was and see if there's a grant that may be forthcoming.

MR. LUTZ: — Perhaps we approach it from the other side, Mr. Kraus. Who in the administration determines who or who shall not open a bank account, and who decides these things?

MR. KRAUS: — Mr. Lutz, that would . . . the Western Development Museum would be subject to the rules and regulations of policies of the treasury board.

MR. LUTZ: — It would.

MR. KRAUS: — Well, I believe they are now, without checking. There are some exemptions, but generally speaking, they would be expected to adhere to them, if not directly, at least to follow the rules and regulations of policies . . . They're the treasury board.

MR. KATZMAN: — Well, if they follow, the way I read what I'm hearing and I'm not hung up really, I think what we're saying to them is . . . Mr. Kraus should be notifying them that, "You are responsible to the rules of the treasury board which says bla, bla, bla, on setting up accounts, and who can sign, and so forth. All funds must be accounted for." Send them that nice little letter, and that's all we're talking about. The other point that I was bringing in was the donations of . . . Somebody leaves a tractor, or a combine, or something to the museum, and that's been settled in some kind of court decision, how it's to be allocated for now. It was only in the Mr. Phelps' situation who said, "They were donated to me." But he was also the manager of the museum at the time, so were they to him or to the museum? Now that's been settled somehow. So that's been settled without us involvement.

MR. ENGEL: — There's another issue, though, that there are some artifacts around the country that people have, and wish to maintain ownership of, but wouldn't mind having them displayed at a museum for a certain length of time or something . . . (inaudible) . . . worked out, and I'm not sure if that's a policy decision or a matter that public accounts are going to do, but that's the only thing that I was going to talk to them about.

MR. YOUNG: — It's a gift horse. You can't be . . . Okay.

MR. CHAIRMAN: — No, you're not out of order. I was just waiting until you were finished this one, and I'll recognize the member for Morse.

MR. MARTENS: — I think it's about time I talked again just to show that I wasn't sleeping. The discussion of whether you put something in or take it out, I don't know whether it's a discussion for this committee. I wonder if that's a policy decision within their framework, and I don't know whether that's an accounting procedure problem. I would suggest that we take this one and just let it go. That's my read on it.

MR. CHAIRMAN: — . . . (inaudible) . . . the hon. member from finance.

MR. KRAUS: — Mr. Chairman, the auditor has qualified this financial statement for several years, and may have to continue, because there can exist a situation where an auditor cannot assure himself that all the moneys that an organization should have received were received. You run into that situation with churches and charitable organizations of a variety of . . . And therefore, you may find that the Western Development Museum's financial statements are qualified because the auditor is unable to assure himself that these revenues were received.

A MEMBER: — Or were applied for?

MR. LUTZ: — . . . (inaudible interjections) . . . in the area of donations.

A MEMBER: — Agreed. This is a little different.

MR. KRAUS: — Okay. And so I'm just saying, don't be surprised if that continues to appear, because there's a situation where an organization can do nothing to overcome that problem. The auditor is merely alerting the reader that there are moneys that flow in from various sources, which there's no way of knowing whether they're going to come in or not. And therefore he can only certify that those that were recorded were accounted for correctly. But whether everything that was received was recorded, he doesn't, he cannot, confirm. So that may continue to appear. So that's part of the problem, I believe. That's what I was getting at.

MR. WENDEL: — The donations part is. . .

MR. KRAUS: — Yes.

MR. LUTZ: — No, that's not all we're talking about. We're also talking about these Government of Canada grants. This is where the director of the museum can make its own application for a Government of Canada grant, whether it's 1,000 or 100,000, and he promptly opens a different bank account and puts that money in that bank account, and he administers it.

MR. KRAUS: — What you would like to see then, is that the Western Development Museum head office, or whatever, has a policy that says, if you people apply, you tie us in, so we know what you're getting.

A MEMBER: — It's got to be part of the record.

MR. KATZMAN: — That's fair game. We can make that recommendation . . . (inaudible) . . . That's fair game.

MR. KRAUS: — They should be doing that anyway.

MR. LUTZ: — Plus the fact that they are not entitled to go out and open their own bank accounts in my name, I wish, and go ahead and spend this money my way.

MR. KRAUS: — They were in violation in the past, and we jacked them up on it. I would hope that they aren't continuing . . .

MR. CHAIRMAN: — Okay. I gather we're not calling them, though. Department of Finance. A comment with respect to interest disclosures, and so on. I wasn't convinced when I read this that there was a great deal of merit to call the Department of finance, but . . . (inaudible) . . .

A MEMBER: — No, don't need them.

MR. CHAIRMAN: — Saskatchewan Housing Corporation?

MR. KATZMAN: — We've already got them coming.

MR. CHAIRMAN: — Social Services?

MR. KATZMAN: — We've got them coming.

MR. CHAIRMAN: — And now the Department of Justice.

MR. KATZMAN: — That's nothing too, again.

MR. CHAIRMAN: — Would you explain to me what happened here, because I wasn't sure

when I read your . . . (inaudible) . . .

MR. WENDEL: — Mr. Chairman, what's happened here is the expenditures for salaries for the communications secretariat were charged to the appropriation grants to local authorities to provide for the policing services of the Royal Canadian Mounted Police. So what's happened is that the money has been used for the purpose other than was intended by the legislature as set out in the *Estimates*.

MR. CHAIRMAN: — . . . (inaudible) . . . did that happen?

MR. WENDEL: — I don't know how or why. Probably because there was no subvote, or no appropriation for the communications secretariat.

MR. GLAUSER: — Mr. Chairman, was there not an increase? Would this have to do with an increase that came about in the past, in that year — placed on us by the federal government?

MR. WENDEL: — The communications secretariat?

MR. LUTZ: — An increase in the cost of the RCMP, you mean, Mr. Glauser?

MR. GLAUSER: — That is correct.

MR. WENDEL: — No, it has nothing to do with that. I think what we're saying here is the salaries for some employees who worked for the communications secretariat were charged to an appropriation called "grants for policing services."

MR. YOUNG: — It must have been deputized then, or something.

MR. CHAIRMAN: — Mr. Kraus may be able to shed some light on this.

MR. KRAUS: — If you recall, last year at the committee I raised a concern that some departments on occasion were charging moneys into an incorrect subvote, because the correct subvote had insufficient funds, and although we try, there are situations where we have no idea where the cost should be charged.

We know the department, obviously, but as to what subvote, it's very difficult. And you have to rely on the department to do it correctly. And in some cases departments realize that they could charge them to the wrong subvote. Then, when they got enough money somewhere else, they'd just start this transferring back and forth with journal vouchers.

So I wrote a letter to every permanent head, suggesting that it wasn't an acceptable practice, we frowned on it, and so on. I suspect this probably happened towards the end of the last fiscal year, about the time we were talking about this, say March, February of '83.

I can't say that this may not happen from time to time now, but we have another procedure in place, which we're at least trying to detect them, even if it's detecting them after they've happened, to censure the departments.

MR. LUTZ: — Fair game. The fact remains, though, that the *Estimates* book, which purportedly shows the government's programs before virements, before special warrants, was more or less ignored, and they just did it their own way for awhile.

MR. KRAUS: — No, I agree. The department was clearly at fault.

MR. KATZMAN: — But then we . . . That was flagged last year in this committee, and you have since wrote a letter, and it's, supposedly, we hope, cleaned up.

MR. KRAUS: — Well, if they aren't, we're undertaking some audit procedures of a mechanism they can use to adjust the problem, or correct their mistake. And we're trying to flag those where they have done that, and we're going after them when we find they're occurring, those things.

MR. YOUNG: — The proper procedure, Mr. Kraus, was to come roaring in for special funds to pay the communications secretariat, and then everything would have been good.

MR. KRAUS: — That's all they have to do, that's correct — get the funds or get a virement. I mean, there are mechanisms in place. They don't have to do this type . . . (inaudible) . . .

And besides, they're supposed to know where they are at any point in time in the year. You can't say, "Well, we didn't know we were going to have that expenditure in March." You should know in December whether you're going to run out of money, and do something about it.

MR. YOUNG: — And, presumably, then, the special policing thing got drained too much, and it would have been an under . . . You know, it had obviously too much money in it to do this. In order to pay 200-and-some-odd thousand to the communications people, it wasn't properly allocated at the beginning, anyhow. It was over-allocated, at least by that amount.

MR. CHAIRMAN: — All right. Any need to call the Department of Justice?

MR. KATZMAN: — No, not in my opinion.

MR. CHAIRMAN: — Department of the Provincial Secretary? Apparently the . . . (inaudible) . . . pulled off the . . . (inaudible) . . . It's the old shell game on us here.

A MEMBER: — Let them go.

MR. CHAIRMAN: — Is that overstating the problem somewhat?

MR. KATZMAN: — I think that 2.4.2 should let go, too.

A MEMBER: — The Provincial Secretary?

MR. KATZMAN: — Yes, we let him go. We let 2.4.1.4 go, we let 2.4.1.5 go, and now we're on 2.4.2. I feel like a computer with all these numbers.

MR. LUTZ: — Mr. Chairman, 2.4.2 is an annual commentary on overcommitments, not necessarily overspending, but overcommitments of appropriations.

MR. CHAIRMAN: — The arts board — this is an ongoing problem . . . This is an old chestnut.

MR. LUTZ: — Mr. Chairman, I have been advised that they are proposing to correct this problem this year . . . (inaudible interjection) . . . Yes, well, this is what I've been advised, and I would be delighted if we could in another year not have to report this one, because it's one of those things we must report because that's the way it is.

MR. KATZMAN: — Let's forget it then, if that's the case.

MR. CHAIRMAN: — Yes, also no one is quarrelling with the substance of the expenditure. They've got a technical problem with the act. I think we would probably . . . I might say I think we want to flag the Western Development Museum, if I may, just for the sake of the Clerk, we want to flag that, not to call them, but to remind ourselves to comment upon that, or to consider including a comment on that in our final report. So we want the thing flagged, not to raise, but to

include a comment in the final report. Likewise, I think, we will want to flag the Saskatchewan Arts Board, not to call them, but to include a comment in our final report, if the thing isn't corrected.

MR. YOUNG: — Pushing them to amend the legislation, to let them do what they're supposed to do. Why don't they amend the legislation?

MR. LUTZ: — Mr. Chairman, it may well be that by the time you're ready for your final report, there may be a bill from the table . . . (inaudible) . . .

MR. CHAIRMAN: — Yes, they would be . . .

Rural Affairs anyone? Hardly, eh?

A MEMBER: — No.

MR. CHAIRMAN: — Continuing Education — I wanted to call Advanced Manpower and Education in any event, to deal with another matter, which is the question of funding of the universities.

A MEMBER: — A question of what, Ned?

MR. KATZMAN: — Well, Mr. Chairman, I'm going to have a disagreement with you.

MR. YOUNG: — I don't even know what he said to disagree with.

MR. CHAIRMAN: — I want to call the Department of Advanced Manpower and Education to deal with the universities in order to determine whether or not there is any means by which they can alleviate the overcrowding by introducing greater efficiencies . . .

A MEMBER: — Oh.

MR. CHAIRMAN: — Well, it was suggested by the minister that there were. I think that's worthy of follow-up.

MR. KATZMAN: — That's committee of the whole in the House. Committee of finance, sorry.

MR. CHAIRMAN: — No, I don't think it is.

MR. YOUNG: — You're right into the management of the whole thing, Ned. You should be Mr. Barber or something by the sounds of things.

MR. CHAIRMAN: — No, I disagree. We are giving them considerable sums of money. The question of whether or not they need that money or could make do with less is surely a proper subject for discussion of the committee.

A MEMBER: — Well, maybe . . .

MR. CHAIRMAN: — I think it is.

MR. YOUNG: — It's autonomous, and we give them money and they run the thing, Ned.

MR. CHAIRMAN: — Well, they're not now. It's Advanced Education and Manpower now that give the money. We no longer have a universities commission, although perhaps we did in the year under review.

MR. KATZMAN: — We did in the year under review.

MR. CHAIRMAN: — We have called the universities commission before though. It's hardly a precedent.

MR. KATZMAN: — That's true. We called them. Mr. Chairman, I'm going to disagree with you. And I'm going to suggest, if you want to call that department, you add that as a list after rather than on this item 2.4.3.3.

MR. CHAIRMAN: — Say that again.

MR. KATZMAN: — Well, we had suggested earlier that if you wanted to add something, as you told Mr. Young he could, but so I would suggest if you want to bring that in after, but let's not bring it under 2.4.3.3.

MR. CHAIRMAN: — No. By way of skipping over this, I was going to suggest I wanted to call them anyway, but okay. Let us agree we don't need to call them to deal with this issue.

MR. KATZMAN: — The Department of DNS we are not calling.

MR. CHAIRMAN: — Agriculture?

MR. KRAUS: — In the case of agriculture that's a situation where they had obtained an order in council to pay one grant, and unfortunately the officials thought that that would cover the next grant that they paid, and it didn't. It was an administrative oversight. They know now they are supposed to get an order in council for all the grants that they pay over . . . (inaudible) . . . So they've advised us that they'll make sure that that doesn't happen again.

MR. KATZMAN: — We don't need them then.

MR. CHAIRMAN: — Okay. WDM. MCIC. This is an ongoing problem which has apparently still not been resolved. Unless someone wants to talk to the MCIC about some other issue, it would seem unnecessary to call them but since we flagged the issue.

A MEMBER: — Don't need 'em.

MR. CHAIRMAN: — Again I'll include the comment in my final report that the problem should be corrected.

A MEMBER: — That's 2.4.4.2, same as last year.

MR. CHAIRMAN: — Economic development corporation. Where was the land?

MR. KATZMAN: — That will be the Sedco land in Saskatoon, Agra something, I'll bet.

MR. WENDEL: — Agraplace.

MR. KATZMAN: — Agraplace. That's what I thought. Agraplace in Saskatoon. Brian Jarvie's mortgage probably.

MR. YOUNG: — What this is saying to me is that Sedco cannot make its deals on ground, and if there's a mortgage involved in the ground that they're taking over, they've got to get an order in council to take it over?

MR. LUTZ: — I regard this as nothing more than borrowing funds. Whether they borrowed \$1 million or got \$1 million mortgage, I think they still owe \$1 million and that's like borrowing

funds. It's debt, it's debt, without an order in council. Those are the rules.

MR. YOUNG: — May I add . . . That's right.

MR. CHAIRMAN: — Does anyone want to call this department on this issue?

MR. GLAUSER: — I would assume that has since been corrected.

MR. KRAUS: — I can't speak to that, Mr. Glauser, because they're a crown and we don't get involved with them. You assume it would be, but I can't.

MR. CHAIRMAN: — Could you undertake to find out and let us know, or have you no means of doing that since they are crowns?

MR. KRAUS: — Well, I could unofficially.

MR. WENDEL: — Mr. Chairman, if I could, I'm advised that they have now paid it off.

MR. KATZMAN: — Mr. Chairman, I'd like to put this under my question list for now, if I may.

MR. YOUNG: — Back to basics, for my own information and education. Why again is it, would somebody explain to me, that there's crowns scattered throughout here, and then there's the big crowns, — what's going on again? How come we're doing some crowns and then some crowns are . . . (inaudible) . . . in the crowns corporation committee.

MR. LUTZ: — We are trying to make our points relative to the requirements contained in my act, the things I must report. And, if you'll notice at the front of the book, you have two indices. In the second index there's an alphabetical listing of the departments and the crowns and the agencies relative to which we make our comments. What we have done is located these contraventions, if you will, these omissions, if you will, these weaknesses in systems, if you will, as required by my act, and we've endeavoured to include these things in the report in the same order with which my act requires me to report things.

MR. YOUNG: — So, your act, sir — that just throws out some crowns the chapter deals with and then leaves other ones silent.

MR. LUTZ: — If we had found some things in every crown, we would have reported those things on every crown. These are items we become aware of when doing our audits, and they will be reported. Now, if there was something in here on Saskatchewan Power, if we found that they had exceeded their borrowing limit or something, that would also be here.

MR. YOUNG: — Okay. I'm just asking, basically, for the difference between crowns and public accounts, I guess.

MR. LUTZ: — To us, there is none.

MR. CHAIRMAN: — The jurisdiction of the two committees is really concurrent except that their jurisdiction is broader. They can discuss any activities, policy or otherwise, for the year under review. I sat through on Crown Corporations Committee in which we consumed a full 45 minutes discussing whether or not the general manager of the day should have had printed some buttons which he had printed and passed out as promotional items, and that consumed 45 minutes. That would scarcely be . . . (inaudible) . . .

MR. YOUNG: — And we deal with just errors in accounting practices, and they deal with policies.

MR. CHAIRMAN: — We don't deal with policy. Your first statement, I think, is somewhat narrow, but we don't deal with the broad policy issues.

MR. YOUNG: — I understand.

MR. CHAIRMAN: — Crown corporations can be, and are, called to this committee.

MR. LUTZ: — Mr. Chairman and Mr. Young, perhaps one more comment. On page 42 of this report, which is section 12 in my act, there is delineated certain things I must report. And we will report these things we have done, indeed, in the case of oil, whether we have done the audit or not. When we become aware of these, we report them.

MR. YOUNG: — I wasn't challenging you. I was just wondering.

MR. LUTZ: — No, I'm trying to explain why some of these things appear in the order they do.

MR. HUNT: — Mr. Chairman, Mr. Young, if you notice, the compendium indicates the full range of management letters which have been issued, and those matters considered significant to report to the Legislative Assembly in the annual report have been gleaned from those management letters.

MR. YOUNG: — . . . (inaudible) . . . for awhile, I'm a little rusty on just where we pick up and where crowns take over. In order to perform my function here, I have to . . . (inaudible interjection) . . . getting this stuff straight in my head so that I know what I'm doing.

MR. HUNT: — Generally, internal control matters, system efficiencies, will be reported relative to the significance of those issues relative to the size of . . . (inaudible) . . .

MR. LUTZ: — Mr. Chairman, Mr. Young, if we find in these management letters a matter which might or should perhaps be reported — if, in my view, the weakness is going to be insignificant in the amount of risk that's being incurred, we won't report that in here because, again, we must make a judgment call as to what items the members of the legislature wish to be advised of.

MR. YOUNG: — This 7:30 business — I have to get my head straightened around as to where we're at. I probably maybe understood the answer to my question — it would have started here a little later in the morning.

MR. CHAIRMAN: — This committee will have long-reaching benefits. After mid-May comes and we're finished, you'll find that you'll want to get up at 7:30 and start work. You'll be down here with Ralph, coming through the door at 6 in the morning. It'll change your whole life, Kim.

MR. KATZMAN: — You'd better go farming, Kim. You know, 6 o'clock morning out on the tractor . . . (inaudible) . . .

MR. YOUNG: — I never got on a tractor at that hour in my life, Ralph.

MR. GLAUSER: — Just on the heels of Mr. Lutz's statement there, I have been grappling with the . . . in revenue, in so far as it relates to the E&H tax. I've been trying to . . . We're not on that one right now, but it's just because we're going to have those people in here. I am wondering how you can arrive at the statement that there — if the situation perhaps exists — that there is considerable money being missed out there in that particular area. It will help me to word my questioning when these people do come in, and it has been a concern of the chairman's, I know, because of course it is stated in your report. And I'm wondering how close you can come to stating that there are perhaps large sums out there.

MR. KATZMAN: — I disagree with both, but that's fair game.

MR. LUTZ: — Mr. Chairman, Mr. Glauser, I will endeavour to respond. On page 13, we . . . Oh, sorry, I'm on the wrong one. You're referring to page 17?

A MEMBER: — 17 and 18 . . . (inaudible) . . .

MR. HUNT: — Page 18.

MR. GLAUSER: — On page 17 it states that . . .

A MEMBER: — 2.3.1.

MR. LUTZ: — Was it in 1980 this committee asked the department to do a study on this whole subject, I believe? In 1982, they said they had a study, but when we reviewed that study, in our view, they had not really addressed the subject. It did not, in our view, address the feasibility of, or not of, doing this additional thing we were suggesting. And we're merely pointing out here that, in our view, they should continue this study until they come up with a study which does, in fact, catch the whole thing.

MR. CHAIRMAN: — Could I suggest that we move on? I'm not trying to curtail this discussion. The hour is getting late, and I've got to run very shortly . . . (inaudible) . . . I was struggling to try and finish up. We can pick this up at a later time at in an in camera session. And you might want to call the Provincial Auditor directly if it was a . . .

MR. MARTENS: — Are they making arrangements to change that problem?

MR. KRAUS: — They're now aware of what they're supposed to do, and they're going to make sure they don't have the problem again.

MR. YOUNG: — It was no on Sedco, right? No call on Sedco.

MR. KATZMAN: — That's a question mark . . . (inaudible) . . .

MR. CHAIRMAN: — They forgot time list. All right. Our first responsibility is to deal with the departments raised by the provincial auditors. Any sort of personal excursions come afterwards. I think that's . . .

MR. KATZMAN: — We haven't developed a personal list yet.

MR. CHAIRMAN: — That's right. That's . . . (inaudible) . . . That's right.

MR. KATZMAN: — We haven't developed that list.

MR. CHAIRMAN: — No, I think we're not going to call the beef stabilization board.

Saskatchewan Assessment Authority — that . . .

MR. KATZMAN: — Saskatchewan what?

A MEMBER: — Assessment Authority.

MR. CHAIRMAN: — 2.4.6.1.

MR. KATZMAN: — That's just a fact.

MR. CHAIRMAN: — It doesn't strike me as there's much that we want. Saskatchewan Sheep

and Wool Marketing Commission . . .

MR. KATZMAN: — Same thing.

MR. YOUNG: — . . . (inaudible) . . . on assessment there?

MR. CHAIRMAN: — No, I don't think we want it.

MR. KATZMAN: — No, on the wool thing. It's the same problem they had earlier.

MR. CHAIRMAN: — No to the wool sack. Okay.

MR. KATZMAN: — Just a minute. Hey, what about 2.5. There's a couple more. There's a couple more, Ned. There's about three more. Revenue for professional opinion of financial statement reserve — that's . . . There is Department of Revenue and Supply on tobacco tax on page 30, 2.6.1. Other matters, 2.6.1. I'm back to page 30. We've already got them in. Are we doing that issue or not?

MR. CHAIRMAN: — Oh, just back a moment — Saskatchewan Potash Corporation.

MR. KATZMAN: — What page?

A MEMBER: — 30.

MR. KATZMAN: — That's not got a number.

MR. CHAIRMAN: — It has in a sense. You've got to go back a ways, though. It's 2.5 and then sub(c).

MR. KATZMAN: — Okay. Oh, yes. Fair game. They changed their procedure and that's why he has to note it.

MR. CHAIRMAN: — How much would that have affected . . . what kind of dollars? How much would that have affected the financial statement?

A MEMBER: — I'll just have a look. We don't have that with us, Mr. Chairman. We can get it.

MR. KATZMAN: — This is the December 31, 1982, statement. Their potash is not finished through crown corp yet, either. Or is it not?

MR. CHAIRMAN: — No, I haven't . . . (inaudible) . . . '81 report done yet.

MR. KATZMAN: — Why don't we put this on to the question list for another?

MR. CHAIRMAN: — I think we'll do that, Mr. Lutz. We'll put it on to the questionable list and take this up at a later time. You can inform yourself.

Revenue Supply and Services — I think we're going to raise this. They're coming anyway. I think we're probably going to raise this with them. They should inform themselves about this.

MR. GLAUSER: — Well what . . . maybe I could ask the question as to what has been done with that. That's 2.6.1, Department of Revenue, Supply and Services, as it relates to the tobacco tax. Mr. Kraus.

MR. KRAUS: — As I understand it, normally The Tobacco Tax Act, or whatever taxes are effected — the legislation, whatever has to be amended — is amended within weeks or months

of the announcements of the tax increases. It may be that because of this particular year there wasn't an opportunity to, or time didn't permit in the House to . . .

A MEMBER: — Yes, because of the election.

A MEMBER: — It's the '82-'83 year. That is probably why it didn't come up as it normally would in the House, or at least . . .

MR. KATZMAN: — The announced increase in the budget never passed.

MR. KRAUS: — It would have been announced by the prior administration, and never made the . . .

MR. KATZMAN: — That's right. The budget never passed, therefore, the legislation didn't pass until November — or sorry, next June or July.

MR. KRAUS: — That may be why. That's right.

MR. CHAIRMAN: — It doesn't seem that it's . . . Yes, it's not a unique problem . . . (inaudible) . . .

MR. YOUNG: — But couldn't the people who were . . . (inaudible) . . . collected from asked for it back, so . . . (inaudible) . . .

MR. KATZMAN: — It's retroactive legislation, so we're okay.

MR. CHAIRMAN: — Passing statutes are always retroactive to the date of the budget. Crown Investments Corporation. I would like to flag this — 2.6.2. I would like to flag this. I do think the Provincial Auditor has a good point in this area, and I would like to discuss that with the CIC. Well, I don't know that that has concurrence here.

MR. KATZMAN: — I'm just reading it.

MR. CHAIRMAN: — Yes, I know you're just reading it.

MR. KATZMAN: — Well, I've got the same problem with this one as the potash. I would suggest we put it on the question list for one reason: it goes into crown corps in the next day or two, and let's see what happens. They may solve the problem up there. It's not completed in crown corps for even the year prior to this one.

A MEMBER: — That's right . . . (inaudible) . . . it wasn't done yet.

A MEMBER: — So let's just put it on the list of questions, because it's in crown corps.

MS. RONYK: — Mr. Chairman, last year the committee referred some of these issues to crown corps by a letter from the chairman of this committee to that committee to be sure that it was raised.

MR. KATZMAN: — That committee to this committee?

MS. RONYK: — No, this committee to that one.

MR. KATZMAN: — Yes, so let's check that letter and put it on the question list until next week.

MR. CHAIRMAN: — All right. Let's put it on the question list. Let's see what was done by crown corporations.

MS. RONYK: — Excuse me, it wasn't this issue, but it was an issue related to a crown.

MR. CHAIRMAN: — I don't have any particular hang-up, and will drop it to the bottom of the list to see if crown corporations will ever deal with it. I have no expectation they ever will, since they haven't got anything else dealt with.

MR. KATZMAN: — I'm not arguing with you, I'm just saying let's . . .

MR. CHAIRMAN: — I'd like to try to put them on a the list and see what happens.

MR. KATZMAN: — I'll put it on my question list — my back-up.

MR. CHAIRMAN: — Okay. We'll put it on the question list to see what, if anything, crown corporations does.

MR. LUTZ: — May I ask a question maybe of Ms. Ronyk? Did the Crown Corporations Committee report back to this committee, and whatever the question was, when, or what happened?

MS. RONYK: — Well, Mr. Lutz, the committee had the issue raised before it. The Crown Corporations Committee put the item on their agenda. They've delayed it twice, and a decision hasn't been made on what to do with it, so it's still pending.

MR. KATZMAN: — Mr. Kraus, on the next issue, that's part of that list that I think industry made?

MR. KRAUS: — It relates to the cost-sharing situation, there's no doubt about it. I don't know if the auditor has any comments he wants to make on this.

MR. CHAIRMAN: — Does the auditor have any comments on this?

MR. LUTZ: — Just what's here.

MR. CHAIRMAN: — Just what's here. The problem is in hand, is it now, Mr. Kraus?

MR. KRAUS: — I believe it is. This is a little bit different, but we're working on it, and I trust we'll resolve it.

MR. LUTZ: — Mr. Chairman, I don't believe the problem is quite in hand, but we are trying to resolve it.

MR. CHAIRMAN: — At least someone is trying to resolve it. I don't know whether we want to flag . . . (inaudible interjection)
...

MR. KRAUS: — Well, we're certainly working on it, Mr. Chairman.

MR. KATZMAN: — Well, it's part of that whole share agreement, that they're pulling every department of government, and putting it in one area. So let's not bother with it.

MR. CHAIRMAN: — In 2.6.4, we have the fact that some hogs were shipped to Japan, and the fee for arranging these sales, and for costs by the commission — charges were made for approximately \$36,000, and this was charged by the commission against the weekly price pools, and these fees were collected without authority, I gather.

A MEMBER: — Well, it would come out of the farmers' pocket then, and . . .

MR. CHAIRMAN: — Well, was it the farmers or the Japanese? Out of the farmers' pockets.

A MEMBER: — The farmers' pockets.

MR. CHAIRMAN: — Was the money returned to the pool in due course?

MR. LUTZ: — No, not that we know.

MR. KATZMAN: — This was the experiment . . . one shipment thing, wasn't it? . . . (inaudible interjections) . . . It was trying to break into that market.

MR. CHAIRMAN: — What action, if any, was taken on this, Mr. Kraus?

MR. KRAUS: — We have not been able to get a satisfactory answer to this point, so I . . .

MR. CHAIRMAN: — Maybe we should call the hog marketing commission, and find out.

MR. LUTZ: — Mr. Chairman, our point here is not the amount of money at issue. It is the philosophy behind the transaction. If they do not have authority for doing these things, then they are not entitled to do these things.

MR. CHAIRMAN: — And, if I may add to that comment, it strikes me this is not a technical problem like with the communications secretariat, where the money would have been spent anyway . . . (inaudible) . . . The money was going to come from somewhere. This money, it strikes me, as someone said, came out of the pockets of the farmers and perhaps shouldn't have been.

MR. KATZMAN: — Mr. Chairman, I would agree with calling this group for one specific reason. As of very shortly they are going to be a group of board outside of the government. They've already voted to go separate, and it may be just so that the new board knows that they can't do this kind of thing.

Now a letter may do just as good as calling them.

MR. MARTENS: — I wonder if I could have an answer from Mr. Kraus, if he would know whether they took it from the commission — that is, being the charge the commission makes? — or whether they took it out of the average price of the weekly pool?

MR. KRAUS: — I haven't sufficient information to answer that question. The auditor . . . As I say, we were unable to get a response to the questions raised by the auditor.

MR. LUTZ: — The best I could tell you here is that it was charged by the commission against the weekly, priced pools. That's our statement, and that's all I can tell you right now. We can go back and dig into it.

MR. KRAUS: — They would have reduced the pool by the \$36,000.

MR. KATZMAN: — Yes, it means the farmer got less.

MR. LUTZ: — Mr. Katzman, if could perhaps address what you raised earlier, you mentioned that the hog marketing commission is going to go outside the government?

MR. KATZMAN: — No, they are now appointing their own board by elections. As of just the last couple of weeks they've had the election.

A MEMBER: — But it wouldn't change anything. It's just that . . . (inaudible) . . .

A MEMBER: — No, they're changing from a commission to . . . (inaudible) . . .

MR. LUTZ: — Are they still going to receive government grants to operate their commission?

MR. KATZMAN: — I don't know the answer to that.

MR. LUTZ: — Because if they do they haven't really changed the status . . . (inaudible) . . .

MR. KRAUS: — It very well may still be in the same situation if they're subject to treasury board. . . . (inaudible) . . .

MR. LUTZ: — Oh yes . . . (inaudible) . . . government money, they're still part of the ball game.

MR. YOUNG: — Why, in a deal like this, wouldn't somebody who wanted hogs be sent to Japan, be it the Department of Industry or Agriculture, something, buy the hogs from the commission and then ship them over himself?

MR. CHAIRMAN: — Why would they f.o.b. Regina?

MR. KATZMAN: — Well, maybe because the commission, if I remember correctly, was trying to develop markets. They do a lot of it on their own. Pretty independent little group . . . (inaudible) . . .

MR. CHAIRMAN: — . . . (inaudible) . . . out on the streets of Tokyo, I guess. Free on board, Tokyo.

MR. KATZMAN: — What are we going to do with them, call them?

MR. CHAIRMAN: — I'd call them, I think. Yes. Government services coming anyway.

MR. MARTENS: — I'd go with . . . You missed one there.

MR. CHAIRMAN: — I did miss one there, didn't I? Agriculture.

MR. KATZMAN: — On that issue I wouldn't mind calling them.

MR. CHAIRMAN: — All right. I think the members might want to have a go with Agriculture in general terms anyway.

MR. KATZMAN: — Well, on that issue.

MR. CHAIRMAN: — Yes, I think they should be called anyway. I think members have an interest in this department. Okay.

MR. MARTENS: — May I raise a question on that, Mr. Lutz.

MR. CHAIRMAN: — Yes.

MR. MARTENS: — Which department did that come out of? Department of Agriculture which? . . . Was it Farm Start or was it . . .

MR. LUTZ: — I think we have an idea, Mr. Martens, just . . . Out of the revolving fund.

A MEMBER: — Agricultural supplies advance account as it was known at that time.

A MEMBER: — It was a guarantee.

MR. WENDEL: — No, it was not an actual cash payment, I believe.

MR. KATZMAN: — Guarantee, to co-operatives who buggered up.

MR. CHAIRMAN: — Okay. Other departments members are interested in calling?

MR. KATZMAN: — Number C, go slow . . . (inaudible) . . .

MR. CHAIRMAN: — I'll take the other members' lists first. Anyone, do you have anything to add?

MR. KATZMAN: — I think I would like to leave C list until next week, so we can think about it.

MR. CHAIRMAN: — Okay. We need to close C list. I'll sort of give you a warning that the ones . . . Maybe I'll just give them to you and you can think about them. Executive Council, of the line departments. The three I was wanting to call were: Executive Council, Labour, and Advanced Ed. Of the crown corporations: SGI, SPC, CIC, and potash.

MR. GLAUSER: — Go slowly.

MR. CHAIRMAN: — Executive Council, Labour, Advanced Ed.

MR. KATZMAN: — SGI, SPC.

MR. CHAIRMAN: — CIC.

MR. KATZMAN: — CIC; potash.

MR. CHAIRMAN: — That's kind of in the order of priority, too.

MR. GLAUSER: — Do you want to stay here all summer?

MR. CHAIRMAN: — No, I recognize it's an ambitious list. And I recognize, if other members have equally long lists, there've obviously got to be some compromises. This is the list I put forward. If we've got time for it, fine. If we don't, well . . . Do other members have lists now, or did you want to put yours forth Tuesday?

MR. KATZMAN: — Well, now that I know what these lists are, I . . . (inaudible) . . . check my own against it, because I think I can kill some of my own.

MR. YOUNG: — Ned, before we can agree to these ones you want to add on, we should kind of know what about them you are going to be quizzing.

MR. CHAIRMAN: — Well, I can give you a capsule, if you like. These are Exec Council expenditures on contractual services. Labour — I receive continuing complaints from trade unions that occupational health and safety, and labour standards, are not being enforced. And I wanted . . .

MR. KATZMAN: — That's policy in the House.

MR. CHAIRMAN: — No, it's not policy. I disagree that that's policy. It is agreed, by the government and the opposition, that that should be done, because funds were voted for it. The issue which I want to raise of the department is whether or not they are, in fact, carrying out the role assigned to them.

MR. KATZMAN: — If the funds are being spent.

MR. CHAIRMAN: — If the function is being discharged.

Advanced Ed is, I mentioned at the universities, whether or not there are any efficiencies . . .

MR. KATZMAN: — Occupational health, and what was the second one, Ned?

MR. CHAIRMAN: — Labour standards. Just on those two issues.

MR. YOUNG: — What was it, Advanced Ed, that you wanted to go into again?

MR. CHAIRMAN: — The universities, and whether or not there are efficiencies in the universities which might be effected to alleviate what everyone agrees is a serious problem.

SGI. It's all over the ball park with this thing.

MR. YOUNG: — Pardon me?

MR. CHAIRMAN: — SGI. A number of issues just relating to the general effectiveness, I guess, of the corporation.

SPC was a narrow issue — the contracting out of services. I just want to know what . . .

MR. GLAUSER: — What would be a policy situation there, because there is . . .

MR. CHAIRMAN: — I don't wish to bring into question the policy of whether or not they're doing it. I agree, that's policy. What I want to know is what it costs . . . (inaudible) . . .

MR. YOUNG: — Of gasification? Or what contracting out are you talking about in SPC?

MR. CHAIRMAN: — Well, the contracting out of, by and large, construction.

MR. YOUNG: — Nipawin? What are you talking about?

MR. CHAIRMAN: — No. I wasn't particularly talking about Nipawin. I was talking, in particular, about the general contracting out of construction of pipelines and so on and so forth, the general costs of contracting out.

MR. YOUNG: — I don't see where that gets into our area of jurisdiction. I don't understand what that would have to do with anything.

MR. CHAIRMAN: — Well, because it's money that has been spent. I just want to know what they're spending on it, how much it's costing us, as distinct from . . . (inaudible interjection) . . . what it would cost them to do it in-house in some cases.

MR. GLAUSER: — CIC?

MR. CHAIRMAN: — CIC was raised by the Provincial Auditor. The issue of disclosure in the legislature. There are any number of issues you can get into on CIC, obviously, because it covers all crown corporations, but the specific one was raised by the Provincial Auditor.

Potash was again raised by the Provincial Auditor, and that is on our question . . . (inaudible) . . .

MR. KATZMAN: — The 1982 value system. Okay, just one more comment, Mr. Chairman. Mr. Glauser, I guess . . . What about Tuesday?

MR. GLAUSER: — All right. On Tuesday, we still haven't made our arrangements, so if we could

meet at 10:30 on Tuesday, then we'll have these arrangements made on Tuesday.

MR. CHAIRMAN: — You'll know . . . (inaudible) . . .

MR. GLAUSER: — . . . what we can do.

MR. CHAIRMAN: — Okay, 10:30, Tuesday then, instead of 7:30, to, I'm sure, the great disappointment of all concerned, including the officials of Supply and Services who will be on the docket.

MR. KATZMAN: — Who's going to appear?

MR. CHAIRMAN: — Oh, yes. Supply and Services, with Revenue and Financial Services, I assume, in the bullpen.

MR. KATZMAN: — Government Services, and Revenue, Supply and Services.

MR. CHAIRMAN: — No, I was thinking of Supply and Services, with Revenue and Financial Services in the bullpen.

MR. KATZMAN: — Well, that's . . . Okay, Government Services first, was what you're talking about.

MR. LUTZ: — Government Services, when, please, Mr. Chairman?

MR. CHAIRMAN: — Supply and Services first, with Revenue and Financial Services in the bullpen.

MR. KATZMAN: — It's under the old name. Government Services first . . .

MR. CHAIRMAN: — I'm using the new names; he's using the old names.

MR. LUTZ: — That's on Tuesday.

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — Revenue, Supply and Services, second. And who do you want third? I think we may need a third one here.

MR. CHAIRMAN: — All right. Do you want to have Social Services on stand-by? You're ready for that one?

MR. KATZMAN: — Government Services ain't going to take long.

MR. GLAUSER: — No.

MR. CHAIRMAN: — All right, let's just have a look at our table of contents here.

MR. KATZMAN: — Revenue may take a little while. How about Sask Housing? Are you ready for that one?

MR. GLAUSER: — No. If we're going to meet at 10:30, I think that those two would be sufficient for Tuesday.

MR. KATZMAN: — We've got four items in Revenue, so it will take time.

MR. CHAIRMAN: — We may well have those management letters — some of the replies to the management letters — by Tuesday, as well.

MR. KATZMAN: — They're here now outside the door.

MR. CHAIRMAN: — We did cancel them, I thought, I guess we didn't.

MS. RONYK: — The management letters . . . (inaudible) . . .

MR. CHAIRMAN: — Oh, the management letters are there. I see what you're saying. Okay, So, we may have those.

MR. GLAUSER: — We'll be able to catch up . . . We'll be able to make up for any lost time, even if we do have a shorter meeting on Tuesday.

MR. KATZMAN: — I move adjournment.

MR. GLAUSER: — The only thing, though, before . . . We should know who we're going to have on Wednesday and Thursday to give these people the courtesy of a bit of time.

MR. CHAIRMAN: — Yes, we should. We should strike our list for Wednesday.

MR. KATZMAN: — Is Social Services ready? Do you want them, third?

MR. GLAUSER: — We'll go with Social Services on Wednesday?

MR. CHAIRMAN: — Right.

MR. LUTZ: — 07:30?

MR. KATZMAN: — That's 2.1.2, plus other things.

MR. CHAIRMAN: — . . . (inaudible) . . . I think once we call them, we'll go with everything — all issues.

MR. GLAUSER: — That'll be 7:30, Mr. Lutz.

MR. LUTZ: — Yes, thank you. Go to your second . . . (inaudible) . . .

MR. CHAIRMAN: — Yes, that's an easier list to work with.

MR. KATZMAN: — Who do you want standing by?

MR. CHAIRMAN: — Continuing Ed?

MR. KATZMAN: — We don't have them on the first list?

MR. CHAIRMAN: — All right, who do we have . . . (inaudible) . . .

MR. KATZMAN: — What about Computer Utility standing by?

MR. CHAIRMAN: — That's a good suggestion.

MR. KATZMAN: — Okay, that gives us . . . Who else could stand by? Agriculture could stand by.

MR. CHAIRMAN: — We could run through a couple of tinies, if we wanted, say, hog marketing

commission.

MR. KATZMAN: — No, they're going to come from Saskatoon.

MR. CHAIRMAN: — All right. Then we don't want those . . . (inaudible) . . . people to come first.

MR. GLAUSER: — How long a meeting are we going to have?

MR. CHAIRMAN: — An hour and a half. You don't want to deal with the hog marketing commission at 10:30 Tuesday. It's a pleasant time for them to come, because they can catch the plane down Tuesday morning and be here, and probably get away.

MR. KATZMAN: — Put them up first Tuesday morning?

MR. CHAIRMAN: — First Tuesday morning, since it's . . .

MR. CHAIRMAN: — 10:30. That's not a bad deal. That's a good deal from Saskatoon.

MR. CHAIRMAN: — They can catch . . . (inaudible) . . . Tuesday morning if we . . . (inaudible) . . . We may not meet at 10:30 again.

MR. GLAUSER: — The hog commission first, then?

MR. CHAIRMAN: — Yes, the pig marketing commission first.

MR. MARTENS: — Should we have people from the natural marketing . . . Should we have the people from The Natural Products Marketing Act here, too?

MR. KATZMAN: — You only need the hog commission. We're not talking about that \$36,000 and charging it back the way they did. We're not getting into the other issues, I don't think. You're not getting into the vote, are you?

MR. CHAIRMAN: — . . . (inaudible) . . . with me at all, but other members might want to. Once we get the department here, there's no exclusion of what members can ask.

MR. KATZMAN: — Except hog marketing only does one function.

A MEMBER: — Markets pigs.

MR. CHAIRMAN: — Okay. Do you want to run off WDM the same morning for the same reason?

MR. KATZMAN: — We're not doing WDM.

MR. CHAIRMAN: — I thought we were. Okay.

A MEMBER: — No, we're not.

MR. CHAIRMAN: — I'm struggling here. All right.

MR. KATZMAN: — I guess it's enough. But Government Services can be standing by, because they're local. And Revenue and Supply can be standing by, because they're local.

MR. CHAIRMAN: — What have we got for next week, then? Hogs. . .

MR. KATZMAN: — We'll start with hogs, then Government Services, then Revenue Supply, followed by Social Services and Computer. The only one from out of town is hogs, and they're

first.

MR. CHAIRMAN: — Do we think that will consume the week?

MR. GLAUSER: — Well, no. On Tuesday, though, we could look for who we want for Thursday. That'll give them . . . And then we can start . . . (inaudible) . . .

MR. CHAIRMAN: — How about moving the hog marketing commission into the bullpen behind that list, and that will probably consume Thursday. I think it's pretty broad. Weren't we going to call housing corporation?

MR. KATZMAN: — Oh, housing corporation.

MR. CHAIRMAN: — Why not call . . . (inaudible) . . . The hog housing commission.

A MEMBER: — Are you ready for housing, Ken?

A MEMBER: — Yes, housing on Thursday.

MR. CHAIRMAN: — Housing on Thursday, then.

A MEMBER: — Housing is number six on the list.

MR. CHAIRMAN: — I think that will do it. If we get through six departments next week, we can congratulate ourselves on one week's work . . . (inaudible interjections) . . .

MR. KATZMAN: — That's a good week's work. We pull that off, and we're in great shape.

MR. LUTZ: — Mr. Chairman, could we ask for notification from the Clerk's office tomorrow?

MR. CHAIRMAN: — You mean to the departments?

MR. LUTZ: — Yes.

MR. CHAIRMAN: — Yes . . . (inaudible) . . .

The committee adjourned at 10:10 a.m.