

STANDING COMMITTEE ON PUBLIC ACCOUNTS
April 18, 1985

Consideration of Auditor's Report

MR. CHAIRMAN: — I have a question of this introductory comment. I had a question of the Provincial Auditor. What you seem to be saying, if I recall this when I read it, was that the financial statements report the legal form of financial transactions but might be changed in some fashion which would provide the information in a better form. Did I understand . . . Is that the substance of your comment or . . .

MR. LUTZ: — My suggestion that it could be in a more complete form.

MR. CHAIRMAN: — A more complete form. What . . . This may be very difficult to answer in 25 words or less, and it may be that we want to have at the end or the beginning or the middle or some time, spend some time on this, as distinct from asking questions right here and now.

Is there a paper from some . . . that you have prepared, or somebody that you are associated with has prepared with respect to these forms that you could circulate and we could then discuss, or how could we handle this? It doesn't strike . . . It strikes me as a difficult topic to pick up over the corner of a table. Is there some documentation that you could circulate that we could then use as a basis for discussion?

MR. WENDEL: — There are documents out by the Canadian Institute of Chartered Accountants' public sector accounting and auditing committee. Those would be made available to the committee. And I believe the comptroller is . . . started a study . . .

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

A MEMBER: — Sorry about that. I slept in.

MR. CHAIRMAN: — Well that's a more ingenious excuse. The others all had traffic accidents.

A MEMBER: — Well no, just one. Just one.

MR. CHAIRMAN: — Sorry. Go ahead.

MR. WENDEL: — Anyway, this comment carries on on page 10, or starts on page 9, carries on on page 10. And in there they're advising the Legislative Assembly that the comptroller has . . . (inaudible) . . . and has advised us that he's commenced a study to find the best way to present the financial statements, given what the public sector accounting and auditing committee has recommended.

MR. CHAIRMAN: — The . . . Mr. Kraus, I guess then the question is more directed at you. Is this . . . I would be interested in spending some time discussing this. It may be premature. I don't know. That's what I'm agonizing over.

MR. KRAUS: — It's difficult to discuss something as complicated as this in a few minutes, and it's something that's being addressed by this public sector accounting committee, the CICA (Canadian Institute of Chartered Accountants), and is leading, I guess, all the governments to evaluate their positions to how they should be accounting reporting, whether, in fact, what they're doing now is satisfactory or not.

And what we are doing is studying the effects of what the recommendations are, and trying to determine what effect it might have on the way we are accounting and reporting.

MR. CHAIRMAN: — You now have a set of recommendations for the public sector branch of Canadian Institute of Chartered Accountants, do you?

MR. KRAUS: — Yes, we do.

MR. LUTZ: — Mr. Chairman, I gave you a little note yesterday. That is the organization that would be pleased to meet with you and the vice-chairman if you can see your way to it.

MR. CHAIRMAN: — I saw that note. And I wasn't . . . I didn't see it when you gave it to me. I wasn't sure who had given it to me actually.

MR. LUTZ: — Oh, I didn't sign it. I just . . . Okay. Well, that's where that came from.

MR. KRAUS: — Mr. Chairman, I was going to say, though, that the issues here are fairly complicated, and there are some major issues that have to be considered, such as: is the reporting entity of the government appropriate? And when we talked about the reporting entity where, as you know, the Government of Saskatchewan, and I guess many other governments in Canada, have reported or used as their main financial statements the financial statements of what we call the principal fund. It's often called the general revenue fund or the Consolidated Fund.

In this province it was the consolidated funds, and it's been Consolidated Fund since about 1957. And then there was a change a few years ago, where the Heritage Fund was brought together with the Consolidated Fund, and that's the accounting and reporting which the government, you know, that's the budget, and the financial statements are based on a combination of those two funds.

MR. CHAIRMAN: — I guess a first step, then, would be for, if Mr. Glauser's interested, for he and I to meet with the group in May when they're here. And perhaps in advance of that, Mr. Kraus, you could give us a memo summarizing, as best you can, the issues involved in this thing.

MR. KRAUS: — Okay. I wanted to finally say, Mr. Chairman, I should say that the paper that we are doing is something that we would ultimately be taking to treasury board or a committee of treasury board, and I'm just not sure when that may or may not be available. It is a matter of policy as to how a government reports and, therefore, would be a decision that would be made at some point in time as to whether or not we continue reporting in the same fashion as we have now or whether, in fact, it changes.

MR. GLAUSER: — Yes. In the . . . I think it was about two or three issues ago that this was discussed in the CICA magazine, and my . . . in reading that, I thought that this was not along the way as far as it was intended to go at this point.

MR. KRAUS: — What is happening is that . . . as I say, it's very complicated, and the so-called experts — which are accountants, the preparers, the comptroller types, the auditor types, some people from the private sector participating in this — are obviously having some difficulty with creating the perfect model. It took from the middle '40s into probably somewhere around 1960 before they had a good model for the private sector. It took that long to get some recommendations that people were generally following. And it's expected it will take a long time to get something that's generally acceptable here.

They're giving us firm direction, in some ways, direction, but I might mention that the only two jurisdictions that have made any changes, a significant change to try and perhaps adopt what's being said here or recommended — because it's been thought of for some years — are B.C. and Alberta. The other nine major jurisdictions, Canada and the other eight provinces, have not made any significant change at all.

MR. GLAUSER: — Well, this is what I took from that article. I'm just wondering if, maybe, it's not premature to take a look at it, but I certainly feel that it hasn't gone to the extent, or accepted to

the extent that any in-depth study of that right now.

MR. CHAIRMAN: — Well, I'll grant you that it may not be the sort of thing that the government's in a position to make a decision about, but it strikes me that it is something of legitimate interest for this committee.

As a first step, what I'd suggest is that Mr. Kraus circulate a memo summarizing the issues, give it to the Clerk, and the Clerk can circulate it, obviously. You and I can meet with them, and we may decide thereafter whether or not there is any further follow-up needed. But that strikes me as probably a first step.

MR. GLAUSER: — You can take that. That's fine.

MR. CHAIRMAN: — Okay. I gather that's agreed then.

MR. KATZMAN: — Just what are we agreed to — that you two are going to meet with them to get explained what they're doing and what they've discovered? Just so that I understand what we agreed to.

MR. CHAIRMAN: — What would be the subject of discussion?

MR. KATZMAN: — Yes.

MR. CHAIRMAN: — The work of that sector of the Institute of Chartered Accountants — the changes they have, the purpose behind it, the value behind it. I think it's as much educational for us. I suppose that anyone in the committee might want to sit in on the meeting. I don't know why we'd restrict it to the chairman and vice-chairman.

MR. KATZMAN: — And the second part of the comment is that I think this is for information until there's some decision, either for or against, by the government. Otherwise we can't argue it here.

MR. CHAIRMAN: — Oh, I think we could make a recommendation to the government, but I'm not sure if we're in a position to do that. For the moment, it's just informational.

MR. KATZMAN: — Yeah. Fair game.

MR. CHAIRMAN: — We may want to have the committee . . . if you can circulate your memo in advance, it may be that the committee might want to meet with this group. That's hard to determine until we get your memo, Mr. Kraus.

MR. KRAUS: — When you say, this committee, you meant . . .

MR. CHAIRMAN: — Public Accounts Committee.

MR. LUTZ: — That's Bill Rogers and John Kelly, I think, Gerry. That's the members of that committee who will be here in May. Kelly mentioned an interest in talking to the PAC people. I would think he would have no objection to speaking to the entire committee.

MR. KRAUS: — No, not at all. But I think it would perhaps be a good idea for us to just highlight some of the issues. You may very well have got some of these pamphlets like this . . .

MR. CHAIRMAN: — Yes, we did.

MR. KRAUS: — But you may not necessarily understand it. After all . . .

MR. CHAIRMAN: — Or necessarily have read them, to be candid. What I got was fairly imposing in terms of reading it.

Okay. We're then going to get a memo from Mr. Kraus, and we are going to tentatively plan on meeting with this group for perhaps a few minutes when they're here. They're going to be here on the date when the legislature will be in session — Monday to Friday?

MR. LUTZ: — No, they're going to be here on the 23rd and the 24th of May, if that is a Thursday and a Friday. And if that's not a Thursday, Friday, it will be the 22nd to the 23rd.

MR. CHAIRMAN: — Well, the 22nd is a Wednesday. The 23rd is a Thursday, and 24th is a . . .

MR. LUTZ: — Oh, 23rd and 24th of May.

MR. CHAIRMAN: — Well, then let's plan on meeting with them on the 23rd then. That's if you're not busy on Thursday. Ralph has just announced that there's going to be a general election in progress.

A MEMBER: — Didn't you hear Allen yesterday? He was telling us it was going to be called on Friday.

MR. LUTZ: — Oh, he's antsy.

A MEMBER: — The 23rd of May, Mr. Chairman?

MR. CHAIRMAN: — Yeah, yeah. You anticipate their arriving on the 23rd?

MR. LUTZ: — They'll be here on the evening of the 22nd, and they will catch a plane out of here on the evening of the 24th. They're going to be going pretty hard.

MR. CHAIRMAN: — Sure, we could meet at a time in the morning at their convenience.

MR. LUTZ: — They wish to meet with four groups while they are here. I guess Mr. Kraus and I have been asked to co-ordinate the thing and find the best times for these people to meet the various groups.

MR. CHAIRMAN: — Okay. Why don't we leave it then in your hands?

MR. LUTZ: — Okay. Do you have that Gerry?

MR. KRAUS: — Yes, I do . . . (inaudible) . . .

MR. LUTZ: — Well, that's fine. It's easier for him to do it all, or me to do it all, but you can't have two people trying to do parts of it.

MR. CHAIRMAN: — I didn't have . . . (inaudible interjection) . . . I had no other comments with respect to the introduction. I don't know whether any other members did.

MR. KATZMAN: — I 'm not sure what he is telling me in 1.2. I read between the lines, and what I read between the lines is he somehow is suggesting that the audit of Crown corporations should be showing up somewhere other than in the cost of the corporation. Do I read that . . .

MR. LUTZ: — Well, I think what I'm telling you, Mr. Chairman, Mr. Katzman, is that the members of the Legislative Assembly are being advised here that this is what it's costing to audit the province.

MR. CHAIRMAN: — Four million — meaning twice the price.

MR. LUTZ: — Yes.

MR. KATZMAN: — Oh, I see. You're not telling us that you think in your budget you should show for the outside amounts.

MR. LUTZ: — For some, we do. We do claim for some of the outside amounts, but the administration, the executive said, no thank you. So we've just advised you that that's not in here. And we're just telling the members that this is what it's costing to audit the province.

MR. WENDEL: — On the bottom of page four, Mr. Katzman, with a double asterisk there, what we had recommended to treasury board last year was that \$172,000 of this \$793,000 is being transferred to our appropriation. And we would pay, and then bill this Crown corporation, and give the money back to the . . . (inaudible) . . .

MR. GLAUSER: — Yes, my question on that is: you're talking about the Crowns. Does that include all Crowns? I'm thinking of, for instance, of the separation of the commercial, as opposed to the utilities.

MR. WENDEL: — That number that appears as the 793,913, Mr. Glauser, that is the charges that have been paid directly to other auditors by various corporations for community colleges.

MR. CHAIRMAN: — Page 53 contains the list as the Clerk has just pointed out.

MR. GLAUSER: — But are those paid by the Crown themselves though?

MR. WENDEL: — And the community colleges, it's paid directly. They do not go through our appropriation.

In order to give the total picture of what the costs are (and this is where we bring them together), the \$3.6 million is paid through our appropriation. It appears on page 4. That's paid through our appropriation. Then there's a further 793,000 paid out of other appropriations and out of Crown corporations. In order to get them all together, it's the total cost. That's what the 793 is.

MR. KATZMAN: — Okay, if I read you correctly . . . Where is that Indian college I found, we had it here last year?

A MEMBER: — Which one?

MR. KATZMAN: — The thing from Battleford. I thought I saw it in this book a minute ago.

MR. WENDEL: — The community colleges — yes, they're in here.

MR. KATZMAN: — Where the fellow from Battleford did the audit on that particular group. I don't know what it cost us, and then he sends it in. Some of these, by looking at them, it really — and it's a terrible thing to say — but it wouldn't pay us to do ourselves because some of them are almost done like a charity because of the way we dole out the funds. Yet, some of them are truly an expenditure of full hype with no special break because an auditor may feel sympathetic to the group.

MR. CHAIRMAN: — Well, I'm not sure I understand that comment, Mr. Katzman.

MR. LUTZ: — I'm not aware of any auditing firms who are conducting charities, Mr. Katzman, if that's what you were saying. We have some input into how they charge for their services, and

I'm not aware of any charities.

MR. KATZMAN: — Right below the milk control board, I believe is the name of that community college.

A MEMBER: — This list at the back, okay.

MR. KATZMAN: — Isn't that that Battleford one? I think that's the one anyway. Can anybody help me out on that?

MR. GLAUSER: — Yes, we had those people in here.

MR. KATZMAN: — I think that's the group we had in.

MR. CHAIRMAN: — Lloyd, do you know, is that the Battleford Community College?

MR. MULLER: — I couldn't tell you, I really don't know.

MR. KRAUS: — I'm just not sure where you are.

A MEMBER: — Just below the milk control board.

A MEMBER: — Page 54, milk control board section.

MR. CHAIRMAN: — Well, where is Mistikwa Community College located?

A MEMBER: — Well, that sounds like a northern Saskatchewan community college. But I couldn't pinpoint the locale, the exact locale.

MR. KATZMAN: — Okay. All I'm saying is, from what that gentleman seemed to impart on us last year, that it was an audit, but not like you would normally hire an auditor to do a full audit and then he signs the paper. I read between the lines to say that he'd audit it, but they were tight money so he didn't really slap the bill to them.

MR. WENDEL: — There's no option but to audit according to The Provincial Auditor Act. So he couldn't just sign a statement. What we do . . .

MR. KATZMAN: — He had to do the whole job.

A MEMBER: — Yes.

MR. KATZMAN: — But because they are paying for it themselves and they were tight on money, they sometimes take leniency on the bill, where when it's us and the government treasury, they don't. Am I wrong in that statement?

A MEMBER: — I think you're wrong in that statement.

MR. LUTZ: — I have to take exception to that particular statement because I have had a cut-back, I believe. I would suggest to you that if I can afford to get by with a cut-back, maybe these other auditors will have to do the same if they want this government-related business.

MR. KATZMAN: — Oh, fair game, fair game.

MR. CHAIRMAN: — It raises another question. Are the fees something that are agreed to in advance or if they bill at an hourly rate or do you know?

MR. WENDEL: — Well this particular college, the hours they've advised us are 65 hours and a fee of \$3,400.

MR. CHAIRMAN: — So you just review the bill. Then if it looks like the appropriate number of hours for the job . . .

MR. WENDEL: — We have no say — if we hire them, yes, we can do it.

MR. CHAIRMAN: — But this, the community college, I see.

MR. LUTZ: — There is . . . I think maybe, Mr. Chairman, this might be a good time to speak to the subject. There is a slightly different arrangement out there where we — stop me when I get wrong, Fred — where we appoint the auditors to conduct the audit of legal aid clinics. Is this correct?

A MEMBER: — That's right.

MR. LUTZ: — Okay, I'm in the ballpark. Now this year when we appointed the auditors to do the legal aid clinics, they accept the engagement. We advised them that we expected the bill not to go up from what it was the previous year. But these, we don't even see the bill.

MR. CHAIRMAN: — Until after it's a fait accompli.

MR. LUTZ: — No, we don't have anything to do with it. We don't even see the bill.

MR. CHAIRMAN: — Until after it's a fait accompli.

MR. LUTZ: — That's right. Yes. Okay.

MR. WENDEL: — They send us the information.

MR. CHAIRMAN: — Okay. All in on the introduction then? Okay, 2.0. Any comments on 2.0? It wasn't intended to be particularly controversial I don't think.

Crown Investments Corporation

MR. CHAIRMAN: — Two issues raised here: one was the appropriateness of the financial information and the form. The second one was the pension fund, and this was a repetitive problem that appeared in a minimum of half a dozen different areas, that pension funds were not money, as distinct from what was being paid out — the assets, as distinct from what was being paid out, was not being appropriately administered.

MR. KATZMAN: — You're talking about 2?

MR. CHAIRMAN: — My comments related to both 2.1 and 2.2.

MR. KATZMAN: — Okay, thank you.

MR. CHAIRMAN: — Dealing first with the pensions.

MR. KATZMAN: — That's 2.2.

MR. CHAIRMAN: — That's 2.2. Is the most appropriate way to handle this to call each individual group and have a go at them? Is there a central agency which we could discuss these pension problems with? It's got to be a problem in half a dozen different areas, and I regard it as a reasonably serious problem because it's not our money in a sense. In a way it really belongs to

the employees.

MR. LUTZ: — Mr. Chairman, I would think you can probably do the whole numbers by calling the finance people who are in the position of investing these funds for the various pension funds.

MR. CHAIRMAN: — Okay. That's fine with me. That's what I was wondering. Can we deal with one group instead of dealing with everybody in the pension, Gerry?

MR. KRAUS: — If you wish, I'll say a few words about that. Number one, some of the comments or issues that are raised by the auditor are similar and deal with the contractual arrangement, if you want to call it that, that the pension plan or the board has with the people that are doing the investment finance. Then there are some questions raised about the legality of a couple of the investments that are made. And if the committee does want to speak to that, or address that and have witnesses, I would suggest it's best that you bring in the people that do the investing.

MR. CHAIRMAN: — Which is Finance.

MR. KRAUS: — Which is Finance. They do provide an investment service to about 60 Crown agencies, I guess, and probably including the pension plan. So they really do know what it's all about and could give you the best answers. If you choose to go . . .

MR. GLAUSER: — I would like to ask Mr. Lutz: this is not anything new. This has been going on for years. Is that not correct?

MR. LUTZ: — Mr. Chairman, I understand that in other parts of Canada — Pension Fund Realty, I think is the name of the thing — I believe it has, but since this particular company came to our attention as a new thing in Saskatchewan in this year, we went after it. We paid some attention to it, and this is the result of what our audit disclosed. We feel that it's really not the thing to be investing pension money in. That's our position, really. Whether it's been going on in other places for a long time or not is, I think, not my position to argue.

MR. CHAIRMAN: — Just let me interrupt just for a moment, Cal, and I'll let you go ahead. What we're doing, I think, this morning is flagging issues that we want to return to. We're making a list, I think. But, I'm sorry. With that, go ahead. We don't want to get into the merits of it this morning. I think all we want to do this morning is determine whether or not it's a subject which requires further investigation.

MR. GLAUSER: — Yes, I don't mind, you know. I've got nothing against Finance coming in and explaining that. That's all well and good, but I do know that it is something that has been going on, and in this province.

MR. CHAIRMAN: — It may or may not be appropriate. It may or may not be a good investment. It's something, I think, we have a responsibility to pursue though, particularly because, in part, these moneys aren't ours.

MR. KRAUS: — Mr. Shillington, I would like to add that Mr. Lutz said that the SaskPen Company was new in Saskatchewan, and that's correct. But there are pension funds in Saskatchewan and across Canada, government funds, like the Sask Teachers' Superannuation Plan for one, or whatever. If that had been investing in a similar company called Pension Fund Realty, it's a Toronto based corporation that does much the same as this SaskPen was created to do. So it's not as though it's new that pension funds are investing into this type or arrangement. What was new was that a company was created in Saskatchewan to allow this type of investment to take place.

MR. GLAUSER: — This was my point, because these funds were just all going out of the province, and now there's a vehicle. And so I don't mind, as I say, having Finance in to explain

that. But there's now a vehicle there in Saskatchewan to maintain those funds in Saskatchewan instead of all going to the Toronto, Montreal market.

MR. KATZMAN: — I think, later on, the comptroller made some other comments, and his concerns lay out the investment in land and things like that — I think that's page 10. He does some other things. I think what he's asking for us is maybe to clarify from this committee what we think is the right concept. I realize we are infringing on policy, yet we are as examiners of spending maybe legitimately right in doing something along this line. I don't think, as Cal has said very strongly, that this is a precedent with this one company . . .

MR. CHAIRMAN: — I'm not suggesting there's any dark scandal here.

MR. KATZMAN: — No. What I think we might want to say here is, okay, last year we got the nice little surprise of the teachers' pension plan and all the rest of them. I think today it was announced on television that the indexing of pensions in the federal bureaucracy has now stopped.

MR. CHAIRMAN: — Did they?

MR. KATZMAN: — It was announced this morning, I believe, on TV.

MR. CHAIRMAN: — Did they stop indexing their own MPs' pensions?

MR. KATZMAN: — Everybody's. It sounds like they stopped indexing all the pensions in the federal government today, by the sounds of what was on the TV.

A MEMBER: — There may be a few notwithstandings . . .

MR. CHAIRMAN: — Yes, I wonder if there is some notwithstandings.

MR. KATZMAN: — Well, I gather this is a negotiated thing, because the union president was on speaking about some of these people saying he sold them out and so forth. That being the case, and being what we discovered in the shortfall of the other pension plans that we have looked into, I have no hesitations on allowing us to know the clarity of the investments financially. Like, are we solid, aren't we solid, on all these old funds. Since 1977 . . . or '79, is it, Mr. Lutz?

MR. CHAIRMAN: — '79.

MR. KATZMAN: — '79. We have a different arrangement, and what the money does is what the money gets you. But prior to that they're unfunded, and so forth, because of the system.

MR. GLAUSER: — Well, I see them going to a building downtown Regina instead of a building downtown Toronto. This is my point.

MR. LUTZ: — Mr. Chairman, I think perhaps, if I may, I would like to go to page 11 and, starting at about the middle of the page, my position is roughly this: it is my opinion that the provisions of the governing authorities for these pension funds would not permit them to be directly invested.

So, if they're not permitted to buy these things directly, and since this investment has been made in shares and bonds of a partner whose only assets are the same properties which would not be permitted to be invested in, then I would suggest that if they wish to do this kind of investing in pension funds, the statutory authority should be amended so that the prohibition is removed.

That's really my position. And I'm not quarrelling with what they invested in.

MR. CHAIRMAN: — I don't think they would amend it. Given the historical experience of the risk involved in mortgages, I doubt — I'm just not sure that would be granted. Land seems to be a safe investment. But, historically, it's quite risky. It's not, in the long haul, it's not . . .

MR. KATZMAN: — In the long haul it seems okay, but in the short haul it's very risky.

MR. CHAIRMAN: — Well, I'm not sure what's short and long here, but it's not without risk. It's not by coincidence that the Home Bank in 1922, and Pioneer Trust in Saskatchewan in 1984, both went bankrupt for the same reason.

A MEMBER: — And Alberta's bank last week.

MR. CHAIRMAN: — Yes. And the Commercial Bank, as well. That's not by chance. Investment in land is risky — in mortgages.

MR. GLAUSER: — I would remind you, though, that they were playing in markets unknown. And you're always going to get burned if you start going into an unfamiliar market.

MR. CHAIRMAN: — Well, Alberta wasn't exactly an unfamiliar market. For the Home Bank, I think that's true, but it wasn't for the Pioneer Trust.

Anyway, I'm not sure how long we want to discuss this. If we are agreed that I'll call them and discuss it with them, then let's go on to the next subject.

MR. KRAUS: — Well, I'm just going to say that there are a lot of rules that govern what pension funds can invest in and can't invest in. For example, if you're investing in real estate, you can only put in up to 7 per cent of your portfolio. We can also invest a considerable amount, and I'm not sure what the limit is, if any, in the stock market, which also has a risk.

So these portfolios are managed so that you invest in maybe five or six different segments and spread your risk around. And if you want to find out, you know, more about that, again, I'd suggest that rather than calling in the individual pension plans . . .

MR. CHAIRMAN: — Call the Department of Finance. That seems to make sense. Agreed to flag that one?

MR. KATZMAN: — Agreed to flag it, but with one hooker. That is, that the Department of Finance, when they come, also give us an idea of the stability of the account, as we did from the teachers' group.

MR. CHAIRMAN: — You want to know whether it is . . . the extent of the unfunded liability.

MR. KATZMAN: — We should now be able to . . . that number should be available somewhere.

MR. KRAUS: — If you want to talk about actuarial information, I'd suggest you would have to bring in the administrator of that pension plan.

MR. KATZMAN: — Of each pension plan?

MR. KRAUS: — Well, no. You're just talking about the government employees.

MR. KATZMAN: — No. We seem to, in Mr. Lutz's comments on page 10 and 11, get into more than just the government employees.

MR. KRAUS: — I think that's in relationship to an investment, though, Mr. Katzman, rather than the actuarial soundness.

MR. KATZMAN: — What do we have? We have pension for employees, and that's it. What other type of pension . . . what other funds would we have?

MR. WENDEL: — There's a number of pension funds . . .

MR. KATZMAN: — But it'll be all employee based.

MR. GLAUSER: — Different groups of employees . . .

MR. KATZMAN: — Different groups of employees, but it's all employees.

MR. BENSON: — You got transportation company, you got teachers . . .

MR. KRAUS: — But they're separate funds, and must be actuarially . . .

MR. KATZMAN: — So I'd have to bring in 30 or 40 different people.

MR. KRAUS: — If you had concerns about the different pension plans.

MR. KATZMAN: — Why don't we do it . . . let's cheat for a minute, and let's ask them each to send us their latest copy of their actuarial report. Maybe from that we could make a decision if we want to see any of these guys or not, because, since '77, they have now all had a report.

MR. BENSON: — I believe yesterday was tabled the actuarial evaluation . . . (inaudible) . . .

MR. CHAIRMAN: — I was just going say that.

MR. KATZMAN: — For all of them?

MR. CHAIRMAN: — No. For the public service superannuation fund.

MR. KATZMAN: — Yes, there was one tabled yesterday.

MR. KRAUS: — That's for the old government plan.

MR. KATZMAN: — But I'm saying is that they're not . . . can we not . . . (inaudible) . . . at least it will tell us what the actuaries are suggesting which plans are in trouble, which ones are good, which ones are bad.

MR. CHAIRMAN: — You want the Clerk to write to the administrators of the plans and ask for the latest actuarial reports. Is that what you're saying?

MR. BENSON: — Do you want to see that? Or each of the financial statements would disclose, would name the unfunded liability, if there was any.

MR. LUTZ: — Mr. Chairman, when the Crown corporation tables its financial statement, in the back of that financial statement you will find, I think, in every case a note stating the status of the pension fund for those employees in that corporation. That might be your answer, Mr. Katzman.

MR. KATZMAN: — Fair game. If somebody tells me where to find it, I'll go do the research. I don't mind doing that, but I didn't know, was that clear in those documents?

MR. GLAUSER: — It is . . . you just have to read it.

MR. KATZMAN: — Does it say the unfunded liability, or not? Or does it say how much is there?

That's the concern. I don't know if it says the unfunded liability.

MR. LUTZ: — Well, if there is an unfunded liability, the amount of same will be disclosed. If there is not an unfunded liability, if the pension plan is good, there may be no comment at all.

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

MR. LUTZ: — And if there's no comment, it's good.

MR. KATZMAN: — Yeah, but I do get that on an actuarial report. I don't know if I'll get that in the annual report. That's all I'm asking.

A MEMBER: — It's the same difference, I guess.

MR. LUTZ: — Well, I don't know.

MR. CHAIRMAN: — Why don't we flag the problem? When we actually get . . . decide who we're going to call, by that time perhaps you'll have had an opportunity to see whether or not the information in the annual reports is adequate.

MR. KATZMAN: — Just get somebody to bring us three annual reports, and we'll figure it out in a hurry.

MR. GLAUSER: — Well, Finance will be able to tell us . . .

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

MR. KRAUS: — Yeah. Our information only applies to the teachers, the public employees, the MLAs, and the judges.

MR. KATZMAN: — And they're all behind.

MR. KRAUS: — Well, they're the four that, yeah, have an unfunded liability. There's a number of others here that are obviously okay. Well, then I think the rest of them may very well come under that CIC, the Crown Investments Corporation group, and you may be able to find that out in their annual report.

MR. KATZMAN: — Mr. Chairman, I'll agree to flag it, and then on Tuesday, I guess . . . No, Wednesday, is our next day. We can make a second decision on it. Is that agreeable?

MR. GLAUSER: — The only thing that we'd want when we have Finance, we'd like to . . . They would be familiar and have it at their fingertips, I would imagine, the safety nets in connection with those, you know, what percentages are applicable on the investment rules.

MR. KRAUS: — Yes, they would.

MR. GLAUSER: — Yes, okay.

MR. WENDEL: — Excuse me. Gerry, those percentages: have they got anything to do with these numbered companies, things like SaskPen?

MR. KRAUS: — Pardon me?

MR. WENDEL: — These percentages that you're talking about, they wouldn't apply in this case, would they? They'd fall into those rules?

MR. BENSON: — In the case of one of those pension plans, they've accounted for it in the 7 per cent rule.

MR. WENDEL: — But it doesn't necessarily apply. Like, that isn't why these companies were created. They created them so they wouldn't use those 7 per cent rules. Is that not correct?

MR. KRAUS: — Not to my knowledge.

MR. WENDEL: — Well, I believe that was the documentation required: first, that the investment not be considered part of the basket clause, which is what you're talking about.

MR. LUTZ: — First, you couldn't invest directly in this real estate stuff. So they formed a numbered company, and they bought shares in the company, and the company invested in this prohibited stock. And I think they also got around their 7 per cent limit the same way.

MR. BENSON: — Well, not from an accounting standpoint.

MR. CHAIRMAN: — Well, let's pick this up again when Finance actually come. The first item with respect to CIC actually arose yesterday, the question of whether or not the information might be provided in a more useful fashion. I would like the opportunity to discuss this with the Crown Investments Corporation.

MR. GLAUSER: — Are you talking about the . . .

MR. CHAIRMAN: — I'm now back to 2.1. I'm back to 2.1 (1).

MR. GLAUSER: — Are you talking about the subsidiary companies?

MR. CHAIRMAN: — Yes, I am.

MR. GLAUSER: — I think that . . . I just don't see the usefulness of that exercise, Mr. Chairman, at this point.

MR. CHAIRMAN: — Well, it strikes me as the usefulness, unless you are saying that the government caucus already made up its mind that they don't want to discuss the subject, but, apart from that, it strikes me as being within our jurisdiction and a useful discussion. The information can be provided . . . I'll recognize you in a moment, member from Rosthern. If the information can be provided in a fashion which will be of more use to the members, that surely is relevant in that it increases the effectiveness of the legislative control over the public's business.

MR. GLAUSER: — Those financial statements are public documents. Anybody can see them.

MR. KATZMAN: — It's not very often that I don't agree with Elwood Cowley. Occasionally I do, and this, I guess, is going to be one of them. Where Elwood, when he sat in Crown Corporations, indicated strongly that in this information that you seem to want to seek now, the confidentiality of competition companies and companies where they are minor shareholders in — not major, minor shareholders in — are crucial and should not be released.

No matter what you say here, Ned, this has been handled for as long as I've been a member of the Assembly. It's been argued, I think, every year in Crown corps, no matter who's opposition and no matter who's government. It depends which side of the fence you sit on.

And I think this is the purview of Crown corps committee and not this committee, because it's a fundamental discussion they have every year, and let's let that committee deal with it and not get it into two committees.

If they decide in that committee who has the precedent, let them have it because they do argue it very strongly. And they may not have the administrative financial type of things, but they do get into it, and the nitty-gritty of it.

And I think we may cross once or twice over the fence into some of their Crowns, as we did into Sask Housing. But I'm not so sure that . . . I think in what this statement is concerned, I expect it's a shortfall, if you want to call it, in the system, and I accept it.

MR. LUTZ: — Mr. Chairman, the provincial government owns a Crown corporation known as Potash Corporation of Saskatchewan. They are in a competitive position. Their annual reports are tabled. They are public documents. We have another corporation known as Saskoil, which is in a competitive industry. Their annual reports are tabled. They are public documents. We have the same applicable to Sask Mining.

Now then, we own 100 per cent of a thing called PAPCO (Prince Albert Pulp Company). I have a difficult time rationalizing why we can own three competitive companies and table their annual reports. We can own 100 per cent of PAPCO and plead confidentiality because it might endanger my competitive position.

MR. KATZMAN: — I'm not so concerned about PAPCO. If you want to take them one out at a time, it becomes intriguing. But you sometimes, to protect the ones where we have less than 51 per cent, or 50 per cent of the company, have to leave others there so that the water is muddy, so a competitor can't figure out what you've done.

That's good business practice, as long as the bottom number at the end is truthful. And that it would be, because if you have enough things mixed into a soup, you will have trouble deciding which is peas and which is French peas.

MR. CHAIRMAN: — Precisely. Precisely.

MR. KATZMAN: — The point is that because of the amount of companies that are not totally, or sorry, are not controlled by the government . . . PAPCO is a poor example in my mind, Mr. Auditor, because it indicates that's one that you could argue very strongly that could be shown. And that's a good one for your side of the argument.

My side of the argument would say, let's look at Intercontinental Packers, where we owned 49 per cent. Now which we don't have it any more, that is true. But there was others in that grouping. So, depending . . . It was part of CIC, in that big report, from what Mr. Cowley used to indicate was part of their holdings.

MR. GLAUSER: — I would be prepared to make a motion that for this year we not consider the calling before us of the subsidiary companies.

MR. CHAIRMAN: — I'll accept that motion. Before we call the vote on it, I want to say I think that the suggestion, whether by Elwood Cowley or the member from Rosthern, that somehow or other a disclosure of financial statements prejudices a company which competes in the market-place, is utter and complete hog-wash.

One of the requirements, one of the things that the Toronto Stock Exchange has pioneered in is much higher standards for annual reports and financial statements for companies which are allowed to trade on the Toronto Stock Exchange. What the higher standards have meant is not just that the information is more accurate, but that it must be much more complete. I assume that the Toronto Stock Exchange wouldn't have done that if it would have been unfair to those who trade on the exchange. The truth of the matter is it is not unfair. Those who trade on the exchange are not at a disadvantage vis-a-vis private companies, and no one suggests they are.

The sole reason, I suggest, why government members do not want this information disclosed, has very little to do with the welfare of the companies, and everything to do with their desire not to have the information made public. I think this motion is somewhat self-serving.

MR. KATZMAN: — Then blame your former members, too.

MR. CHAIRMAN: — I'm perfectly ready to do that. That government was defeated in an election, and I thought there was some purpose to that. But if the member from Rosthern is going to continue in the Elwood Cowley school of public disclosure . . .

MR. KATZMAN: — Oh, I cannot resist the reply.

MR. CHAIRMAN: — . . . I think the election may have not accomplished what some had hoped it would. I'll give the member from Rosthern an opportunity to rejoin.

MR. KATZMAN: — Let me suggest, some of us have gone through this thing and decided there's a lot of things that we can get into, and some of us have made a judgement value that says that the other committee upstairs, Crown Corporations, has the total right to handle this. And therefore we're saying, let's let them do their job, as well as us do our job.

I realize the auditor is saying that we do have some rights here because of what our committee is based on and what we do . . .

MR. CHAIRMAN: — If I might just make one comment, and then I'll recognize the Provincial Auditor. The bent of this committee is slightly different, as well, because we have witnesses rather than ministers.

A MEMBER: — I agree.

MR. CHAIRMAN: — I doubt that they will get into a long harangue over the question of the financial statements. It's just a different mixture with the ministers. The issues tend to be more political and less administrative, if I may put it that way.

MR. LUTZ: — Mr. Chairman, my concern is the Legislative Assembly, not myself, not necessarily this committee. The Legislative Assembly should know.

MR. KATZMAN: — Now, I have to agree. The proper way for the Legislative Assembly to get the information is through the Crown Corporations Committee, and not this one — is what the argument is all about really.

MR. LUTZ: — Provided the annual reports are tabled.

MR. KATZMAN: — Provided they want to go into the CIC portion, and argue, and draw them out. If the minister or the officials don't give us, that's not my fault. And what Gerry is saying is he wishes to have a second go at them here, if they don't produce up there. And I'm saying that we've got enough on our plate this year.

MR. CHAIRMAN: — Unless there's some other comments, moved by the member from Saskatoon Mayfair:

That for the year under review we do not request the appearance of subsidiary companies . . .

Oh, I'm surprised this is what you're moving, but let me read it for you.

That we do not request the appearance of subsidiary companies of CIC before the

committee.

Is that really what you intended?

MR. GLAUSER: — Well, they are subsidiary companies of CIC, are they not?

MR. CHAIRMAN: — I would have thought the subject would have been discussed with CIC itself, on the standards they lay down for their subsidiary companies for reporting, not the companies themselves.

MR. KATZMAN: — The CIC is called upstairs.

MR. CHAIRMAN: — Oh, well. Okay. Let me ask a question before I call the vote on this. Would not CIC set standards for the financial reports provided by the subsidiaries? I would have thought we would have called CIC and not all the subsidiaries, when we're dealing with a general question of what financial information ought to be provided.

MR. KATZMAN: — You mean, the motion should say that CIC should not be called in and their subsidiaries not called?

MR. CHAIRMAN: — I've argued with you . . . (inaudible) . . . I'm off that at the moment. I just don't think your motion . . .

MR. KATZMAN: — Are you suggesting we should have two words in there, "CIC or their subsidiaries"?

MR. GLAUSER: — Well, then, if that's the way it should read, then.

MR. CHAIRMAN: — Let me try the following on you:

That for the year under review we do not request the appearance of CIC with respect to the financial reports provided by subsidiary companies of CIC.

MR. GLAUSER: — Well, that's . . . yes.

MR. CHAIRMAN: — Okay. All those in agreement with that motion?

AGREED

MR. CHAIRMAN: — Narrowly, very narrowly, that was passed. Very, very narrowly . . . (inaudible interjections) . . . I assumed that was the case. In fact, when I first came to this committee, I assumed that was the case. The chairman didn't vote. They had to have a seconder. I had no desire to be chairman. It was somewhat later that I discovered that the chairman of this committee operates in a fashion which no other chairman really would.

Advanced Education and Manpower. For my money, I think we want to talk to Advanced Education and Manpower about this. I don't know whether you guys got a chance to look at this or not. You may have some questions about it.

MR. KRAUS: — Well, I do have to bear part of the responsibility for this problem in that our department, in this particular case, was doing some of the work for Advanced Education, and that it was our job to reconcile the bank. Now, notwithstanding what Mr. Lutz says, and essentially I don't disagree with A, B, and C, by the way, and we stand in error here, but we were performing the bank reconciliations. From what I can determine, it wasn't that our bank reconciliations weren't being done on time, but that we weren't communicating the information correctly to the department, and the department, in turn, I suppose, wasn't doing its job in

making sure that they were getting that information, and looking at the information that they would get on this report to make sure that everything was correct.

I can say, though, that subsequently we did correct these errors that were made. No money was really lost. It was a series of silly errors. I think in one case we paid money out of the wrong bank account. Now, nobody lost any money. It's just instead of paying it out of the student aid fund, we paid it out of the cattle trust fund. Well, we can easily make a transfer and correct those things.

But the department has implemented — this is Advanced Education — has implemented a monitoring system to make sure that they're on top of this, and that if we don't do our job, they're going to come after us and ask us for the information. And secondly, I've made sure that the people in my department, or my division, do their job as well.

So I could say that a series of mistakes were made here, and it shouldn't happen. But I would hope, like, no money was lost, and I trust that you won't see this item again.

MR. KATZMAN: — I assume what you're saying, Mr. Kraus, is yes, it did happen but we have now put the system in corrected.

MR. KRAUS: — Yes. The system was there actually. They just . . .

MR. KATZMAN: — But it's now been looked after.

MR. KRAUS: — Yes.

MR. KATZMAN: — If that's the case, Mr. Chairman, I'm prepared to suggest, and we've always taken Mr. Kraus's suggestions here in the past, when he said they've gone in and cleaned up a problem, that maybe there is no problem here, that we should move to the next.

MR. CHAIRMAN: — Okay. I'll take Mr. Kraus's word for that. I had other questions I wanted to ask Advanced Education and Manpower, though. It's a ticklish area. It has to do, really, with the administration of the universities. I have some questions about the administration. I know that we cannot ask the universities of that. We, in the past, have dealt with the universities commission. I guess we don't have such a thing now. I guess we deal directly with the department.

But I had some questions about the fashion in which the universities are being administered and the way they are spending their funds. And it really doesn't have to do with cut-backs.

I just wonder about the appropriateness of some of those expenditures. I wanted to discuss that with Advanced Education and Manpower.

MR. KATZMAN: — Yeah. And maybe if this suggestion would help . . .

MR. CHAIRMAN: — Good afternoon, Mr. Weiman.

MR. KATZMAN: — Let me suggest that the Clerk . . .

A MEMBER: — Is that on tape?

A MEMBER: — No.

A MEMBER: — Who shit in your porridge this morning?

MR. CHAIRMAN: — Was that on tape? Yes, it was, she says. There will be no more profanity.

A MEMBER: — We suggest the tape be wiped for those things. Seriously, could the Clerk please get a piece of paper now, and get a three-way list going: those that we think we may call, those that we are not going to call, and those, if we have time, we are going to call.

MR. CHAIRMAN: — I don't disagree with that. The first people we should call are the ones that the Provincial Auditor raises. And that's our first responsibility, to follow up on this report.

There are a number of other areas I have an interest in getting into. I'm sure other members do, if we've got time.

MR. KATZMAN: — Well, my comment is, Mr. Chairman, let us . . .

MR. CHAIRMAN: — I don't think we have the undivided attention of the Clerk here.

MR. KATZMAN: — Would the Clerk please make a list that says no to 2.1 (1), question mark to 2.1 (2), question mark to 2.2, but not on the documents here, on other issues. And that's on the question mark list. Am I correct the way I explained that, Ned? I mean, I think we got to get three lists going here so we have a clue where we're going.

MR. CHAIRMAN: — I don't disagree with that. In fact, I was going to suggest that myself. Do you agree?

MR. JAMES: — Fine.

MR. CHAIRMAN: — What we are talking about, I think, is really more two lists than three. One list of people we are going to call; we'll call it the A list. Second, a B list of people we would like to call if time permits, and . . .

MR. KATZMAN: — C list, those that we're going to call, even though they're not mentioned in the report.

MR. CHAIRMAN: — Oh, I thought that was in the A and the B list. I thought the A list was those we were calling because of things we have in the report, the B list is the list that we may call if we get time.

MR. KATZMAN: — No. I think we better clarify here, Mr. Shillington. The B list, they may not be calling them for what's in the report, though.

MR. CHAIRMAN: — That's right.

MR. KATZMAN: — Okay. That's why I would like to split that B list in half, that we're calling them because of what's in the report, or we're calling them for other reasons than the report.

MR. CHAIRMAN: — Okay. I'm prepared to try your system. I think it's unnecessarily complex, though — an A list, a B list and C list. If you need . . . You're going to have to get a broadsheet here. You don't have enough paper. The A list is those we are definitely going to call because of something mentioned in the report, as I understand it. The B list is those we may call because of comments in the report. The C list is those we would call for items not mentioned in either, not mentioned in the report, I'm sorry. I don't think "either" would make any sense.

Okay. So, one, it is agreed that I take the 2.2.1 — is on the D lists.

MR. KATZMAN: — 2.1.1. we're not calling at all?

MR. CHAIRMAN: — 2.2.2 . . .

MR. KATZMAN: — No, 2.1.2.

MR. CHAIRMAN: — 22.1.2.?

MR. KATZMAN: — No, no. 2.1.2., we are considering calling.

MR. CHAIRMAN: — Oh, I see, you're going back. Okay, 2.1.2. Right. 2.1.2 is on the . . . In a sense we're calling Finance, I think, is on the A list.

MR. KATZMAN: — Yes, that's on the A list.

MR. CHAIRMAN: — 2.1.1. is on the D list — we're not calling it at all.

MR. KATZMAN: — Yes, that's correct. We're not calling it at all. But we're calling it under the C list. We want Advanced Education here if we have time for other than what's mentioned in the report.

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — That's your C list. We haven't agreed to accept C or B, but we're trying to sort them out now.

MR. GLAUSER: — I think we should clarify that. That beginning there . . .

MR. CHAIRMAN: — Are you talking about 2.1.1.2 or 2.2.1.2.?

MR. GLAUSER: — I think we should identify the department, within Finance.

MR. CHAIRMAN: — Okay, 2.2.2 — that's like a children's poem.

MR. WEIMAN: — Is that the procedures employed by the officials of the Kelsey Institute? Is that the one you're looking at?

MR. KATZMAN: — No, that's all cured. We should now be moving to 2.3.

MR. CHAIRMAN: — Why do you say that is all cured?

MR. KATZMAN: — Because of what Mr. Kraus said.

MR. KRAUS: — Actually, Mr. Katzman, this is another item under Advanced Education.

MR. KATZMAN: — Oh, fair game.

MR. WEIMAN: — But is this the one you're alluding to, Ned?

MR. CHAIRMAN: — Let's take 2.2.2 and 2.2.3. together, if we might. The 2.2.2. states here, "No proper way of determining inventory value." It wasn't accurate. 2.2.3. suggests, "there is no formal established procedure to ascertain the total actual costs of the training activities for the cafeteria operations." And, clearly, there should be if they are to exercise any control of the costs.

For my money, I'd put 2.2.2 with 2.2.3 on the A list, at the moment.

MR. KATZMAN: — 2, 2, 2, and 3.

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — Kelsey. Well why don't you just put down Kelsey? Because they're both Kelsey.

MR. CHAIRMAN: — Okay. I don't think we call Kelsey, though. I think we call the department, do we not?

MR. KATZMAN: — They may have to go to Kelsey . . .

MR. CHAIRMAN: — They may want to bring the Kelsey officials along.

MR. KATZMAN: — Yes.

MR. CHAIRMAN: — Okay. Agreed then that Advanced Ed is promoted to the A list?

MR. KATZMAN: — No. Kelsey is.

MR. CHAIRMAN: — Advanced Ed — Kelsey is promoted to the A list.

MR. KATZMAN: — Right.

MR. CHAIRMAN: — Okay.

MR. GLAUSER: — I have a question about that, and perhaps Mr. Kraus could answer it on that Kelsey. Was there really any, you know, indication that there might be misappropriation?

MR. KRAUS: — No.

MR. GLAUSER: — Well then is it really that . . . Would it be really that necessary to have these people?

MR. CHAIRMAN: — Well our responsibility is more than just to uncover — I know you're not suggesting scandals — but to uncover money what's improperly spent. We also have a responsibility to ensure that the money is effectively and efficiently spent. And that's what this goes to.

MR. GLAUSER: — Well then my next question is: was the problem cured?

MR. KRAUS: — Well in the second, point number two there, what was happening is, when they count their inventory, they counted their inventory okay but they didn't do a double-check on it. And so they've made some mistakes on the inventory sheets, and it wasn't caught, and consequently the financial statements were incorrect initially. But they did find the error eventually and adjusted the financial statements accordingly. And they have advised us that in the future when they do inventory counts they'll make sure their chief accountant double-checks these inventory counts. So that problem should not occur again if they do as they say.

MR. GLAUSER: — Yes. Like, was there a new financial statement structured, and has the . . .

MR. KRAUS: — Actually everything was fine, Mr. Glauser. I mean, there was nothing wrong with the financial statements or anything. It was just that when they did their inventory counts, they didn't make sure they were double checked. As a result, there was a significant error in the calculation of the inventory. That's number two. Number three is another matter.

MR. CHAIRMAN: — Which will not have been cured because it, I assume, by the . . .

MR. KATZMAN: — I'm getting the feeling two has actually been cured.

MR. KRAUS: — Yes, it has, or should have been.

MR. KATZMAN: — Yes. And the system is in place to control it from now on. The third . . .

MR. KRAUS: — The third item is a technical matter.

MR. KATZMAN: — Are you satisfied it's now cured from that, and won't happen again?

MR. KRAUS: — No, I'm not sure that we would necessarily change that. I think, the auditor . . . Well I shouldn't speak for the auditor. He has a position on it, and we have a position on it.

MR. KATZMAN: — Okay, let's hear the positions.

MR. LUTZ: — My position is stated right here. I have written my position down.

MR. KATZMAN: — There is no procedure.

MR. LUTZ: — No.

MR. KATZMAN: — That's the bottom line of it. To make sure that things are done with the revolving fund.

MR. LUTZ: — In my opinion, this payment of \$50,000 was made without apparent authority, as there was not a specific appropriation for this subsidy. I say it's a subsidy. Someone else is saying it's a training allowance.

MR. KRAUS: — They've made this payment for several years in this manner, and part of the justification is that the students are in a training mode there. Even in the cafeteria they're using students to cook and to serve and all the rest of it. And so they can't recover all the costs, because they probably have more people in there than they need because they're training them. So this is considered to be an allowance for training.

MR. KATZMAN: — That's part of that hotel and cafe management course, where the students all have to serve, and cook, and do all the different things, so they understand the operation. In fact, they do a big TV blitz every year when they're doing it, invite the public to come there.

MR. WEIMAN: — What it basically comes down to is practical application in the cafeteria of what they are learning in the classes. You know, over 50 per cent of that class criteria is to have practical application to it. And what they do is they're trained within that course.

I happen to have seen that course in action, and over 50 per cent of the course is applied application, to get into the cafeteria, to serve, to cook food. In my mind, that seems to me as part of the ongoing training, the other component of the class-room training.

MR. KRAUS: — Whether this expenditure is called an allowance for training costs or called a subsidy, the \$50,000 has been appropriated, will be appropriated, and will be paid over. You know, it's not as though the \$50,000 wouldn't be paid over. It's just what you call it.

MR. KATZMAN: — It's what you call it is what the argument is all about.

MR. KRAUS: — I think that what's it all about, yes.

MR. WEIMAN: — Well, this is Mr. Lutz's contention. In his opinion, it is a subsidy and not an allowance.

MR. KRAUS: — Not a training allowance.

MR. KATZMAN: — Let me ask. Maybe I can simplify this. Mr. Kraus, are we prepared to accept Mr. Lutz's recommendation that it should be put into the other wording?

MR. CHAIRMAN: — I don't know that I would be prepared without hearing . . . Let's get the other side of the argument.

MR. KATZMAN: — I'm asking what the financial accounting comptroller's side says.

MR. BENSON: — Really what it's called is up to the department. I think, as far as we're concerned when we set up this whole revolving fund operation, any losses that the revolving fund couldn't recover through fees had to be appropriated, and that's all that we were insisting upon.

It's a matter of preference for how the department discloses how that payment is made over to the revolving fund, and that's basically not up to . . . We can't, we don't have an axe to grind.

MR. KATZMAN: — In FarmStart — I'm going to switch to that one intentionally here — when they finally write off a loss because they can't get the debt, it's covered by appropriations in the final end. Isn't it?

MR. KRAUS: — Yes.

MR. KATZMAN: — And that's what is now being recommended here, too. I can live with Mr. Lutz's recommendation, knowing how the other departments of government work.

MR. CHAIRMAN: — The member from Mayfair. I'm not sure that you can, anyway. Go ahead.

MR. GLAUSER: — I 'm not sure that that would fit in this case. And here again, looking at the accounting aspect of that; and maybe you would like to speak to that.

MR. BENSON: — There is a number of different revolving funds in use throughout the government. And we don't demand that any recoveries coming from the appropriation side have a specific title on them.

MR. GLAUSER: — Because that could be channelled in any direction, then.

MR. BENSON: — Well, nor do we insist on a separate appropriation. And that might be also what the Provincial Auditor is alluding to here. But we don't insist that a separate appropriation be made for any payments into any revolving fund.

MR. LUTZ: — Mr. Chairman, I have trouble identifying this particular payment as scientific and education supplies in the first instance. In the second instance, if they had in place some formal procedure to determine what the actual cost of this training element is, and if they could determine what that is and show me what that is, then maybe I could divide the 50,000 as a training allowance.

MR. CHAIRMAN: — It's more than just a technical question. It is a question of: (a) the legislature's control over the spending, but (b) their own, the ability of the Department of Finance to control the expenditures and ensure that it's being efficiently done. I'm not sure this is a technical question, actually.

Do you want to respond to that?

MR. KRAUS: — I'm not sure I have any more comments. I guess it depends on what the committee would want to do, whether they'd want to pursue this matter further.

MR. CHAIRMAN: — Sorry. The member from Saskatoon Fairview has been waiting . . . (inaudible interjection) . . . I was going to say not all that patiently, but perhaps there's reason why he shouldn't wait patiently.

MR. WEIMAN: — I don't wish to quibble because now we're bouncing into this category of scientific and educational supplies. It just seems abundantly clear to me that if a medical student is working on cadavers, cadavers become educational supplies.

If a person who is in the business of restauranteuring and they are chopping up potato salad, it seems to me that potatoes become educational supplies, because that is part of their training.

But what I would like to do is to ask it from a different direction. Mr. Lutz's concern that it is a subsidy as opposed to an allowance, is there any subsidization by the cafeteria to the training course involved?

A MEMBER: — . . . (inaudible) . . .

MR. WEIMAN: — You see, then I could understand it as being the other way around then, too, as being a subsidy. Is there any subsidization from the cafeteria to the training course of food, in fact; that's what I think it's called, food preparation course?

MR. LUTZ: — Since they do not have any formal established procedures to ascertain the total actual cost of this training activity, we don't know.

MR. WEIMAN: — Okay. But did you understand my point on the educational supplies that if they're dealing in food preparation, food must be classified as educational supplies?

MR. CHAIRMAN: — It may well be an appropriate procedure and appropriate expenditure. We don't know that and I frankly don't think they know that with the existing accounting procedure.

So what's your wish? Do you want to call them or do you want to . . .

MR. GLAUSER: — Well, it seems to me that this is an item that comes between the Finance and the auditor as opposed to the school. I just wonder what kind of answers we can expect to . . .

MR. CHAIRMAN: — I think this comes squarely within our responsibility.

MR. GLAUSER: — No, right here. Right here, without . . .

MR. KRAUS: — Well, I can maybe clarify it then, Mr. Chairman, that I do not control the description of what you see in your *Estimates*, your budget. I would say that would be somewhat in the realm . . . well, obviously in the realm or jurisdiction of Finance, but also the department would have some input into that, and I don't want this to sound inappropriate, but to some degree, it doesn't matter to me how it's described. If it can be described better, if this doesn't reflect a proper description, then perhaps it could be altered. But I can't make that decision.

MR. CHAIRMAN: — Agreed to call them, then? Just to get the bear out of the buckwheat, I will move that we put Advanced Ed. — Kelsey, on the A list.

MR. KATZMAN: — On (2) or on (3)? Let's know what I'm calling it.

MR. CHAIRMAN: — I move that we put Advanced Ed. — Kelsey, on the A list with respect to

item 2.2(1)(3).

MR. KATZMAN: — As far as the others, it's on the C list, no, the D list. Not called. It's not called at all.

MR. CHAIRMAN: — With respect to 2.2(1)(1), and 2.2(1)(2), it's on the D list.

MR. KATZMAN: — Well, I have a question before you put the question, Mr. Chairman, mainly because I have listened and I . . . Mr. Weiman, I think, is starting to convince me the cadaver and a hamburger are the same.

MR. WEIMAN: — Only in terms of education purposes.

A MEMBER: — Only at McDonald's.

MR. KATZMAN: — Only in the terms of education purposes. I am not sure . . .

MR. CHAIRMAN: — It depends where you eat, Ralph . . . (inaudible interjection) . . . On the D list, right.

MR. KATZMAN: — So, I'm of the opinion and I think that I . . . Maybe I misread something, but I have a feeling that Mr. Kraus's office is prepared to tell, suggest to Kelsey through advanced manpower — sorry, Advanced Education and Manpower — that they have to put a system in to cover this and, therefore, I'm prepared to agree with Mr. Weiman that I don't think we need to call it.

MR. BENSON: — The committee might just want to suggest that they reconsider the wording used for this kind of expenditure.

MR. KATZMAN: — That's what I thought you were saying.

MR. CHAIRMAN: — Well, I think it's more than just a name, though. There are no formal established procedures to ascertain the total actual costs for the training activities, and there should be.

MR. KATZMAN: — I thought Mr. Weiman suggested they should put a procedure in so they have it down.

MR. CHAIRMAN: — I don't think we should do that without discussing it with the department. You know, I don't think it's proper for the committee to be issuing rules without hearing the department's side of it. You know, I just don't think that's appropriate. There may be a very charitable reason why they don't. I think we're going to look like a lot of bunk-house cowboys if we start doing that, issuing rules without hearing their side of it. I don't think that's appropriate.

A MEMBER: — I don't think it's going to be a long item.

MR. CHAIRMAN: — It's not going to take long, no. Believe me. Trust me.

A MEMBER: — Well, that's it. You sold me right there, Ned. Right there, you sold me.

MR. CHAIRMAN: — Okay. We now have a majority. I will now call the vote. All those in favour of calling Advanced Ed — Kelsey, with respect to item 2.2(1)(3), and putting them on the A list, raise your right hand. Not enough. Opposed?

A MEMBER: — Did you raise your right hand, Ned?

MR. CHAIRMAN: — Let's try this again. Raise your hand, all those in favour of calling in Advanced Ed for those reasons. Opposed? Carried by a huge majority.

AGREED

MR. CHAIRMAN: — 2.2(1)(1) is a D, 2.2(1)(2) is a D, 2.2(1)(3) is an A. Right. This is a very simple procedure. If you had your computer here you could handle it with ease. This reminds me, sometimes the solution to a problem gets infinitely more complex than the original problem was, and I think we may have invented one of those conundrums.

Department of Agriculture. I would be satisfied, at this point in time, with respect to item 2.3(1)(1), if we simply got more details about it. Who were the other creditors? I assume that information is readily available from the report of the trustee on bankruptcy. Well, if I knew who the other creditor . . . If I had the financial statement of the trustee on bankruptcy, I might well be satisfied. I don't know. How do you guys feel about this? It's a fair sum of money.

MR. WEIMAN: — If you presume that it's already filed under that auspices, calling them here — wouldn't that be redundant?

MR. CHAIRMAN: — It may be. For the moment what I would ask the Clerk to do is ask the department for that.

MR. KATZMAN: — Does the auditor know anything about it?

MR. WENDEL: — No, we don't have a list.

MR. CHAIRMAN: — Ask the department for the list of creditors and . . . Do you people know what the explanation might have been for its waiving of its status?

MR. KRAUS: — We've been advised that . . . I have no list so I'm only going on what I've been advised, that the other creditors were local producers.

MR. CHAIRMAN: — That's why I want the list.

A MEMBER: — Okay. Do you want to kick that machine off for a second, please?

MR. CHAIRMAN: — Resume proceedings. Agreed, then. I take it, then, it is agreed that the Clerk shall ask the Department of Agriculture for the list of creditors, and the Clerk will then distribute it to the members before it, in fact, is tabled. And it will not be tabled unless one of the members ask it to be tabled.

A MEMBER: — The same with (2) and (3)?

MR. CHAIRMAN: — Well, I'm not quite sure.

A MEMBER: — Unless the majority . . .

MR. CHAIRMAN: — Well, I suppose any member of the committee could move that it be tabled.

MR. KATZMAN: — Then you have to vote.

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — If the vote is no, let us know.

MR. CHAIRMAN: — No, I think 2.3(2) is a different issue.

A MEMBER: — Just a minute . . . (inaudible) . . . once before . . . (inaudible) . . .

MR. LUTZ: — Mr. Chairman . . .

A MEMBER: — Yes, it's been mentioned three years in a row.

MR. LUTZ: — Well, since '81, yes.

MR. KATZMAN: — In the same place we're talking about each time.

MR. LUTZ: — Yes. And eventually, when the whole case closes, we will probably mention it again to disclose the total loss to the people of the province.

A MEMBER: — The final loss.

A MEMBER: — It's been here twice before.

MR. CHAIRMAN: — Okay. It likely won't be brought forward, then. 2.3(2), I suggest, should require some further discussion with the Department of Agriculture.

MR. KATZMAN: — Well, I want to know. And maybe "eligibility criteria specified in the regulations issued under the authority of" the department . . . They're saying . . . What Mr. Lutz seems to be indicating is that, to ensure people are farmers. And I hope he's saying "who are eligible, as set out in the eligibility criteria."

I think you're indicating there may be somebody that qualified that didn't follow the eligibility. Is that what this is saying?

MR. LUTZ: — No, I think what I'm saying here, Mr. Chairman, and Mr. Katzman, is that the departmental officials have not put in place any verification procedures that they can apply to make sure that only eligible persons are receiving this. A system should be in place to protect the assets of the province, etc., etc., and it's not.

MR. KATZMAN: — Okay. I go down and fill out my form. I fill out my 1981, my 1982, and my '83 and '84 income tax, if I was applying today for it. In that thing, I have to show that my income, me and my wife, over the last three years, did not exceed 35,000 from outside income; my assets are under a certain amount; and so forth. That is the verification that I get the loan under. Okay?

MR. LUTZ: — Okay.

MR. KATZMAN: — Now, what next step do I need to verify? That's to verify that I qualify. Now, are you saying they have to be able to go back to a bank or somebody to verify that's correct? Because with that I send in my T-4s. Sorry, my income tax for the prior years goes in, the final sheet goes in with that. I don't know what you want more. That's what's bothering me. I'm not sure what else you want me to give. That's the problem. I'm not being defensive about it. I've just filled out the form for people, and the form is a self-check itself.

MR. WENDEL: — But it's not verified in any way.

MR. LUTZ: — Nobody in the department is verifying. I believe you're filing your documents with the banker who's going to lend you the money, or whatever.

MR. KATZMAN: — Oh, no. That's right. And the banker signs an affidavit that the guy qualified. And what you're saying is we have no way to go back and check that document filed with the banker.

MR. LUTZ: — Well, the department is not . . . They don't do anything. Now, if I'm in the business of lending money to farmers, fine, I'll lend you money. But somebody in the department should be putting in place a system which at least gives them access to the data and does a check on it.

MR. KATZMAN: — Okay. That's what I was trying to understand what you were saying.

MR. LUTZ: — Yes. That's where we're at.

MR. KATZMAN: — Okay.

MR. BENSON: — We were privy to that decision up front, and we had concluded that we would be able to rely on a post auditing of a random sample of those applications. Any way to try to verify it up front would prove to be too cumbersome, and in fact that's what's happening now, is we had each applicant sign a waiver in terms of going to Revenue Canada to confirm his assets and income, so that's under way right now.

MR. KATZMAN: — Oh, so it is being done now?

MR. BENSON: — Yes, and it was designed that we would do it . . .

MR. CHAIRMAN: — It was only after the fact, though?

MR. BENSON: — But after the fact. We went along with the department in that sense.

MR. KATZMAN: — But it's before he gets a cheque?

MR. BENSON: — No, no. The cheques are already issued.

MR. LUTZ: — It might be six months, a year later.

MR. KATZMAN: — Okay.

MR. KRAUS: — I will say, as well, as I was talking yesterday about these grant programs, you have to try and weigh off the practical side against control, and they felt that we did have lenders, approved lenders, signing an affidavit or whatever, confirming to some degree that what this farmer was putting down, there was some validity to it. And therefore there is, I guess, a lot of reliance placed on that. But that is not unusual, in that people will sign in many programs, whether it's this type of program, or a renter's rebate program, or whatever, that yes, in fact, they've paid rent, and they declare that this is correct and so on.

And so then you have to say, well, what should we do as a department, or as a government, to make sure that that information is correct? And it was felt that it would be very difficult to do any amount of checking prior to payment.

So it was decided that there should be a post audit, and the audit perhaps didn't kick in as quickly as it could have. But it has begun, as I am led to believe, and furthermore, we aren't aware that any particular problems have been identified. That doesn't mean there won't be some.

MR. CHAIRMAN: — It strikes me as a system . . . I'm sorry, Mr. Benson.

MR. BENSON: — That's fine.

MR. CHAIRMAN: — It strikes me as a system designed for abuse, though. You have a banker and a farmer, both of whom have an interest in seeing the application approved.

MR. KATZMAN: — Whoa. Sorry, I've got to challenge you, because what you are saying, and I cannot accept, I will not accept what you've just said, and now you maybe didn't mean to say it.

But what you've said in inference is that a banker will sign an affidavit lying that he didn't see the guy's T-4, and this and that. I think you didn't mean to say that.

MR. CHAIRMAN: — No. I meant to say . . . You can interpret it as you like. I'll recognize the member from Saskatoon Fairview in a minute. I meant to say, interpret it as you like, that the banker has an interest in seeing the application approved. So does the farmer. Nobody's looking at that who does not have an interest in seeing it approved, and that is a system designed to encourage abuse.

MR. KATZMAN: — But he is signing an affidavit with his personal signature on it, saying that he has checked the income tax of this man for these three years. And I mean, let's make sure we say that.

MR. CHAIRMAN: — Given that as it may, given that as it may, a system which has nobody who's independent of a transaction looking at it is a system designed for abuse . . . (inaudible interjection) . . . Sorry, I'll get you in a minute. The member from Saskatoon Fairview.

MR. WEIMAN: — In so far as systems that are open to abuse, any system is open to abuse. Driving on the highway, which states 100 kilometres per hour, is open to abuse. Even if there's an RCMP policeman there with radar, it is still open to abuse. I mean, how many cars are actually caught of all the speeders? I mean, that's just human nature.

Now, that's bound to happen in any system. It doesn't matter what it is. But my question, Mr. Kraus, is this. I just want a clarification. You've stated that random checks have been done, albeit — and I defer to Mr. Lutz on this — albeit six months after the event, or a year after the event, but you've stated that these ongoing checks, random checks, have been going on. And I would like to know how long have they been going on.

MR. KRAUS: — I think I'll let Mr. Benson respond to that, Mr. Weiman.

MR. BENSON: — Those random checks have not, to my knowledge, started yet. In fact, they're just finalizing it.

MR. WEIMAN: — There has not been any actual random check?

MR. BENSON: — Not yet. If I could also comment on your comment. I don't think the banks are quite in bed with the farmers, because I think the bankers are at risk for the principal on the loan. And it was designed that way so that, you know, the farmer, all he's getting back out of this thing is a reduction in the interest rate. He's still going to have to repay the principal, and we rely on the banking institution to prudently lend that money.

MR. WEIMAN: — My original question, though. You state that the random checks that you would like to have in place — they haven't been initiated — well, they've been initiated but they haven't been put into practice yet.

MR. BENSON: — Well, we're trying to work out some arrangements with Revenue Canada to confirm income and wealth.

MR. WEIMAN: — Because I'm wondering if that would help qualify the auditor if those random checks were in practice. Would that help?

MR. LUTZ: — Speaking to that subject, if, in fact, the post-audit function does get off the ground; and if, in fact, when they do this post-audit function they document it properly so that

followers after can understand what has been done; and if, in fact, the post-audit function does not disclose numerous irregularities, then I would think, yes, we would probably be fairly content with that procedure provided we can see the documentation. I anticipate we can.

MR. WEIMAN: — I have just the one final question, Mr. Chairman, and then I'll pass over to the next person. The anticipated time line of when these checks will go into place; you are saying that it's in the process right now? Do you have an anticipated . . .

MR. BENSON: — Our people are working with agriculture right now. I don't know exactly when they're going to start, but it's anticipated to start as quickly as possible.

MR. WEIMAN: — Within the year '85?

MR. KRAUS: — Oh yes. I will undertake, as a result of our discussions today, to talk to the deputy minister of agriculture and I'll make sure that they put a priority on it. It does get difficult sometimes trying to get access to information from the federal government. Even though they will eventually provide it, it takes time.

I guess I can't give you that it would be next month or the month following, but certainly we'll put pressure on them to get it implemented. Certainly before the end of '85. I would hope in the next quarter.

MR. WEIMAN: — Well, with that undertaking then, I would concur with the auditor.

MR. GLAUSER: — Yes, I think Mr. Benson's remark was quite valid in that this isn't the first time that banks have been taken into programs. And you must remember that if a manager of a branch was in the bed with the farmer, as Mr. Benson has said, that would soon be recognized by their own, the bank's own auditors. And the largest number of these would go through your larger centres which have their own internal audits. So I don't quite accept the theories that there's as vested interest that can be carried out to the extent that you have talked about it, Mr. Chairman.

MR. KATZMAN: — Yes, I was just going to say it was Mr. Chairman that suggested this and not the comptroller's department.

MR. CHAIRMAN: — I think that was just a misstatement. But you still have the manager who may well have an interest in seeing the loan go through. I'm not suggesting that all of them, or any of them, are crooks, any of the managers are crooks. But when you have a system which has no one who is independent of the transaction with any access to it until after the money's paid out, you have a system that is almost designed for abuse.

In many cases the manager will have an interest in seeing the farmer qualify. He'll have an interest in seeing the farmer qualify, first of all, because he's a client and wants to keep him. Secondly, because in many cases it is in the bank's own interest that the application be approved and the farmer assisted. It is somewhat equivalent to having the farmer's lawyer approve the thing. You wouldn't agree to that. Why would you agree to the manager doing it?

MR. GLAUSER: — Well, you've just come a hair's breadth short of calling them crooks. That's exactly what you've said.

MR. CHAIRMAN: — What I am suggesting is that managers — I know you and I have a different view on this — but bank managers aren't all angels. They're not all perfect. Neither is any other group of people.

MR. KATZMAN: — Neither are lawyers, yeah.

MR. CHAIRMAN: — Fully agree. Neither are lawyers. I wouldn't suggest a system whereby a farmer's lawyer sign an affidavit. Neither would you. Why would you suggest a system whereby the farmer's manager do it? In many cases he has an interest in the transaction.

MR. MULLER: — But the farmer's lawyer certainly isn't going to have to go good for the money like a bank manager. If the lawyer signed, like you're saying, the bank manager, when he signs, he's taking responsibility. A lawyer isn't. He has never had any responsibility.

MR. LUTZ: — Mr. Chairman, I suppose what they're saying is that if the bank had a level above which they would be super-saturated with farm land, then the bank manager would no longer want to put out this loan. Is that right? But as long as he has the land pledged as collateral on this loan, I'm not sure what his risk is.

MR. GLAUSER: — I couldn't quite follow what Mr. Lutz was getting to.

MR. KATZMAN: — Okay. I'll try to answer, Mr. Lutz. From my understanding, if I was to be looking for a loan of this type, I would go into the bank. He verifies, when he forwards my application, that I had met these criteria. And he is signing on the dotted line, witnessed by somebody else in his bank, I understand, that he is attesting to the facts that he saw before him are truthful and honest. And he saw these things.

And I think that's really what's bothering me. It is like saying to a J.P. or a — one of the people that put the stamp on — notary public — that what he signs; he signs, I saw this guy sign it. And that's a documented statement, and he sort of swears to it. And I think the banker is doing the same.

And I think, because I've been involved in one or two of these, how they're done, I don't think that the banker can do what Mr. Shillington indicates without signing a false statement. And I don't think that the banker is going to file a false statement.

That's the key issue here. Can he benefit by filing a false statement? My argument is: he will lose his licence as a banker for himself and his personal . . . (inaudible interjection) . . . Sorry. He'll lose his job if he signs, if he's caught ever filing a false affidavit. He's down the street.

A MEMBER: — A good possibility of tar and feather, too . . . (inaudible) . . .

MR. CHAIRMAN: — A good possibility a banker gets tarred and feathered anyway one of these days. He's not winning any popularity contests, with all due respect.

MR. WEIMAN: — I just want to go on record as stating I love my banker.

A MEMBER: — Looking for a loan, are you?

MR. CHAIRMAN: — I want to put this department on the C list anyway. In fact, this is one of the programs I want to discuss on the C list, the farm purchase program. Question of whether or not you guys want to put — whether or not we want to put it on the A list. I do, but if I'm the only one, I'll drop the subject and go on.

MR. KATZMAN: — I don't think you've got a . . . Not this issue. As far as I'm concerned, I'm satisfied. I could put it on the D for all I care.

MR. WEIMAN: — I think in terms of what Mr. Lutz said, that he would be content with, if that was directed to the Department of Agriculture, I don't think there's any need for it to be on.

MR. CHAIRMAN: — What was directed to the Department of Agriculture?

MR. WEIMAN: — Regarding the random sampling . . . (inaudible) . . .

MR. CHAIRMAN: — Oh, again, I think that's inappropriate to be simply reading the Provincial Auditor's report and sending a directive to the Department of Agriculture to do it. I think we've got to hear them first. I just don't think that's appropriate to be doing that.

I don't know what your reluctance is. I must candidly confess, I don't know what your reluctance is to discuss the issue.

MR. KATZMAN: — If you want to put it on the C list, I don't care, but I think it shouldn't be on B. But then I don't care either way. I mean, you're asking me my opinion. Cal, what do you guys think?

MR. CHAIRMAN: — I've never, I may say, I've never experienced . . . Well, this is only my third time around the bat, but I've never experienced something like this. We are arguing about every conceivable department, what we're going to call them. Usually we just go through the thing and, if somebody's interested in it, flag it, and away we go. Today, we've been here for two hours. We were on page 8 of this Provincial Auditor's report. It's going to be the end of May before we get through it at this rate we're going.

MR. KATZMAN: — Oh, now, it won't be that bad.

MR. GLAUSER: — I think that's the purpose of this go around is that we do zero in on those items which are very necessary to get at where money has gone.

MR. CHAIRMAN: — I've never seen as much trouble zeroing. I guess that's what I'm saying.

MR. GLAUSER: — And so that we confine our work to the absolute necessary rather than picking — and I could use a phrase, but it wouldn't be complimentary on this machine, but it relates to the pepper — and so I think we should . . .

MR. KATZMAN: — Well, you can put it on C. Put it on C then, if you want. But it's not a high priority as you indicated.

MR. CHAIRMAN: — Well, I don't think I did indicate that.

MR. KATZMAN: — You asked for it to be put on C.

MR. CHAIRMAN: — Okay, I gather in any event, you four are agreed that you don't want to call the Department of Agriculture with respect to 2.3.2?

MR. KATZMAN: — What we're saying is we think that it looks like the system's being cured, but if you want to call them on a low priority — fair game.

MR. CHAIRMAN: — I don't regard the C list as a low priority.

MR. KATZMAN: — Well A, of course, is first; B is second; C is third.

MR. CHAIRMAN: — If that's the system, I want another discussion . . . If that's what we're using the list for, I want to have another discussion about it.

MR. KATZMAN: — A is the ones that are hard nail, and I feel that we've got to deal with them because of what's said here.

MR. CHAIRMAN: — A is the group that we call first, but B is the group that we call second, and C is the group we call third, but we deal with them all.

MR. KATZMAN: — If we chose not to do C later on, like we did last year — some of them we put on the C list. We got sufficient answers. We decided not to call them.

MR. CHAIRMAN: — . . . (inaudible) . . . except I don't want those items on the interest.

MR. GLAUSER: — Mr. Chairman, in connection with that, could we not agree to that having heard what Mr. Lutz had to say about the system that is going into effect to catch anything that might be abnormal, and that if he comes back again next year with that item in there stating that a percentage of these have been found to be irregular, then why not . . .

MR. CHAIRMAN: — Nobody runs a system . . . Nobody, with all due respect, Cal, nobody runs a business or system like that whereby you don't . . . A system which has no protection to weed out the problems in advance and deals with them all after the fact. Nobody runs a system like that.

MR. GLAUSER: — Well, I think you're getting excited about something here that really I find difficulty in finding, you know, that there's foundation to at this particular time, because . . .

MR. CHAIRMAN: — Just to get onto the next item, I will then . . . Just so we get onto the next item, I will then move:

That we add Agriculture to the A list with respect to item 2.3.2.

All those in favour? All those opposed. Defeated.

NEGATIVED

MR. CHAIRMAN: — I will then move that we put Agriculture on the C list.

A MEMBER: — 2.3.3, can somebody tell us what that's about.

MR. KRAUS: — I can, Mr. Chairman. It was a case that the department has an order in council — they call it a blanket order in council that can be used to cover a number of miscellaneous grants. The department believed that this grant that's in question, which happened to be to the Regina Exhibition Association Horse Racing, was included in the blanket order in council. They were wrong. It wasn't included: it was an oversight. But everybody in the process believed it was.

Subsequently, an after the fact order in council was obtained, and Agriculture will make sure that this grant and any others do have sufficient order in council authority in the future. But that was an oversight. The grant should have been paid to this particular group, but there wasn't an order in council in place through an oversight.

MR. CHAIRMAN: — Mr. Lutz, I think, had a comment.

MR. LUTZ: — Thank you, Mr. Chairman. Is this blanket order in council a common thing? Or what is this blanket order in council, and who signs it, and how old is it?

MR. KRAUS: — Well, these blanket order in councils, I believe, are struck every year, and they identify specific grants that may be made, rather than one order in council for every grant they make. They compile a list of them and cover them all off. So they're specifically identified as a tax.

MR. LUTZ: — And it will be a renewal thing each year?

MR. KRAUS: — Oh, yes.

MR. LUTZ: — Okay, thank you.

MR. KATZMAN: — It's the tax thing, isn't it?

MR. BENSON: — No, it was just an error. They thought they had it on the list, and they didn't . . . (inaudible) . . .

MR. KATZMAN: — It's the rebate of the tax that's collected at the track, and then they give it back.

MR. CHAIRMAN: — Member for Saskatoon Fairview.

MR. WEIMAN: — Oh, I was just waiting for this item to be over with. Before the next item, I have some comments to make.

MR. CHAIRMAN: — I see, I have no questions on this item.

MR. KATZMAN: — Put it on the D list.

MR. CHAIRMAN: — 2.4 . . . D list, I think, is just a figure of speech. I mean, we're not going to make a list of those we aren't going to call.

MR. KATZMAN: — You mean, we're not bothering with them?

MR. CHAIRMAN: — No. We're not going to make a list of them. There's no point in that. But I suppose if you want to complete your records . . .

MR. WEIMAN: — Is it permissible, Mr. Chairman, to make editorial corrections to the verbatim?

MR. CHAIRMAN: — Indeed.

MR. WEIMAN: — Thank you. I refer you to page 75 of the verbatim, yesterday, April 17, page 75. In that the verbatim can be for public consumption, and I know at times that this member can be obnoxious, can be a thorn at times, I do wish to make a correction. In my verbatim, continuing on about the virements, there was an interjection by the Chairman. It says:

MR. CHAIRMAN: — Order, order. You too, you're making a nuisance of yourself.

As a grade 4 teacher, the word "too" means also, which would make it sound as if you also (and I was the previous speaker), you also are making a nuisance of yourself. I would like that corrected to what it was intended to be, the "too," being a numerical value, the two seated across the table who were making a nuisance of themselves — whose identities will remain anonymous. And I would like that changed to "two," so that those duly responsible for making themselves a nuisance can be recognized — other than the speaker at the time — who happened to be the member from Fairview.

MR. CHAIRMAN: — The Clerk has a comment here.

MR. JAMES: — The word "too" or the word "two," we could print a corrigendum for the verbatim for April 17th.

MR. CHAIRMAN: — I think in this verbatim we could note that the comments of the member from Saskatoon Fairview are well taken, and that I was referring to two other people who were whispering and making a nuisance of themselves, and not the member who had made that sterling comment. And perhaps that would suffice.

MR. WEIMAN: — That would more than suffice.

MR. CHAIRMAN: — Okay. Department of Culture and Youth — we had discussed this yesterday, and in the report of the comptroller on items of unfinished business I thought we had disposed of it yesterday. But perhaps other members may have some more questions on this.

On the comptroller's report yesterday — I see someone looked at me quizzically — on the comptroller's report yesterday, we had discussed with the comptroller . . .

MR. LUTZ: — I think that was the Saskatchewan Arts Board, was it not — yesterday's report?

MR. KRAUS: — I think it was Culture and Youth.

MR. LUTZ: — There was reference to Saskatchewan Arts Board.

MR. KRAUS: — There was arts board, yes . . . (inaudible interjection) . . . But that was a case where the Department of Culture and Youth advised that the legislation had been . . .

MR. CHAIRMAN: — I see. Yes, you're right. You're right. You're right.

MR. KRAUS: — That was another very particular issue.

MR. CHAIRMAN: — Seventeen instances, the sum of money is not overwhelming, but the number of times it occurred is overwhelming. Well it's not just once. What's going on here?

MR. KRAUS: — I think that I may have Mr. Benson speak to this, Mr. Chairman.

MR. BENSON: — It's rather complicated. And it's a problem within the department, and I think the program, in particular, is the facilities grants program, where there's confusion as to the requirement for an order in council because you can have, for any particular community, they can have more than one project which could be financed under the program, and they can make more than one application.

And we're confused, in fact, ourselves, as to what's the intent of the orders in council requirement for grant payments in excess of \$10,000. Is it for any particular payment? Is it for the total amount under the program, or is it per project? And you could have any one of those three.

And the department has taken the viewpoint that each particular payment, as long as it's under \$10,000, they're meeting the requirements of the legislation. I think the Provincial Auditor is taking exception to that, and, quite frankly, we don't necessarily agree with the department at this stage. In fact, we're looking at it. So if you understand what I just said, it's up in the air.

MR. LUTZ: — I'm not sure, Mr. Benson, I understand what you just said, but that's all right. I think, or I would hope that what is happening here is not a case of the department segmenting their grants to organizations so that they can get around the necessity to get an order in council where the total grant might exceed 510,000. I would hope that's not the case.

MR. BENSON: — We have the same concerns as you do.

MR. CHAIRMAN: — Could we put that department on your list?

MR. BENSON: — Sure.

MR. KATZMAN: — Just one quick question. What I assume was what you're saying is they get voted X amount of dollars — fair game. Then somebody sends in and they say their particular project is \$8,000. So because it's eight and the standard order is under \$9,999, the minister doesn't have to go to an OC. So he writes the cheque.

And my concern really is that the total amount of those 9,000 to these little communities should not exceed what they would get by the formula.

MR. LUTZ: — No, I think what we're saying is if, in fact, it came about that they allocated a grant of, say, 22,000 to an organization, they would issue three cheques. And then you don't need an order in council.

MR. KATZMAN: — Fair game. I agree with you.

MR. CHAIRMAN: — Okay. The Department of Finance is already on the list with respect to these pension items. Highways and Transportation . . .

MR. KATZMAN: — Oh, oh, oh, oh, oh, oh, oh.

MR. CHAIRMAN: — Did I go past something?

MR. KATZMAN: — Section 2. That's pension funds again . . . (inaudible interjection) . . . So we're doing all of Finance re the pension stuff.

MR. CHAIRMAN: — I thought all three of these were pension things.

MR. KATZMAN: — Yes, they are.

MR. KRAUS: — Could I just clarify? Because this question's going to come up when Finance comes in. I think it's item number 2 here. It's a comment that the auditor has raised with a number of the pension funds, and that is that he's not . . . I believe his concern is that the . . .

MR. KATZMAN: — On page 11?

MR. KRAUS: — It's actually . . . Perhaps just in the first paragraph in 2. I think maybe I've . . . I'm sorry. What I'm trying to identify here is whether or not there's a point in which Mr. Lutz is not satisfied that the pension fund has undertaken an agreement with the Sask Finance, or the Finance department rather, to invest on their behalf. And perhaps that isn't addressed here at all.

MR. KATZMAN: — It isn't.

MR. KRAUS: — It isn't? Okay. Well then I'll withdraw my remarks.

MR. KATZMAN: — Okay, the Department of Highways.

MR. CHAIRMAN: — Okay, the Department of Highways.

MR. KATZMAN: — We handled this one last year, and we're satisfied. Did the new system get put in place, Mr. Kraus?

MR. CHAIRMAN: — I've got to back up a step beyond that. This is an item which was here in the same form last year?

MR. KATZMAN: — Yes, yes.

MR. CHAIRMAN: — I'm still not sure I understand it. The old system, I guess, was discontinued. The new system was started up, and there appears to have been a gap between the two. Is that what we're saying?

MR. WENDEL: — That's correct, and it resulted in a delay in . . . (inaudible) . . .

MR. CHAIRMAN: — When we say a delay in billings, what do we mean by that?

MR. WENDEL: — A revolving fund is supposed to recover its costs by either charging the appropriation through a billing or sending a bill out to the general public. They've done some work out for, say, a municipality or a local farmer . . .

MR. KATZMAN: — Put a culvert in beside it so that you can go into your . . . Off the highway, Ned, we're putting an approach in. Then when we want another approach by your farm, so we charge you for the culvert but we throw the dirt in. So what happened is the bill for the culvert didn't go out fast enough.

MR. CHAIRMAN: — To put it mildly, sending out a bill 11 months late is not a satisfactory system.

MR. KRAUS: — Mr. Chairman, this particular system continues to have problems in that it is not fully operational as yet. We're not satisfied yet that there are adequate internal controls in the system to allow it to run so that you have confidence that the information that's coming out of it is satisfactory and usable and can be relied upon.

Whether it's for financial statement purposes, for revenue billings, or whatever, they have to go to a lot of work — for example, when they make these revenue billings — to make sure they're correct, because they can't rely on the system. We've been working with these people, although it's in the hands of the department officials, to implement this system satisfactorily.

They have not yet reached a stage where we can sign off on it. While we're hopeful that it's going to happen, we cannot say with certainty that it will. So we have concerns about the system, as does the auditor.

MR. KATZMAN: — Mr. Chairman, I think the last year we got into it, I said what Mr. Kraus just said. But what he's saying, I think, is that the system's in place, but we aren't too positive it's right, yet. There may be some holes in it.

And with that, I would suggest maybe we'd bring them in under the B list, because we have dealt with it, but there may be problems here, and therefore we better deal with it again if that's what I'm reading you to say. I'm thinking it's not . . . They're trying, but we're not sure if they've got it. Would that be a correct statement? They're trying to correct it, but we're not sure that they've got it corrected, and that's why we should bring them in there to double check the system?

MR. KRAUS: — Yes. As far as we're concerned, at this point it isn't satisfactory.

MR. CHAIRMAN: — B or A, it doesn't matter much. For my money, I'd bomb the B list and just have an A and a C list.

MR. KATZMAN: — Well, I like the B list because it's not as high as some of the other . . .

MR. WEIMAN: — What happens is the C list becomes the B list, and the A list remains the same, and then we don't have a C list at all.

A MEMBER: — Oh, Duane, don't do this to me.

A MEMBER: — Well, that's what you said . . . (inaudible) . . .

A MEMBER: — Put it on the B list.

MR. CHAIRMAN: — I don't feel strongly about it. Anyone else . . .

MR. KATZMAN: — . . . (inaudible) . . . If you want it here, put it on the B, otherwise drop it, one of the two. You know, it's the concern.

MR. CHAIRMAN: — Let's put them on the B list then. I think we should review that.

2.6.2:

. . . did not receive the fees collected from the issuance of personalized licence plates. Instead, Revenue received this. Furthermore, only a portion of the total collected by Saskatchewan Government Insurance was remitted to the Department.

I gather this is a quarrel over who ought to get the money as distinct from, I guess, the people the licences were paid for. It's a question of who ought to get the money.

MR. GLAUSER: — Could that not be considered at the same time that you have them . . .

MR. CHAIRMAN: — Yes. We obviously will. We're not going to call the departments three or four times. Okay. So that'll be on the B list, anyway.

Department of Justice.

MR. KATZMAN: — Can I ask one question? Does that mean it's an internal fight between two or three departments, but really the money was collected?

MR. BENSON: — The issue here is whether SCI simply took their administrative fee out of the revenues that should have been paid to the Consolidated Fund.

MR. CHAIRMAN: — They're not going to be in a position to argue with the finances, whether it was . . . as to what the amount of the fee is. They presented them with a fait accompli. That is hardly . . .

MR. LUTZ: — An additional question is: why did they bother issuing the order in council to amend the regulations? And why did they amend the regulations if they're going to be ignored?

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — Well, just a minute, hold it. Whoa, whoa, whoa, I should have shut up. Does this mean we need SGI, or is it Highway Traffic we need here? I just got confused.

MR. KRAUS: — I believe that the government officials can address this, Mr. Katzman.

MR. CHAIRMAN: — Highway. Okay. Department of Justice, Land Titles Office, it under-remitted. Was there a loss of interest as a result of this failure to remit on time? Was this money that was sitting in an account that wasn't bearing the appropriate amount of interest, Mr. Kraus?

MR. KRAUS: — It was sitting in an account known as the registrar's trust bank account, and it, too, earns interest. So there wasn't any loss of interest in that sense.

MR. LUTZ: — At a rate of?

MR. KRAUS: — I cannot tell you what the rate was, Mr. Lutz.

A MEMBER: — Oh, so we lost on the rate. Is that the problem?

MR. LUTZ: — I don't get a hell of a lot of my money in a little savings account or trust account, or whatever it is.

MR. CHAIRMAN: — Has the problem been remedied at all?

MR. KRAUS: — Yes, it has. In addition to transferring the money to the Consolidated Fund, the department is advised that they're reviewing the systems at the land titles office. They've made some personnel changes, and they feel that they can develop something here that should ensure that this doesn't happen again. But the report I have here at this point does not say that we're absolutely certain that they have a process in place that this won't happen again, okay?

MR. CHAIRMAN: — This was in the summer of '83. This was during '83-84 year. That was the year when the land titles office, says some of them, was in dreadful shape. Moose Jaw was six weeks behind in processing documents. I looked in the Regina land titles office — without a word of a lie — they had documents stacked up in boxes that they hadn't dealt with. And they just stretched down the hallway further than the entrance room.

A MEMBER: — I remember you talking about that in the House.

MR. CHAIRMAN: — Dreadful mess.

MR. KATZMAN: — I would suggest it's D, though, because it's being cleaned up.

MR. CHAIRMAN: — I don't feel strongly about the thing.

MR. KATZMAN: — D. Any arguments? Ned?

MR. CHAIRMAN: — No, I think no arguments.

MR. KATZMAN: — This department does not exist. Why is it here again?

MR. CHAIRMAN: — Whoa, whoa, whoa. I don't think we dealt with 2.7.2, 2.7.3.

MR. KATZMAN: — Sorry.

MR. CHAIRMAN: — As I understand it, the provincial government made a request to the federal government, and the federal government has said no. Now what's the provincial government to do now besides complain about it? I suppose that the Public Accounts Committee could hire itself a navy and take on the provincial and federal governments in something of a pitched battle, but I'm not sure what the provincial government — Huh?

MR. KRAUS: — It's the RCMP, in particular, that are concerned about confidentiality of the files. But everyone — whether it's our department or Justice — would like to see some way of getting some audit report, just so that we have some assurance that we're being billed for a fair share of the costs.

MR. LUTZ: — I suspect, Mr. Chairman, that there is likely a way around this. I can talk to my colleague in Ottawa, and he can start from the other end. Maybe we'll owe payments some day: who knows?

MR. CHAIRMAN: — If we called the department with respect to this item, I'm not sure what the Department of Justice could say except that: we agree with you, and the federal government is being a bunch of nasty rascals, and anything that you could do would be much appreciated. I'm not sure what the provincial government can do here. If there's something the provincial government can do that they haven't, well then, that's an appropriate subject for

discussion. If the federal government is just saying no, there's no way to make them do it. I don't know what point is to be served by calling them.

MR. LUTZ: — I think it's not necessarily the federal government who's saying no. I believe it's the RCMP who are saying no. Is that not right, Mr. Kraus? I don't know.

MR. KRAUS: — Well, that's correct, yes. Whether that translates to the federal government or not is always debatable.

MR. CHAIRMAN: — 2.7.3. Is the number of mistakes significantly higher or lower than normal? Is this about the normal amount we spend out of the assurance fund and the special account?

MR. BENSON: — We don't have a historical. We could get that, if that's what you want, if you'd like to see it.

MR. KATZMAN: — Do you know, Mr. Lutz?

MR. LUTZ: — Not without looking at my last year's report; I'm sorry, no.

MR. KATZMAN: — Do you think it's out of line?

MR. LUTZ: — I don't know what's in that report.

MR. GLAUSER: — That item wasn't even mentioned in the auditor's report last year.

MR. LUTZ: — I believe so.

MR. CHAIRMAN: — There's always been claims out of the assurance fund. It's not a new phenomenon.

MR. BENSON: — That's what it's for.

MR. CHAIRMAN: — That's what it's for, set up specifically to compensate people for mistakes made by, let's put it, basically clerical staff in the land titles office.

MR. KATZMAN: — Some years there is, some years there isn't — as I remember it talked about in the House.

MR. KRAUS: — The number of incidents here sounds a little higher than I can recall, but I believe in some years that there may be none. It so varies.

MR. BENSON: — It may have been related to the work-load factor.

MR. CHAIRMAN: — It may have been related to the work-load factor, that's correct.

MR. GLAUSER: — I wonder if I could get . . . I don't quite understand the meaning of the word, misfeasance. What does that word mean?

MR. CHAIRMAN: — Who would like to enlighten Mr. Glauser? A malfeasance is a . . . There are two words here that are used by lawyers. One is a malfeasance. That is something that you do wrong, something that you did that you shouldn't have done. A misfeasance is something that you omitted to do and should have done, an omission.

They're just covering their bases, as all lawyers do. I suspect that phraseology came from the Justice department and not from the Provincial Auditor's office. I think I see a nodding of heads over here. Because there is a repetition. Omission and misfeasance basically mean the same

thing. Mistake means something else.

I don't know whether we need to get into a snit about this one. I think it probably did have to do with the work-load. I may say that, with no disrespect to any of the staff who worked so long and hard at the land titles office during that year, I found their work was not up to par. They were just overworked, way behind. And I found them making mistakes in documents which didn't result in any claim. Ninety-nine out of 100 mistakes that they make don't result in any claim in the insurance fund. Every now and then they'll make a mistake which costs somebody some money, and they've got to pay it. But I found them making mistakes. It just had to do with the work-load, I think, nothing else.

DNS, there is no . . . In the next year, we will have this all in the secretariat, but not when we're still dealing with the DNS.

MR. KATZMAN: — Without being longevity, Ned — D. I don't think we can find half the stuff if we went looking for it the way I read this sucker. And the only people we could call is Urban Affairs, maybe, if we had to call somebody. Am I correct in that statement, that you'd have to call Urban Affairs?

MR. BENSON: — They're looking after . . . I don't know that you'd be particularly wrong here. I think the Provincial Auditor is technically correct in raising the issue.

MR. KATZMAN: — But there's nothing we can do about it. The department's gone. So as long as the new Urban Affairs keeps it right, that's all we can count on. Am I correct on that statement?

MR. KRAUS: — Yes. I guess the issue that I see is . . . Well, first there are some people who are administering the northern administration district trust account, and they have changed the way they should be accounting. They're now more like a municipality and, therefore, should be accounting in that fashion. And they've had some difficulty putting their financial statements together. They did it once; it wasn't adequate. They're doing it again. Consequently, they couldn't be included in our public accounts. The revised financial statements that they've prepared, we hope will meet the auditor's needs as well as our own, and that these things will be tabled in due course.

MR. CHAIRMAN: — Any other comments? I don't feel strongly about this one. The next one is a different item, 2.9. I do feel more strongly about this. 2.9(1) — it is clearly inappropriate, but the question is whether or not that has been corrected since the Provincial Auditor's report.

MR. KRAUS: — Yes, one function's been taken away from this individual, the one . . . He was doing two functions that were incompatible, and the cash reconciliation function's been taken away from him. So we feel that that's rectified and corrected.

MR. CHAIRMAN: — 2.9(2).

MR. KATZMAN: — Has that been covered?

MR. CHAIRMAN: — This is not . . . You're going to have to work to convince me that this one . . . This is not a new problem. This department has a history of jacking this money around. I remember one year (casting no aspersions on present employees), where they came to treasury board. They came to treasury board wanting to buy a tractor, were refused, so they went and bought it out of their advance account. They got the tractor anyway. I would like to discuss this with them.

MR. KATZMAN: — Ned, I hate to tell you that they also use those tricks in DNS when I got in there.

MR. CHAIRMAN: — I'm sure they did. This description of these high jinks — it's like an old movie.

MR. KATZMAN: — Well, what do you want to do with it?

MR. CHAIRMAN: — I want to put them on the A list.

MR. KATZMAN: — A or B?

MR. CHAIRMAN: — A. Live with B if you like, but I'm not convinced there's a great difference between A and B.

MR. KATZMAN: — Well we're talking about the 9.2(2)?

MR. CHAIRMAN: — Yes.

MR. KATZMAN: — 9.2(1), we're satisfied with?

MR. CHAIRMAN: — Well, the comptroller's told us it's been corrected and that's satisfactory. Number (1) is D and number (2) is A.

MR. KATZMAN: — Or B. It doesn't matter.

MR. CHAIRMAN: — (3). How did that happen? I guess we get a chance to discuss that with them when they come.

MR. KATZMAN: — Slap it on with the other one.

MR. CHAIRMAN: — Yes, be included in the other one, I guess. Okay. This is a lengthy little report here. 2.10(1) is, to put it mildly, not a new problem. And again I think we should be discussing this with them. This is a very large sum of money involved in this, and the issue will not be discussed in any other body if it's not discussed here.

MR. KATZMAN: — We argued this last year.

MR. GLAUSER: — Aren't we going to get the same answer? You can get those people back but . . .

MR. CHAIRMAN: — Well, I'm not sure we're not making modest progress though. The course of human affair moves to — makes slow progress. I thought we were making some progress with them. They at least had agreed to do something, I think, in the nature of a telephone audit, pick up the telephone and do some calling. I think they call it desk audits. That was the buzz word they were using. But at least they were doing something. The sums involved here are very large. They are missing 1 per cent of the money. It'll cover any program you or I might be interested in introducing.

A MEMBER: — . . . (inaudible) . . . is only \$63 million.

MR. CHAIRMAN: — Only \$63 million, yes, that's small potatoes.

MR. KATZMAN: — It's total 1 per cent of the total tax, is what you're claiming. One per cent of the sales tax is \$63 million.

MR. CHAIRMAN: — That's what I say. The sums are enormous.

MR. KATZMAN: — But they were very strong in suggesting last year, the cost of the additional staff would not . . .

MR. CHAIRMAN: — And they were very strong in suggesting that, and provided absolutely no evidence to justify that — not any at all. They had done no analysis of what the additional one would cost. They just didn't want to get around to doing it.

MR. KATZMAN: — But they did suggest strongly their belief, from records and past history, the amount of revenue received would not even equal the cost that it was going to cost them. That was their opinion.

MR. CHAIRMAN: — I grant you that was their opinion — that was their excuse. I'm not sure I'd elevate that to the view of an honestly held opinion, but they provided no evidence on that all.

MR. KATZMAN: — Well, I know they spent a week in my father's store in about 1948, or whenever it was, and they found 10 cents. I mean, big deal. It sure didn't pay. A guy spent a week up there driving my father nuts, pulling paper. The dime, he said, have the dime, and get out of here.

MR. CHAIRMAN: — Small business may have a different view of the value of these audits. But, from the point of view of this committee, which is the watch-dog of the taxpayer's dollar, there are large sums involved here that I think the issue is worth discussing with them. I will compromise with the B list, if I can get on to the next item on that.

MR. GLAUSER: — That's fine.

MR. CHAIRMAN: — Now, the next — (2), (3), and (4) and (5) — no, (2) and (3) and (4) are pensions; (5) is the Dental Plan.

MR. KATZMAN: — (2), (3), and (4) — are we going to do those with Finance, then?

MR. CHAIRMAN: — I kind of assumed we would. No, we're not?

MR. KATZMAN: — That's what I'm questioning.

MR. KRAUS: — Item number (2) and (3). Well, here's where you're into the administrative matters of the pension plan itself. It's not dealing with whether or not an investment is legal or not.

MR. CHAIRMAN: — You're quite right. (2) has to do with the signing of the minutes. Has this been corrected? Probably greater sins have been committed in the history of Christendom than this one, but . . .

MR. KATZMAN: — What about (3)?

MR. KRAUS: — I am aware myself . . .

MR. CHAIRMAN: — . . . (inaudible) . . . there seems to be an unsigned minute here. As I say, I think greater sins have been committed in Christendom than this one.

MR. KATZMAN: — Did the Clerk suggest you forgot to sign one minute, Mr. Chairman? Is that what he suggested?

MR. CHAIRMAN: — No, he made no comments on the record. Number (3) . . .

MR. KATZMAN: — (2) is D, by the sounds of what you just said.

MR. CHAIRMAN: — Yes, (2) we're not calling. (2) is D; (3) is . . .

MR. BENSON: — Is (3) to be handled through Finance?

MR. KATZMAN: — That's what we're asking now.

MR. CHAIRMAN: — I guess it will be, yes.

MR. KRAUS: — But each board is really responsible, as well, to approach Finance, and enter into some kind of arrangement, more formalized arrangement. I do know that this particular board has taken steps to do so.

MR. CHAIRMAN: — That's corrected.

MR. KATZMAN: — It's corrected, now?

MR. KRAUS: — As far as the board is concerned, it is. Whether Mr. Lutz will accept the agreement or not, but, yes, one has been arranged for.

MR. CHAIRMAN: — (4) . . .

MR. KATZMAN: — Hold it. Hold it . . . (inaudible) . . .

MR. WENDEL: — I think Mr. Kraus was fair, that there were two issues: one is, whether or not there should be a formal agreement with Finance for the various boards; and whether or not the investment, whether or not it was a permitted investment.

MR. KATZMAN: — So we don't need (3), then, except for the portion we're going to take up with Finance.

MR. KRAUS: — Well, that last sentence is probably where Finance can speak to it as well as anybody.

MR. GLAUSER: — Mr. Chairman, I would just like to have Craig note that up with Finance, instead of the usual order, if you would.

MR. KATZMAN: — Okay. 2.10(3), that portion will be with Finance rather than with Revenue?

MR. CHAIRMAN: — Right. I think the Clerk has it in hand. 2.10(4), first question: have they, at this point in time, got the appropriate financial statements? Have they got this thing cleaned up?

MR. LUTZ: — Yeah, I think we've finished our work, and we've signed the audit certificates.

MR. CHAIRMAN: — What took them so long to do it?

MR. LUTZ: — . . . (inaudible) . . . Okay, wait a minute, Mr. Chairman. We have to check.

MR. CHAIRMAN: — You don't know if it's even been done yet.

MR. KRAUS: — I'll tell you the reason it took the time wasn't that financial information wasn't available per se. It was a matter of coming to some agreement as to how this investment, this real estate investment, should be accounted for. It was a technical matter of deciding how you account for it. That's what slowed it down.

MR. KATZMAN: — It's now settled?

MR. KRAUS: — Well, yes, the financial statement . . .

MR. CHAIRMAN: — Being that it's happily or otherwise.

MR. KRAUS: — Happily or otherwise, from the . . .

MR. CHAIRMAN: — Well, I think this is now something we will then be discussing this within the purview of our discussions with Finance on the investments that they make in the pension funds, will we not?

MR. BENSON: — I don't think the Provincial Auditor has rendered their opinion on those statements yet. Have you?

MR. LUTZ: — I can't tell you that without going back and checking, because there's quite a few come through.

MR. BENSON: — They just took them through treasury board.

MR. CHAIRMAN: — And they were or weren't ready?

MR. BENSON: — Oh, we had held them up until we resolved how to report it. We've resolved that ourselves, but now the Provincial Auditor is . . .

MR. CHAIRMAN: — We can hardly, then, express an opinion on 2.10(4) until the financial statements are dealt with.

A MEMBER: — D.

MR. CHAIRMAN: — Well, I don't think so. I think we just . . .

MR. LUTZ: — Which is the same as the matter on the Highways advance account, and it's for the same reason.

MR. CHAIRMAN: — Well, I think it's not D in the sense we'd ever call it. I think we'd wait to hear about it.

MR. LUTZ: — I'm informing you that I have not necessarily complied with the legislation.

MR. CHAIRMAN: — That's right. That's right.

MR. WENDEL: — I think what we're saying here, Mr. Chairman, is we weren't able to finish our audit work at the time we finished this report.

MR. CHAIRMAN: — Well, when do you expect to finish that? Will it be the next six weeks or what? Do you want to report back on this when you've had an opportunity at that?

MR. LUTZ: — Well, we can give it to you tomorrow.

MR. CHAIRMAN: — Yes, why don't we just adjourn the discussion of this till Tuesday?

A MEMBER: — Wednesday.

MR. CHAIRMAN: — Wednesday, rather, because I think they're struggling here, wondering what the stage of their . . . Public Employees Benefit Agency administers a dental plan, and a disability income plan, and a group life insurance plan, and apparently there is room for

unauthorized payments, which may cause financial decay as well, as well as tooth decay.

I also assume that it is conceivable that the government might have paid for dental work that it should not have. And this is an item worthy of discussion with someone, perhaps Revenue and Financial Services.

MR. KATZMAN: — Who looks after this?

MR. KRAUS: — This particular plan is administered by . . . Well, he's an executive director of the Public Employees Benefit Agency, and he in turn reports to the deputy minister of Revenue and Financial Services.

MR. KATZMAN: — Who appoints him? Is this the thing where they were saying the unions were looking after the pension, or is this — I don't know what. I remember Larry Brown making a big squeal about something, about they were going to look after the benefit plan or something. What are we talking about?

MR. BENSON: — There was a controversy a long time ago about the union dental plan.

MR. KATZMAN: — Yeah, that's what I'm asking.

A MEMBER: — That's something different.

MR. KATZMAN: — It's not the same thing?

MR. KRAUS: — This dental plan, I believe, is perhaps only as far as the government proper goes, and may only be for management people. I'm not sure now if the . . .

MR. CHAIRMAN: — It does not, I'm informed, include members of the Assembly.

A MEMBER: — No, we're not in it.

A MEMBER: — Or SGEU members, I don't believe the dental plan . . .

MR. CHAIRMAN: — Or SGEU?

MR. WEIMAN: — It just applies to management?

MR. KRAUS: — I think this plan, so far, only applies to management.

A MEMBER: — SGEU has some kind of dental plan.

A MEMBER: — Yes. They didn't care for the way it was being constructed.

MR. CHAIRMAN: — They're on the B list for (1). Let's put them on the B list for (5) as well, and discuss it at the same time. The same comment, I think, would apply to the disability plan . . . (inaudible interjection) . . . Bring it all up, yeah, unless someone feels . . . (inaudible interjection) . . .

A MEMBER: — All at one time.

MR. CHAIRMAN: — All at one time, yes, indeed.

A MEMBER: — Let's go to 2.11.

MR. CHAIRMAN: — All right. The whole of that is a B, then. Department of Rural Development.

Did the R.M.s or the provincial government get caught in this mechanics' lien act? It's not called that — it's called The Public Works Creditors Payment Act. Were they required to make any payments above and beyond the amount of the grant because they'd paid it out before checking to see that the subcontractors were paid?

MR. BENSON: — I'm not aware of any loss as a result of that. And the regulations have been amended.

MR. KATZMAN: — There is a problem next year for sure — next year's annual report — because of the way the snow hit and caught them in trouble all last year.

MR. CHAIRMAN: — That's right. The municipalities didn't lose, but the provincial government might have got caught by some subcontractors.

Are you saying there were no losses, or you don't know?

MR. BENSON: — Well, we're not aware of any.

MR. KATZMAN: — '84-85, Ned, may be the year we have some fun because of the storm October 16 shutting down so much work. But other than that, the year before was a long fall so they would have finished and got their money. Eighty-four caught a lot of contractors with a teeny bit of work and, therefore, we might have issued the 100 per cent cheque and not the 80 because they were that close. I expect to see that problem next year more than this year, strictly because of the weather, and a good sympathetic government, realizing all they have to do is fix some stones and it was finished, might have let them have some money.

MR. CHAIRMAN: — Here we've got pensions, okay. Does anyone feel that this is something we've got to drag around for awhile?

A MEMBER: — No. D it. 2.11(1) — D.

MR. CHAIRMAN: — 2.11(2) is a more serious matter — potentially a more serious matter. What is the current state of affairs with respect to these statements?

MR. WENDEL: — I believe we've submitted a new draft to treasury board for format approval. A new auditor's report and financial statements were submitted. I'm not certain whether they've been approved or not yet.

MR. CHAIRMAN: — So, in fact, you're unable to . . . You still have not audited the thing.

MR. WENDEL: — I'm not certain with the report. I'd have to have . . .

MR. CHAIRMAN: — Do you want to check on that again and report back on Wednesday?

MR. BENSON: — The Provincial Auditor has been kind enough to really provide an opinion on two sets of statements. And there's a real controversy as to what is appropriate. And so now we've had to force it to go back to that board to say: what do you really want in terms of a pension plan here? And make sure the legislation agrees with what you want, because it appears right now the way it's being administered is not compatible with the way the legislation reads. And that's essentially the problem.

MR. WENDEL: — And that goes right on to number (3), which continues on. Like, not only were the financial statements a problem under (2), the way they are administering this fund is not in compliance with the legislation.

MR. KRAUS: — And I think what complicates it is that they've changed the plan, the concept of

the plan, probably at least twice from the original plan. And it doesn't seem that the legislation necessarily reflects what they want. So they may, or may not be, you know . . . perhaps they're doing things in a manner in which they want to do them, but they don't comply with the legislation. And the question is: just exactly what is it that they want to provide to their members? And once they've determined that, then the legislation should reflect it, and they should be doing things in . . .

MR. WENDEL: — Well until that time, though, we are also of the opinion they should do what the legislation says. That's our position.

MR. BENSON: — And we can't disagree with that.

A MEMBER: — Do we have something to add to this argument?

MR. CHAIRMAN: — Perhaps we should. I don't know.

MR. GLAUSER: — Well, I would just like to clarify something here. Is this not the case of where the . . . Like you're saying, Mr. Kraus, that there's . . . this is a case where annuities . . . They went into annuities as opposed to the original plan which . . .

MR. KRAUS: — Was defined "benefit." It started with a defined benefit plan and they moved to annuities.

MR. GLAUSER: — Yes.

MR. KRAUS: — And I believe they have now moved back to a defined benefit plan.

MR. GLAUSER: — Oh, well, then there's . . .

MR. KRAUS: — I'm sorry, I'm going to let Mr. Benson . . . He knows a little more about the details.

MR. BENSON: — They had actually had a money purchase plan. All right. Then they decided to go an insurance plan and, in the meantime, they were in the market of issuing annuities, rather than letting life insurance companies get into the annuity market. So there's three different activities here. One is the activity of issuing annuities to retiring people. The other is, they have moneys accumulated under the old money purchase plan, plus they have employees under the new insurance plan. And so it's really unclear. Is it all one fund, or have you got three separate things here?

MR. GLAUSER: — Okay. That brings it then to the stage where in the original they were doing things in compliance with the legislation. Then when they moved, that's when the problem started, and then went back . . .

MR. BENSON: — Well, no. The Provincial Auditor raised some legitimate concerns, and then they tried to change their legislation, which I think just aggravated the situation. So, in their opinion, the legislation doesn't reflect what they really intended to do, except if you read the legislation they're not accounting for it properly.

MR. LUTZ: — Mr. Chairman, if your committee wishes more precise information on this subject, I would have Mr. Atkinson here at the next meeting. But I think we should maybe review a little chronology. The financial statements of an entity are not our responsibility to prepare them. The administrators of this pension fund sent us a set of statements and said, these are final; audit them. And so we did, and so we qualified the financial statements because they didn't reflect either what they were supposed to do or what the legislation said they should do, or much of anything. Having qualified them, then they got, I think, as far as treasury board and somebody said, okay, you'd better do some new statements. Those weren't final after all. So then they did

some more statements which they called final, or something, and we qualified them.

Now, I'm not sure where it is today. I'd have to get Mr. Atkinson in here to give you a more precise description of how this happened. But the legislation was changed. They didn't react to that in their internal account-keeping, and then after that it got bad.

MR. CHAIRMAN: — I'd be prepared to adjourn this till Wednesday if that was . . . Can I just ask a question first? The financial statements are designed to ensure the financial soundness of the pension plan, among other things. If that pension plan is not sound . . .

MR. BENSON: — Yes, they have an actuarial surplus, actually.

MR. CHAIRMAN: — Do they really?

MR. KRAUS: — I think they are one pension plan that is sound. So it's a matter of reporting for the activities in the manner in which they are supposed to be accounted for.

MR. CHAIRMAN: — I'm less concerned if they've got a surplus.

MR. KATZMAN: — Oh, no, don't misread that. They may have a surplus in one, but it seems like they've got three.

MR. CHAIRMAN: — They don't know what they've got.

MR. WENDEL: — There's another concern. If you had a deficit in annuity underwriting, there's nowhere to recover that.

MR. CHAIRMAN: — It strikes me that we ought to get to the bottom of it. Do we want to adjourn it . . . sorry, Mr. Kraus.

MR. KRAUS: — I was going to say one final remark, I guess. At some point neither the auditor, I suggest, nor myself, can tell you people what it is that pension plan's supposed to represent. So we can account for it, but we're . . .

MR. CHAIRMAN: — Then it strikes me we'd better plan on calling these people.

MR. GLAUSER: — What if they can't? How can the depart . . .

MR. CHAIRMAN: — I think if we call the department and they can't make any sense out of this mess, then I think we ask them to report back after a period of time, when it's straightened out.

MR. GLAUSER: — I agree with Mr. Lutz. I think we should have them in here, rather . . .

MR. KATZMAN: — Are we bringing these people here, or are we bringing an official on Wednesday to explain to us what we think is going on?

MR. GLAUSER: — I think we just bring him here to explain.

MR. CHAIRMAN: — All right, if you'd rather do that.

MR. WENDEL: — He won't be able to tell you, other than the audit implications, as to how they're administering the Act. I think you've got to talk to the officials. Like, they can only tell you why they're doing things . . .

MR. CHAIRMAN: — It doesn't sound like something Mr. Atkinson is . . . he is not going to say, let there be light, and there will be light. It isn't going to work this time.

MR. WENDEL: — We have no way of knowing why they . . . (inaudible) . . .

MR. CHAIRMAN: — As I understand it, gentlemen, and others, we are putting 2 and 3 on the A list. B list . . .

MR. KATZMAN: — Mr. Chairman, we had equality legislation yesterday. There's no more gentlemen, just gentle people.

MR. CHAIRMAN: — There are none in this room, members of the committee.

MR. BENSON: — Mr. Chairman, I'm not objecting to them being called, but they're currently addressing it. So if they could be called later, they might have an answer to come back with.

MR. CHAIRMAN: — All right. Put them on the list, but make that note that we'll call them towards the end.

MR. KATZMAN: — Before we go any further, I have a duty that I always used to perform last year. I slipped up earlier this morning. We should welcome the Star-Phony at 20 minutes to 11, just when the committee normally starts at 8 o'clock. Thank you.

MR. CHAIRMAN: — Mr. Katzman sends his usual good wishes to the media.

MR. KATZMAN: — Who complained bitterly because they couldn't come to this committee before.

MR. CHAIRMAN: — Social Services, in my view, given the sums involved here, which are enormous, goes on the A list.

MR. KATZMAN: — When doesn't it hit the A list?

MR. CHAIRMAN: — It always hits the A list.

MR. KATZMAN: — I don't remember a year I've been a member that this Social Services hasn't been here.

MR. CHAIRMAN: — It is an administrative nightmare, not by virtue of its procedures. It is an administrative nightmare by virtue of the task it's asked to deal with. It's asked to deal with a very large number of people and a very large number of groups, and it's a problem waiting to happen. Given our situation, it has happened for years and years and years.

MR. GLAUSER: — Mr. Chairman, before we make assumptions like that, I think that maybe there is some . . . maybe we could shed some light on what has happened in there in so far as what we looked at last year, overpayments, and so on. Is there any record that you have to give us some idea without . . . or what is happening? Is it improving? Is it going down? Which direction?

MR. KRAUS: — Mr. Chairman, I know that they have instituted . . . Just a moment here. They began implementation of sampling procedures in July of 1984. I would not want to make a statement as to whether their rate of errors has improved or not — or decreased, I guess, is a better way of putting it.

MR. CHAIRMAN: — I would like to call them, just to discuss this with them again. I know how you guys feel about it — A, B, C.

MR. GLAUSER: — Well, we could get . . . Is that information available to us?

MR. KRAUS: — Probably. We could probably, or the Clerk perhaps could obtain, ask for a report, or the committee could ask for a report, if you wish, from Social Services. I . . .

MR. CHAIRMAN: — If we're going to ask for a report, we should call the witnesses . . . (inaudible) . . .

MR. GLAUSER: — That would probably suffice. They'd have that anyway.

MR. CHAIRMAN: — Eh?

MR. KATZMAN: — Well, I have a feeling that I just read from the auditor — sorry, from the comptroller — that he's saying maybe they can give us a letter telling us where they are with this stuff. Maybe what is indicated in this report has been handled. But I also read between the lines from Ned, like . . . Mr. Lutz, can you answer that question first?

MR. LUTZ: — Mr. Chairman, in the middle of this literature I state:

My representatives requested reports of such post-audit reviews conducted, and were informed that there were insufficient numbers of post-audit reviews during the year to estimate the amount of incorrect payments and, therefore, the department did not issue any reports.

So I think you'll find there is no information available in documented form, which is our problem here.

MR. KATZMAN: — Maybe there is since that year they started doing . . . Maybe the system's not fully in place.

MR. LUTZ: — Oh, I can't tell you that.

MR. KRAUS: — Well, I would say, as well . . . You remember there was this other element of a new data processing system that they were trying to implement government-wide. That is a big project. And I believe the schedule — and they can talk to it better than I can — but it's scheduled for a pilot in the fall of this year.

And, really, until that thing is working successfully, I would wonder whether they would have the ability to reduce their error rates as much as they would like to.

MR. LUTZ: — Mr. Chairman, they have had pre-audit for quite a while in that department on this welfare thing. They've had post-audit for a while. I would say to you that if they haven't got any reports out yet, on either of those, maybe it's too soon to try a pilot project with a computer. If you can't do it manually, what are you going to do then?

MR. KRAUS: — Well, Mr. Lutz, I would hope or trust that the system they're developing will be an improvement on the last one, in terms of some of the manual procedures, the checks and verifications that should be done prior to payment.

MR. CHAIRMAN: — If you haven't got a manual system, you can't automate it. All you do is automate your confusion.

MR. LUTZ: — Ten per cent of nothing is still nothing; 100 per cent of nothing is still nothing.

MR. WEIMAN: — From my understanding of the automation process that Social Services are planning to implement, there's a large segment of recipients who I would call static. Unemployables, I believe, is the correct term that they use. And that number remains static. It

can be plugged into the automated system. And from information that I've read, received, it will cut down the manual load in terms of 60 to 75 per cent, because these are straightforward cheques that will always go out every month. That doesn't change. And when I say that, it makes me think that that frees up the work-load by a factor of 75 per cent to those people who are employed by Social Services, to ensure a better relationship, a better check with the remaining 25 per cent of the clientele, which would offer checks and balances on these overpayments.

It is my experience, also, as an MLA, being situated right next door to a Social Service outlet, shows me that there are checks and balances on the overpayments. As a matter of fact, I received many, many calls from constituents who have found to their dismay that Social Services has indicated to them that they've had an overpayment that has been caught six months later, and that they must now pay it back. And that is an ongoing process, continually ongoing.

I don't know if ever there will be a perfect system found in Social Services to prevent this. I'm hopeful that the automation will play a large part. As I said, it will free-up other personnel to deal on a one-to-one or a closer basis with that other 25 per cent that I alluded to. It is something that you, yourself, Mr. Chairman, have indicated. The numbers that are dealt with, and the types of cases that are involved, has a larger human element to it than a financial audit element. I don't know if it will ever go away one way or the other. I suspect that if we call these people in we will hear the same thing over and over again.

MR. CHAIRMAN: — Then we ought to be more and more concerned. I agree with the member that we'll never reach a state of perfection. This is a difficult area. But that is all the more reason why . . . That makes some checks all the more urgent.

MR. WEIMAN: — What I'm saying is: I believe that those checks are ongoing, are in practice now. And when automation comes into play — as much as myself, I have a personal feel of computers, because I can't use them — but when automation comes into play and allows 75 per cent of what was manual work for caseworkers, which will free them up to deal more closely on a one-to-one basis with their clientele, that that will decrease overpayments or improper payments to social welfare recipients.

MR. GLAUSER: — Well, I really don't see much point in bringing them here to discuss things over and over again that we have in the past, when we do know that there's an ongoing mechanism in place to . . .

MR. CHAIRMAN: — Ah, but I think we did accomplish something last year, in that at least we got the attention of the department and the minister, who indicated that they were going to attempt to rectify the situation. And I would just like to hear what progress they're making.

MR. WEIMAN: — One more suggestion, if I may. I believe that commitment to rectify the situation is true, and I think that has been accomplished.

MR. CHAIRMAN: — It has been said.

MR. WEIMAN: — I think what we're talking about now is not the matter of rectifying the situation as solving the situation. And that department has a particular nature that I don't think it's something that we're going to solve in 1984 or we're going to solve in the year 2000. You know, I just can't see any sense in bringing it forward.

A MEMBER: — What one are we on — C, D? Cal, is that D, C?

MR. GLAUSER: — D.

MR. CHAIRMAN: — Well, I . . . (inaudible) . . . think about D. I think we should be calling them as

an A. I don't have a lot of . . . Given the sums involved, and the difficulties involved, and the importance of what they're doing, I think it should be an A. I could live with a B, but not call them at all — that is unusual, to put it mildly.

MR. KATZMAN: — My concern is this, Ned. I think we've got some other massive problems in one or two that we're calling on the A list. I think this is the list we know is being worked on, and what you're saying is there may be a lot of money here, and they are working on the problem. The question is how successful they are or not successful is part of what you want to find out from them.

MR. CHAIRMAN: — Well, I want to be sure they are. I want to be satisfied they are, in fact, working on it. We've nothing, really, other than a statement from the minister that there's a problem to look at.

MR. KATZMAN: — So, what you're saying is you'd like to call them. But, you know, they would never be an A in my mind.

MR. CHAIRMAN: — Why don't we agree on B, then?

MR. WEIMAN: — I did not want to bring in . . . I didn't want to bring, at this committee level, those things that are taking part in a different forum, and I'm talking within the legislature, because then we start politicizing it. However, I have heard many comments from the government side and the opposition side to the fact that certain things are being implemented in Social Services to bring it about. It was called welfare reform — whether we liked it or did not like it, depending on our views as politicians. But what I'm suggesting is that reform is going on now, and part of that reform is to ensure that moneys spent in Social Services are spent properly.

MR. CHAIRMAN: — That program has a bit of a different bent than this.

MR. WEIMAN: — But it's part of it.

MR. CHAIRMAN: — No, I don't think it is, actually. If we could resolve this one, it would probably be all we're going to accomplish today. I think we should call the Department of Social Services. I don't know how you could not call Social Services, to be honest, given . . . how you can justify it.

MR. WEIMAN: — Well, move your motion, Mr. Chairman.

MR. CHAIRMAN: — All right. I will move:

That Social Services be called as an A.

. . . (inaudible interjection) . . . Well, I'm going to go down the list. I don't know how else to move the motion. All those in favour? Opposed?

I move:

That Social Services be placed on the B list.

Ready for the vote, or not? Okay. All those in favour? Opposed?

All those in favour? Opposed? Okay.

MR. KATZMAN: — Where are you? What did you vote? What was the vote?

MR. CHAIRMAN: — One to three. Okay. I then move that this department be on the C list.

All those in favour? Opposed? Okay.

Supply and Services. Yes. I think it is 11 o'clock.

MR. KATZMAN: — Mr. Chairman, because there is another meeting at 11:30 for some members of this committee . . .

MR. CHAIRMAN: — Yes. I had intended to adjourn after this. It just temporarily slipped my mind.

A MEMBER: — Have the meetings been settled for next week?

MR. CHAIRMAN: — Wednesday, we might encourage members to — and I've been known to sin on this — be on time.

The committee adjourned at 11 a.m.