

April 24, 1986

**Consideration of Provincial Auditor's Report  
(continued)**

**Mr. Chairman:** — Meeting to order, Madam Secretary. I'm calling the meeting to order. We had done the Agriculture Credit Corporation, Crown investments of Saskatchewan, Advanced Ed. That's where we left.

Do I assume that we want to leave the resolution with respect to the Provincial Auditor's office for another week? Gentlemen, do I assume we want to leave the resolution with respect to the Provincial Auditor's office for another week?

**Mr. Katzman:** — Well I gave the Provincial Auditor my opinion before the meeting started, unofficially, and I suggest that he just does like everybody else does, but he suggests that's not right, so . . .

**Mr. Chairman:** — If you want to deal with it now, we can deal with it now.

**Mr. Katzman:** — I'd just as soon not deal with it on the record.

**Mr. Lutz:** — Mr. Chairman, I would prefer to deal with it on the record.

**A Member:** — So would I.

**Mr. Katzman:** — I know you would.

**Mr. Chairman:** — I think we ought to, unless there's common agreement, Mr. Member.

**Mr. Katzman:** — Well my understanding is that dealing with that motion is very simple. Many departments do not hold to the number, but hold to the dollars . . .

**A Member:** — They're not supposed to.

**Mr. Katzman:** — . . . in the global budgeting. And I'm referring to auditors . . . What's the other fellow? Ombudsman. Those type of peoples. Some of the agencies that get money, as long as they stay within the dollars, the numbers are not like it is, key, for department. Departments must state the numbers. Where the sort of agencies types run their own budget, give a certain amount of dollars, have the flexibility. That's my understanding.

**Mr. Chairman:** — Well things have certainly changed if the numbers are guides only. They certainly haven't been . . .

**Mr. Katzman:** — No, no, no. Don't misread me. Only to the global, the people who are . . . where their department isn't in control. For example, Mr. Lutz controls his own budget once he has the amount of dollars. The dispute seems to be, does budget bureau say, you only get X amount of positions, or not?

**Mr. Chairman:** — Mr. Kraus, perhaps you can enlighten us. It was my understanding that those numbers were in fact binding, not just in a global sense, but in a specific

sense as well.

**Mr. Katzman:** — But, Mr. Chairman, remember this. Now don't deal with line departments. We're talking about those who are independent, like the auditor and like the Ombudsman.

**Mr. Chairman:** — All right, let's deal then with those who are independent. It's my understanding that even with those who are independent, those figures are binding.

**Mr. Kraus:** — Well I must admit, I'm not completely sure whether Mr. Lutz's positions are in the normal public service complement, staff complement. Certainly they mean something at the departmental level.

**Mr. Chairman:** — Sure do.

**Mr. Kraus:** — But whether they do in the case of Mr. Lutz . . . His employees, as I understand it, are not . . .

**Mr. Chairman:** — Hired to the public service . . . (inaudible) . . .

**Mr. Kraus:** — . . . not the same category of employee as I am or any other civil servants, so I'm just not sure about that.

**Mr. Katzman:** — Well why don't we leave Gerry a week to double-check his numbers too, if he'd like?

**Mr. Kraus:** — So that you find out more about that, because I'm just not sure . . .

**Mr. Katzman:** — I was surprised when I heard that, but it made sense.

**Mr. Lutz:** — Mr. Chairman, may I make a small statement?

**Mr. Chairman:** — Yes, Mr. Lutz.

**Mr. Lutz:** — Since the last meeting, when we broached this subject and asked for a resolution from this committee, we have done some research into the *Estimates* book, simply because we thought we should maybe have a better understanding of what was in there.

And from our review of the *Estimates*, we were not able to determine a common thread as to why positions were included or excluded from the *Estimates*. In my view, the committee should summon the DM (deputy minister) of Finance to appear at this committee to give us explanations as to why positions are included or excluded from the *Estimates*, as it appears from our review that there are substantial numbers of positions that do not appear in the *Estimates* at all.

In revolving funds alone, approximate 550 positions that are not shown in the *Estimates*. There are employees who were employed under the Public Service Commission for entities — they're not in. There are employees or servants of the Assembly who are not employed under the Public Service rules — they are in. There is a multiplicity of arrangements. We've done a matrix on this which is only

in ink form, so I don't want to put it on the table if I have to this morning. But we cannot find any common thread of logic which has been followed in either including or excluding positions from the blue book. The inference I have received from the treasury board people is that I'm controlled by them as to the number of positions.

**Mr. Chairman:** — Any other comments on this issue? I think we ought to adjourn it. I restate my views of last week, and that is, as an officer of the legislature, I think it is inappropriate that he be going to Finance. He should be going to the Board of Internal Economy. However, the problem I have with the Board of Internal Economy is, I notice a theory roaming around that the Clerk's office is a department. I take strong exception to that as a description of how the Clerk's office should operate.

**A Member:** — Whoa, whoa.

**Mr. Chairman:** — And, oh, whoa, whoa — let me finish. I take strong exception to that description of the Clerk's office. That is not a proper description of the Clerk's office, in my view. In my view, that may describe the Clerk, the assistant clerk, and I'm not sure of all the descriptions, but it does not describe the relationship of independent officers such as the Provincial Auditor and a number of others. They are appointed . . .

**A Member:** — Ombudsman.

**Mr. Chairman:** — And the Ombudsman is another. I suppose legislative counsel is a third. The line of responsibility for those officers is directly to the Legislative Assembly and not, in my view, to the Clerk's office.

So, I'm of the view that if we are going to . . .

**A Member:** — Whoa, whoa.

**Mr. Chairman:** — Well let me finish, please. I'm sorry but, the member from Rosthern, this is not the Legislative Assembly. You're not supposed to yell and shout here.

**Mr. Katzman:** — I'm not yelling and shouting. I'm just saying, Mr. Chairman . . .

**Mr. Chairman:** — Well let me finish, please.

**Mr. Katzman:** — Go ahead.

**Mr. Chairman:** — In my view, before we ask the Provincial Auditor to go to the Board of Internal Economy, that issue should be resolved, and I feel quite strongly about it. I feel strongly about the Ombudsman, the Provincial Auditor, the legislative counsel — three offices that come to mind — which are not . . .

The lines of authority in a department are fairly clear — goes from the minister, the deputy, and fans like a pyramid, and the authority goes downwards. In the Legislative Assembly office, the officers, in my view, are responsible directly to the Assembly and not to the Clerk, and that, I think, needs to be resolved before we resolve this issue. Mr. Chairman, I'll now be quiet and let the member from Rosthern rebut that.

**Mr. Katzman:** — My major correction to your statement is, responsible to the Speaker, and through the Speaker to the House. They report to the Speaker, who is responsible for them to the House, and that's why he handles their estimates outside the House in that committee. What's that committee called, please?

**A Member:** — Estimates.

**A Member:** — Standing Committee on Estimates.

**Mr. Katzman:** — Committee of estimates. He chairs them there with each of his heads of departments, or each of his heads of groups, whichever you want to call them for matter of title, be it the librarian, be it the Clerk, be it the legislative law clerk — being responsible for their sections through him to the House.

**Mr. Chairman:** — In my view, for convenience sake, because none of the officers have a seat in the Assembly, they report through the Speaker, but they only report through the Speaker. They are not responsible to the Speaker, and certainly the Clerk is not a deputy minister in the sense that all officers of the Assembly report and are responsible to the Clerk.

**Mr. Katzman:** — What do you say is officers of the Assembly?

**Mr. Chairman:** — Well three come to mind — Ombudsman, Provincial Auditor, and counsel, legislative counsel.

**Mr. Katzman:** — They don't. They don't.

**Mr. Lutz:** — If I may, Mr. Chairman . . .

**Mr. Katzman:** — There's a misinterpretation . . .

**Mr. Chairman:** — No. Order. Order, order.

**Mr. Lutz:** — I have never suggested at any time that I should not go to treasury board for my dollars. I believe, spending taxpayers' money to operate my shop, I should indeed go to treasury board to get my operating funds. I have no quarrel at all. My problem is that the inclusion of my positions in the blue book creates a perception that treasury board will, in fact, control the number of persons I can employ to do my job, which means that somebody up there knows more about it than I do, and of course I will deny that for ever.

Now some of the peculiar cases we found when we researched the blue book was that the Saskatchewan hospitalization fund, which has its employees employed under the PSC rules, does in fact have its positions included, as does the prescription drug plan. But the Highways revolving fund is another thing altogether. They have salaries of three times the size of my budget, which you can't even find.

There are many, many cases in our demonstration here for whatever reason, the positions are not shown in the blue book, and I don't know why. You know, I can't find a common thread of logic that has been followed in

deciding whether positions should be in this book or should be out of this book. Now I hold the view that, if you're employing your persons under the Public Service Commission rules, in the public service, then they should be in the book unless there's good, cogent reasons why not.

Now if it is the wish of the members that this matrix would be reproduced for your future edification or examination, we're prepared to do that. But I wouldn't like to put this thing on the table in its present form because it was done very quickly.

**Mr. Chairman:** — I would like to see that, actually. So I, for one, would like to see that typed out. And perhaps we could get the Clerk's — or your office, I guess, could type it out. I, for one, would like to see that.

Any other comments? I think we may want to adjourn this and see if Mr. Kraus can return with a nice, crisp, clear definition of when the positions are included and when they aren't, which admits of no qualifications and no exceptions. I don't think he's going to be able to do it, but . . .

**Mr. Kraus:** — I will contact the Finance officials, and I will do my best to obtain that information. If I cannot, then it may be that Finance might . . .

**Mr. Chairman:** — We should call the deputy minister.

**Mr. Lutz:** — Can I ask Mr. Kraus: do you have responsibility for the preparation of that blue book, the *Estimates*?

**Mr. Kraus:** — No, I do not.

**Mr. Lutz:** — So then we would be getting whatever information we got second-hand. Is that correct?

**Mr. Chairman:** — Maybe we should call the Finance people directly. This may not be fair to Mr. Kraus.

**Mr. Katzman:** — Maybe we should just wait till we figure out . . . We maybe calling them for other reasons, so we'd do it all in one bundle. That was the position we made earlier — that if we're calling somebody, let's find out how many different things we're calling them for so they can prepare to do them all.

**Mr. Chairman:** — Okay, let's start off — let's make a note that we're probably going to call the officials from Finance, and we'll make a note of how many things we want to speak to them on.

**Mr. Lutz:** — Mr. Chairman, I will then proceed to prepare that schedule in a more readable form?

**Mr. Chairman:** — Yes, in a typewritten form. Now we had done . . . Where's the minutes? 2.3(6) is the last one we'd done. I'm a bit behind here.

**Mr. Katzman:** — We're on (7).

**Mr. Chairman:** — We're on (7). With respect to the La Ronge Region Community College, Mr. Kraus, can you

give us any assistance? Is this matter cleaned up, to your knowledge?

**Mr. Kraus:** — Yes, I believe we did deal with this last meeting, Mr. Chairman. And I did indicate that the auditor for this particular community college, he was satisfied that matters had been improved, and his most recent management letter had indicated that he was happy with the changes that had been made. I do believe we dealt with this last time.

**Mr. Chairman:** — Would you forward a copy of that management letter to us, so that we have it on record then as having been dealt with?

**Mr. Katzman:** — Mr. Chairman, question. I assume when he's talking a management letter he's talking about the management letter that will appear with the '86 book, not the '85 book. That's the only question I have.

**Mr. Chairman:** — Except that it apparently resolves an issue outstanding in the '85 book. I don't know why we wouldn't file it, and then the matter be dealt with.

**Mr. Katzman:** — I'm not arguing; it's just a precedent that I'm concerned with — filing stuff that normally comes the next year rather than . . . We've always just accepted Gerry's word before. We've never asked him to file it. You're starting a new precedent; that's my concern.

**Mr. Chairman:** — Well, I'm not uptight about it.

**Mr. Katzman:** — It's the precedent more than anything else.

**Mr. Chairman:** — I'm not uptight about it. Okay.

**Mr. James:** — Is there nothing on that?

**Mr. Chairman:** — No. No, if that's the way the members feel, I don't feel strongly about it. Department of Agriculture. Is there any question but what we're going to call the Department of Agriculture?

**Mr. Engel:** — Does the same thing apply for point (8) under . . .

**Mr. Chairman:** — Oh, sorry. Yes, I missed point (8). I'm sorry. Mr. Kraus?

**Mr. Kraus:** — This item as well, there's been an indication in the '84-85 management letter that significant improvements have been made. This college has a lot of trouble with turnover, I imagine maybe because of where they're located. But they did hire a new secretary-treasurer, and it looks like the records are being brought up to date rapidly. So it looks like the improvement is there.

**Mr. Lutz:** — May I speak to the general subject of community colleges, please, Mr. Chairman?

**Mr. Chairman:** — Yes. Right.

**Mr. Lutz:** — I attended a one-day seminar, I think a year ago in Saskatoon, with probably 90 per cent of the

community college people, administrators, whatever, and I wasn't sure what they all were. I believe there has got to be a better liaison between community colleges and the central authority people. I think that's continuing ed, is it not, Mr. Kraus?

**Mr. Kraus:** — That's correct.

**Mr. Lutz:** — As a case in point, one of the persons at the table was objecting to the size of the audit bill that they had received from a private sector auditor, and that is certainly their privilege. So what this person said was, we are inviting tenders from auditing firms to give us a better deal. Well I asked this person, have you made an offer to another auditor yet? Well, no. I said, that's good because you can't fire the auditor you have, and if you hire a new one now, you're going to have two; and not only will you have a bigger audit bill, but you'll have these two people in there doing the same thing. I think they have got to be advised that when the Lieutenant Governor in Council appoints their auditors, and this is a problem with them, then they can't just discharge their auditor. It's got to be done by order in council.

There seems to be some slippage, Gerry, between what the community colleges are trying to do with the knowledge they have versus what maybe they should be told by continuing ed as to what they can or cannot do. And the reason I say this and dwell on it is simply because this is all part of administration. If you're going to administer your system in your own particular college, you'd better know the rules. And I think maybe a little better liaison with continuing ed would help this situation for all of these community colleges, including maybe some of the accounting and financial statement preparation. It's just a general comment I make.

**Mr. Kraus:** — I couldn't disagree that communication could probably be better at any time.

**Mr. Young:** — My point thereon is The Community Colleges Act makes them autonomous but for the fact that their monetary spending must be approved by the department. And other than that, they're an autonomous body. And some of them deal with themselves that way, and some of them are continually asking the department of continuing ed as to what sort of toilet paper they should buy. So it's how they perceive themselves. But the Act certainly makes them autonomous but for having to have the government approve spendings.

**Mr. Chairman:** — If they believe that they are autonomous and spend their money how they wish, then they certainly misunderstand.

**Mr. Young:** — Well they must be approved. I mentioned that. Their spending must be approved, Ned.

**Mr. Chairman:** — Yes, and approved for a specific purpose. If they're of the view that they can go with their wad of money and spend it where they wish and how they wish, then they misunderstand.

**Mr. Young:** — No, that's not what I said, Ned. You weren't listening very carefully. I was saying that all their other decisions are autonomous, but for the fact that they

must have their moneys approved when they're going to go spend money.

**Mr. Lutz:** — Mr. Chairman, may I speak to Mr. Young's comment?

**Mr. Chairman:** — Yes.

**Mr. Lutz:** — And I understand what he's telling me. The problem that we have here is that in the accountability process, which we are all facing and should face, there is a third party superimposed on the procedure to report back to the authorities who granted the money, and that is the auditor. I think they have got to be made aware in the first place that when the auditor is appointed by the Lieutenant Governor, they, as an administration of that college, just can't fire him.

**Mr. Young:** — Sure.

**Mr. Lutz:** — And I think this is just one area where somebody could certainly improve the give and take with these organizations so that they can in fact do a better job.

**Mr. Young:** — Send them a copy of The Community Colleges Act.

**Mr. Chairman:** — The Advanced Ed is coming for other reasons. It may be we will want to question the witnesses with respect to their communications with the community colleges as well. It seems that Mr. Lutz's point may be well taken. But I gather that we see no reason to call the community colleges themselves. We can raise what issues we want to raise with it at that step. Am I correct gentleman, or am I not?

**Mr. Young:** — Who'd you call, the administrator or the board?

**Mr. Chairman:** — Last year we called the administrator.

**Mr. Young:** — The principal, I think they call him.

**Mr. Chairman:** — I don't remember the title of the official.

**Mr. Katzman:** — The people from La Ronge, you mean?

**Mr. Chairman:** — Yes, we call the senior staff person.

**Mr. Young:** — Yes, principal.

**Mr. Chairman:** — It's probably the principal; that's probably the name.

**Mr. Young:** — . . . (inaudible) . . . enlarge on that.

**Mr. Katzman:** — Well last year I think it was necessary because of the history of that particular place; now they have cleaned up their act. They just didn't realize what the rules were. By bringing them down they realized it was important. I think that was more the intent. I don't think from what I read in the book that there's anybody that's really in that position any more as far as . . .

**Mr. Chairman:** — That's what Mr. Kraus says, that it

appears that they're not.

**Mr. Katzman:** — So what we're doing is more concerned with Mr. Lutz's problem now, that they should realize that their auditor is Lieutenant Governor and that should be told to them. And maybe the simple solution is that — and maybe I'm over simplifying, but maybe a request from this committee to the Advanced Education and Manpower, I guess it is, just saying that it has been noted in the Provincial Auditor that the appointments of auditors for these places is by Lieutenant Governor, and these people should realize that so that they don't get a problem.

**Mr. Lutz:** — Mr. Chairman, the example I used was used not so much as a matter of grave concern, but I think to point out that there are numerous areas in the operation of a community college, when they're operating on government moneys, where maybe some clarification and liaison, from and by the department, would be very helpful. I'm not trying to say we should call these colleges, holus-bolus, and beat on them all. I say let's see if we can arrange something where they would be better advised on what they can do or can't do and make them understand the rules a little better. It's in the interest of better administration.

**Mr. Young:** — They have, Mr. Lutz, in that organization a person who works in advanced ed. It's a lady. I can't recall her name, but it's her specific job to go around and tell these community colleges, kind of interpret the Act for them and tell them the latitudes they have and don't have and so on and so on. I met this lady one time; I can't remember her name though. But that is her job, full-time job, is to do that.

**Mr. Lutz:** — In continuing ed?

**Mr. Young:** — Yes, and she goes out to all the community colleges and tells them where their leash stops and things like that, right. And I don't know, maybe that's the problem there. I think they've addressed it, but it isn't working.

**Mr. Lutz:** — Mr. Chairman, I think Mr. Young and I are in the exactly the same ballpark. I think it just requires a reminder to continuing ed that there has got to be better liaison to help clean up some of these other problems that keep surfacing.

**Mr. Glauser:** — Well I agree with Mr. Lutz on that, because I think if they understood the magnitude of the mess that that place was in, then they would understand the size of the auditor's bill, for one thing.

**Mr. Chairman:** — That's probably true. That bill is probably proportional to the mess; it's probably true.

**Mr. Glauser:** — It's probably a very legitimate bill for the amount of work that that fellow had to do to go in there.

**Mr. Lutz:** — Mr. Glauser, that's true, Mr. Chairman. But I think the problem goes back to the system and the internal administration thereof. For instance, our audit bill for one of our auditees will not increase because their whole undertaking is rather messy. We will walk away

from it because we say it's not our function to prepare financial statements for the auditee. We say, that's your job. You do it. So we'll just put them back in the mail at the bottom of the line and let them work their way up again. But maybe the external auditors aren't doing that. Now I don't know this, but you have made the suggestion, and you may be right. That could be why the audit bill get's a little high. I don't know.

**Mr. Chairman:** — Who was the auditor?

**Mr. Lutz:** — We might have that in the file here.

**Mr. Glauser:** — It was that person that has the practice up in La Ronge.

**Mr. Katzman:** — Yes, that's right because the auditor came with that group.

**Mr. Glauser:** — He was here.

**Mr. Chairman:** — He was here last year.

**Mr. Katzman:** — That's right, he came as well.

**Mr. Chairman:** — In which department would his bill appear? Would that appear in advanced ed?

**Mr. Glauser:** — It would be through the college.

**Mr. Lutz:** — The college pays his bill.

**Mr. Lutz:** — No, no. It would appear in the La Ronge Community College statements which will be in the book here some place, I believe.

**Mr. Kraus:** — Community colleges are in volume 2, and I'm just looking to see whether the audit fee would show individually or not. Page 98. I do not believe . . . The reporting is not the same for individual entities. like, a community college, their payments would not be reported by supplier, and so on and so forth.

**Mr. Lutz:** — The auditor in this case was Deloitte Haskins and Sells, I am informed, Mr. Chairman.

**Mr. Kraus:** — Their legal and audit fees for 1984 were \$6,750.

**Mr. Chairman:** — Where do you have that?

**Mr. Kraus:** — That's on page 101 of volume 2.

**Mr. Chairman:** — That is reasonable. Oh, 67 . . .

**Mr. Kraus:** — Yes, \$6,750, but that's . . .

**Mr. Chairman:** — Oh. I lost a zero there.

**A Member:** — That's for La Ronge?

**Mr. Kraus:** — That's for La Ronge, yes.

**Mr. Chairman:** — Well probably 6,000 . . . These are all probably audit fees because I don't imagine they'd have much legal bills.

**Mr. Lutz:** — Deloitte Haskins and Sells did that particular audit, Mr. Chairman, and you'll see in the audit report on page 98.

**Mr. Chairman:** — It looks as if Mr. Glauser's comment is well taken.

**Mr. Lutz:** — The auditor will always have another problem also. If he has travelled a considerable distance to conduct this audit — all right? — with travel costs . . . And I don't know if he did or not. He may have an office there. But if you do that, do you walk away because it's not ready for audit, or do you pitch in and help do the audit? Because to go away and come back, if you're travelling a distance, is a costly procedure as well. The system should be so devised and designed and maintained that financial statements could be prepared and the audit could be completed. And this is where the thing, I think, is falling down a little bit.

**Mr. Glauser:** — Kraus could vouch for what has taken place this past year. Was it accomplished a little easier than the year before?

**Mr. Kraus:** — We're talking about La Ronge?

**Mr. Glauser:** — Yes. Well, no, the community . . .

**Mr. Chairman:** — The North East, I think, we're talking about.

**Mr. Kraus:** — Well, I have some additional notes. I don't always see everything I've got in front of me, and I don't know what the absolute auditor's fees were in any particular year. But it says, improvement is reflected in the auditor's report for the following year and a \$2,000 reduction in audit fees. I don't know what the start and end point was, but it sounds like it was obviously better.

**Mr. Chairman:** — Okay. Is it agreed then, there's no need to call the staff of the community colleges themselves?

**Mr. Young:** — We'll just call the advanced ed people.

**Mr. Chairman:** — Yes, they're coming anyway.

**Mr. Young:** — Yes, rattle their chain a bit.

**Mr. Chairman:** — Right, rattle their chain a bit.

**Mr. Katzman:** — Before you go to 2.4, I want to back up a little because I'm not sure where we left one issue. Mr. Kraus is going to give us a report on the manpower thing.

**Mr. Chairman:** — You mean the person-years in the estimates?

**Mr. Katzman:** — Person-years. But that's all we've agreed to. We haven't agreed to make a public document out of Mr. Lutz's piece of paper that he's devised, have we? I'm not sure.

**Mr. Lutz:** — Mr. Chairman, I believe that I had a request from you to provide you with that document in typed form. I think that's where I am, Mr. Katzman.

**Mr. Katzman:** — Well I'm going to disagree with that. I'm not sure why, yet, either. I just have a feeling — I'd make a joke, but I don't think it's the right time — that I would like to hear Mr. Kraus's report before I go any further with Mr. Lutz's document being produced as a public document.

**Mr. Lutz:** — Thank you, Mr. Katzman. I have a little problem with your proposal simply because Mr. Kraus is not involved in preparing those documents, and if we're having trouble accepting a second party's version, namely myself, as to what this means, I would have a similar problem in accepting from a second party, Mr. Kraus, what this means, when neither of us had a say in preparing these documents.

**Mr. Chairman:** — I was going to make the same comment, Mr. Katzman. I thought we had agreed that since Mr. Kraus's office was not involved in preparing the *Estimates*, that we're going to deal directly with the Department of Finance with respect to person-years.

**Mr. Katzman:** — And that's what I'm having trouble because I'm not sure that the document that the Provincial Auditor has made is a guesstimate, for lack of a better way of saying, the same as Mr. Kraus's would, and I'm just not sure I want it produced as a holy report yet, because it's not a holy report as is the Provincial Auditor's report is a holy report. I mean, I'm just . . .

**Mr. Chairman:** — It's not written in parchment and found as one of the Dead Sea scrolls, but it's a paper prepared by him, and I suspect it's reasonably accurate.

**Mr. Lutz:** — Mr. Chairman, Mr. Katzman, I would be pleased to undertake a joint effort with Mr. Kraus to prepare this matrix of research on the blue *Estimates* book, if that's agreeable to the committee. And we can lay before the committee a joint document on what we found from our research in the blue *Estimates* book. And after that, I guess, the committee members would have to decide whether they wish to pursue it further or not.

**Mr. Chairman:** — As I understand the paper, all that's happened is that Mr. Lutz has . . . Mr. Lutz . . . that was not a Freudian slip . . .

**Mr. Lutz:** — I've been called worse.

**Mr. Chairman:** — . . . Mr. Lutz has gone through the *Estimates* and made notes of where person-years appear and where they don't. And I think that's all he's done. There's not a whole lot of pejorative or editorial comments in this thing. He's just made some notes.

**Mr. Lutz:** — Mr. Kraus, would you be available some time in the next few days to go through this material with me to make sure that we are in the same ballpark?

**Mr. Chairman:** — Before next Thursday?

**Mr. Kraus:** — Well, Mr. Lutz, I believe I'm . . .

**Mr. Chairman:** — Tied up.

**Mr. Kraus:** — . . . it might be much better, if there was

going to be a schedule produced, that there be information provided as to why some of these numbers, employees, do not show up at particular times in the *Estimates* book. And therefore I'm not sure it would be appropriate for me to participate in that and not be able to say, well here's why they don't show up in this particular case.

**Mr. Lutz:** — I don't think, Mr. Kraus, either you or I can say why they are or aren't. All I'm suggesting, that is if it's credibility required here, you and I would do one of these in joint consort. And when the piece of paper was finished, you could advise the committee that it was accurate from the book; I can advise the committee that it's accurate from the book. And if we both advise the committee that our research of the book was mutually accomplished together, then it's up to the committee if they wish to pursue it further or let it drop.

**Mr. Chairman:** — I'm having complete . . . I'm having great difficulty understanding what the fuss is about here. Mr. Lutz, as I understand it — but please correct me if I'm wrong — has gone through the *Estimates*, made a note of where person-years appear, where they don't. This is not something that . . . It's just a simple, mechanical exercise. He's offered to share this with us. It would be a basis for asking the Department of Finance questions. There might be charitable — let me finish, Ralph — there might be charitable explanations for every discrepancy, but at least it provides us with a basis from which we can put some questions to Finance. I don't see what the fuss is about. I don't see why we just don't get it typed up and use it.

**Mr. Katzman:** — I'd rather see Mr. Lutz — and I think he's just answered the question, and so has Mr. Kraus — sit down with the provincial Finance people who have the deal and put . . . You know, I have been given to this point an indication that certain ones are required, certain ones aren't. Certain ones work within . . . (inaudible) . . . certain ones don't. And that's why his report won't mean anything to me unless there's some more information with it. I'm going to have half the story, and that's what scares me. And this is going to be a public document out on the street that's going to be totally confusing to somebody that doesn't sit in this committee.

If you want to use it as an internal document, Ned, until the answers come out, I'm more prepared to live with that, because . . .

**Mr. Chairman:** — If you want to circulate it for information purposes till after Finance appear, that's fine with me. I mean, it's just useful to have when we deal with them.

**Mr. Katzman:** — I'm not arguing the usefulness, but I'm afraid it's only going to have half the story. And we've had a document like this before. When we got the rest of the story, we said, oh well, it's not there. And I'm scared we're into another one of those — only half the information — and because the auditor doesn't have knowledge of the other half, not because he's hiding it.

**Mr. Young:** — I just have a question for the auditor. Is what the situation is at the present time is that you have funded positions as opposed to an overall global funding

of X hundred thousand dollars — whatever — to run your department; whereas other departments or subdepartments in government have their report by way of man-years, and other ones have reports as to monetary amounts to run their particular prescription drug plan or some of the examples you mentioned. Have I got that right?

**Mr. Lutz:** — Mr. Chairman, thank you, Mr. Young. Not precisely, and neither is it the precise issue. Mr. Chairman, you asked: what is the issue? For many years my legislative purview was contained in The Department of Finance Act. For many years I was looked on as one more little branch of the Department of Finance — my positions, my money, my everything. In 1983, when legislation was enacted for the Provincial Auditor, a servant of the Assembly, the legislation stated that employees in my office would not be members of the public service, etc., etc.

The issue here, Mr. Young, is an issue of perception. If in fact I go to treasury board for my money — and I agree I should; that is part of the accountability process — I am merely arguing that once they give me my money there is nobody up in treasury board division or treasury board or Finance who can tell me that I can do my job with 69 people or 63 people or 82 people, or how many people. They can't possibly know how many people I need to do this work I am required to do by law.

The whole issue here is: why, then, do they insist on having in the blue book a display of the numbers of person-years that they are allowing me to employ, which leaves the perception that they do, in fact, control my numbers of positions? Now that is the whole issue in this particular case.

I have asked them to remove from the blue book the numbers of positions, and they have said no. Now I am saying to the members of this committee: we have researched that book, and we can't find any common thread of logic which we can see to decide whether a position should be in or out, demonstrated or not demonstrated. So I am suggesting to the committee that the best thing we can do is call the deputy minister of Finance and his people and ask him.

Now Mr. Katzman is quite right. We don't need second-hand information here. So I propose you call the people who prepare the book and let them tell us how they do it.

**Mr. Young:** — Just a supplemental, or whatever. They don't, in fact, control the number of your positions, but they report it as that, is that correct? You get X amount of money to run your department. You can hire 10 people at 20,000 or five people at 40,000, if you should so desire, but they insist on reporting the number of man-years. Is that correct?

**Mr. Lutz:** — They report the number of person-years in that book. In 1982 I . . .

**Mr. Young:** — Yes, but my question was: you can split up your money into salaries and what other expenses you have as darned well you please. Is that correct?

**Mr. Lutz:** — I believe so, because I do.

**Mr. Young:** — Okay. It's just that they want to report it that way. And you say that causes a perception that they are controlling the number of positions you have, when in fact they're not, as you've just indicated.

**Mr. Chairman:** — Well I'm not so sure that that's correct, though.

**Mr. Young:** — That's what he just said, though.

**Mr. Chairman:** — Well I'm not so sure that is . . . (inaudible) . . . That isn't what Mr. Kraus said when I asked him a moment ago.

**Mr. Kraus:** — Well I said that the departments were controlled. I do not believe that we control Mr. Lutz's positions in the same way we would a department's positions. You pay your own people, is that not correct, out of your own system?

**Mr. Lutz:** — That's true.

**Mr. Kraus:** — So we don't have any control.

**Mr. Lutz:** — Mr. Chairman, what I will do is read from a document here. This may be premature, but I will read it anyway. Our negotiations with the treasury board — I believe they called it division — took a little while this year. We made a request that they take these positions out, and here's the way this read:

The Provincial Auditor has requested that person-years for the Provincial Auditor vote not be presented in the blue book.

Analysis: While the Provincial Auditor operates under his own Act, the legislature, through treasury board, controls the resources that the Provincial Auditor is to receive each fiscal year. (And incidentally I concur in that — that's an aside.) Inherent in that control is an approval of the number of positions that the Provincial Auditor is to receive to carry out his duties. Therefore we recommend that he be allowed to retain 66 persons this year.

Well, between treasury board and whomever puts together the blue book *Estimates*, somebody decided that 66 was too many, and it should be 63. Now if they're going to put in print that they control my positions, then I think there is a perceived problem here in that somebody says to me, "How are things in the branch?" That happened. And I say, "What branch?" And then it goes on down the line and on down the line. As long as this perception exists — and it doesn't just exist in Finance — I believe anybody who reads the book is going to believe that.

Then I looked at the book itself, and I said there is no rhyme nor reason to what they include, what they exclude, what they treat by inclusion, what they leave out. Whether they're in public service or otherwise, it didn't seem to matter.

My final proposal was that we summon the people who prepared the book, and let's talk to them and see if they can tell me.

**Mr. Chairman:** — I don't want to cut this discussion off, but it's quarter to 8 and we're not off the first item yet. We have a 66-page book to go through. If we're going to call Finance, let's do it.

**Mr. Katzman:** — I've got one question, Mr. Chairman., And is that document just a reference document, or is it a public document? That's a key issue with me. Right now, I'm not prepared to see it as a public document.

**Mr. Chairman:** — Well, does anyone else care? I mean, so long as I have it when I'm discussing it with Finance, as a summary, then I don't care whether it's public or private. Does anyone care?

**Mr. Katzman:** — Well, I'm just concerned that it can't be used until we find out . . . (inaudible) . . .

**A Member:** — I would agree with that.

**Mr. Chairman:** — I'd be stunned if you could get any editor in the province to take any interest in it. But anyway, if some members have some concern about it being public . . .

**Mr. Glauser:** — What's happened in the past would lead me to believe that you may not be exactly right.

**Mr. Chairman:** — Okay, let's keep it confidential, but let's have it available when Finance is here. It is a useful reference document.

Okay. Holy catfish! It's quarter to 8 and we've actually made a decision. Goodness gracious. On to Agriculture.

It is agreed, I think, with respect to the community colleges, we're going to discuss with advanced ed the issue of what advice and instruction they give community colleges with respect to legislative controls over spending and the role of the auditors. Given the turnover in staff, perhaps there's not enough advice being given out. That's quite understandable.

### Department of Agriculture

**Mr. Katzman:** — We don't need that. I know that will start a controversy.

**Mr. Chairman:** — What's that?

**Mr. Katzman:** — I thought I'd start a controversy. We don't need them.

**Mr. Chairman:** — I think you will. Allen, no issues in Agriculture to be discussed?

**A Member:** — . . . (inaudible) . . . question period, let alone . . .

**Mr. Chairman:** You've got to be dreaming, you people, surely. We've had Agriculture every year.



**Mr. Engel:** — I have never had a . . .

**Mr. Chairman:** — Had a question for agriculture?

**Mr. Engel:** — . . . question on agriculture, especially when it says that:

A study and evaluation of the management control systems discloses the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in (any) amounts that would be material to the Department of Agriculture may occur and not be detected within a timely period.

There's no reason to call Agriculture, and I don't want to make an argument about it, even.

**Mr. Chairman:** — It's self-evident though.

**Mr. Engel:** — I think there are three specific areas that Mr. Lutz points out here and: Agricultural Supplies Revolving Fund, Conservation and Development Revolving Fund, and Department of Agriculture in general. And I think those three areas are worth our pursuit and some discussion.

**Mr. Chairman:** — Lads, these comments drone on for five pages. You can't be serious about not calling Agriculture. I was going to go on to the next department.

**Mr. Katzman:** — My comment, Mr. Chairman, of course, was facetious.

**Mr. Chairman:** — It is too early and I haven't had my sticky bun yet. Until I get my sugar fix, you've got to contain some of this humour, Ralph.

**Mr. Katzman:** — Now, now, I did give you one of my doughnuts, Mr. Chairman.

**Mr. Chairman:** — Yes you did — your usual show of generosity towards us gentiles this morning.

**Mr. Katzman:** — That's right, today's Passover. We've got to think about you. Seriously though, I think that before we get into items 2.4(1), 2.4(2) — I think we should ignore 2.3. We have done 2.3 the last two years or three years here. It is now . . . Somebody paid out money they shouldn't have, and it's now resolved. We've dealt with it; I don't think we should be back into it again.

The reason I'm saying this is strictly because you've got to bring this guy in from out of town that handled this one, so there's no sense bringing him in because I don't think we're going to bother with it. Everybody else, seems to me, is local . . . (inaudible interjection) . . . Yes, it's fact.

**Mr. Chairman:** — Okay, let's go over this thing item by item then.

**Mr. Engel:** — I think the question I was making is that for us to debate what is in the auditor's report versus waiting till we call Agriculture is a long ways time. I love coming in here at 7 in the morning; it keeps me in shape for when

I'm going back on the farm, that kind of thing. But to waste hours going over something that we're going to do again with Agriculture officials . . . I read this document. I realize there's room to bring in the officials to talk about it, and I think what we should be doing with our time here, which is valuable, is to go through this book and decide which departments you're going to call, and then get into the depth of the stuff with the department rather than hashing it over two or three times.

**Mr. Katzman:** — Mr. Chairman, I'm not arguing though. I'm saying there's just one number — the (3) here. There's no sense bringing that official from out of town. We've had it here twice before and it's a fait accompli. The rest I'm not arguing. My point was there's no sense bringing somebody in from Outlook for this committee when we've already finished with that issue.

If Mr. Engel is agreed to it, then we have no more to discuss. My point was there's no sense bothering with that one. It's a dead issue.

**Mr. Chairman:** — I don't think Mr. Engel will disagree with that.

**Mr. Katzman:** — I mean, otherwise we would have had to bring this official in. That's why I brought it up.

**Mr. Chairman:** — Okay. My goodness, head's spinning, we're making decisions so rapidly here.

**Mr. Lutz:** — Mr. Chairman, the point (3) item on the 325,000 is here because it's the final resolution of an ongoing problem. I'm required by legislation to report losses. I have reported it. That's the only reason.

**Mr. Katzman:** — That's why I mentioned there's no such . . . (inaudible) . . . We agreed it's a fait accompli.

**Mr. Chairman:** — I think everyone agrees.

**Mr. Engel:** — There's nothing further to do with point (3) as far as construction, this committee decides.

**Mr. Katzman:** — And there's no sense bringing that whole pile of files back and that official and everything else.

**Mr. Chairman:** — When we get to the agenda, I have a suggestion to make, and that is that . . . I guess I'll make it now — that is if we call Agriculture first, so let the farmers get away seeding. No matter what time Lloyd and Allen are going to get away, it won't be that long.

Okay. let's leave that to the end.

**Mr. Katzman:** — Mr. Chairman, I don't disagree with you. The only question, we may want Finance first and then Agriculture, subject to how some of these issues . . . (inaudible) . . .

**Mr. Chairman:** — Well, we'll discuss that at the end of the day, I guess.

Does that take us through?

**Mr. Katzman:** — To page 22 I believe — 2.5.

**Mr. Chairman:** — What are we doing in Agriculture? — calling them to discuss all relevant items the members may wish to discuss in your discussion. Specifically, we will be dealing with all items except item no. (3) which has to do with the unauthorized loan and the bankruptcy and so on. The loan was authorized, but it hasn't been covered.

**Mr. Katzman:** — 2.5, Mr. Chairman — I think the mentioning of it to the auditor on that should probably alight it to the people unless there's some real reason to bring them in.

**Mr. Chairman:** — I wouldn't mind having a short go at these people.

**Mr. Katzman:** — I don't know why. I mean, they agreed to do something with the co-op and it wasn't vouchered properly, and now they've, I assume, cleaned up their act.

**Mr. Kraus:** — In terms of this particular issue, they have fixed the problem up, yes.

**Mr. Chairman:** — But I'm not sure that department has a handle on their grants in general terms. That department gives out a fair amount of money in grants, and I'm not sure that this is an isolated problem. I was minister there for three years and . . .

**Mr. Katzman:** — Well if I was to suggest you put this on a very low priority, I will agree with you there. We normally try to deal with what's in the report first, and then other issues.

**Mr. Chairman:** — My point . . . I don't care what priority you give it because I think you're probably going to get to them all anyway. I wouldn't want to call the department. I don't think this will take long. But I would like to be assured by that department that they have a handle on the grants they are giving, and that in general terms those grants are being handled in a responsible fashion.

**Mr. Glauser:** — It would appear to me, Mr. Chairman, you're reading more into the report than what's there. I mean, if that were the case, why would it not be identified in the report here?

**Mr. Chairman:** — I'm not sure the Provincial Auditor's report would disclose that. Well, let's call them and we'll . . .

**Mr. Katzman:** — No, let's put them on a low priority if we're going to call them.

**Mr. Glauser:** — Why don't we just use a list like we did the last time, and then we'll prioritize them or . . .

**Mr. Chairman:** — Well that's what we've been struggling manfully for four days to prepare, is a list. All right, put them on the list and then we'll prioritize them. That's fine with me. I'm not suggesting it should be a high priority, actually, gentlemen. If time permits, I would like to call them.

The Department of Economic Development and Trade?

**Mr. Katzman:** — I think this is a policy argument.

**Mr. Chairman:** — Where does the list of those grants appear in the . . . It's so long since I've read this that I've forgotten it. Economic Development and Trade on page . . . I'm homing in on it here. Other expenses, that's not it. Where the heck's the list of . . .

**Mr. Kraus:** — Mr. Chairman, while you're looking for that I do want to point out that there should have been a separate subvote identified according to Mr. Lutz . . . Or not according to Mr. Lutz, but Mr. Lutz reported that according to the way the legislation was established and so on, that there should have been a separate subvote, and he was correct, and the Department of Finance has established a separate subvote for the '85-86 fiscal year; so, in fact, the problem that was identified by Mr. Lutz has been resolved.

**Mr. Katzman:** — It's a policy decision basically, is it not? They just didn't do . . .

**Mr. Chairman:** — I'm not sure it was a policy, but however, it's been . . . There is a separate subvote this year? In *Estimates* I see subvote 7.

**Mr. Engel:** — Can you tell me, then, the grants for investment and trade development within that department, were they listed, or is there a way of pulling those out separately, or were they monthly . . . (inaudible) . . . Is there a way of making a grant to a favourite industry or business without exposing it? Did that happen?

**Mr. Kraus:** — No.

**Mr. Engel:** — It's just listed in a grouping in another section is what you're saying?

**Mr. Kraus:** — If it is included in a . . . Subvote 25 is the one that's identified as the . . . The market development fund moneys were appropriated under subvote 25, and if you look on page 172 of volume 3, the big volume, it shows the total expenditures under that subvote were \$3.156 million, and within the grant section it identifies the grants that were made to Agdevco, etc., etc., there for a total of \$2.8 million. I'm not sure what the transfers number of \$294,000 represents, but the grants that were paid under that subvote are listed here.

**Mr. Engel:** — All together?

**Mr. Kraus:** — Oh, you don't have the volume with you.

**Mr. Engel:** — I see they're all . . .

**Mr. Kraus:** — Well, the \$2.8 million are identified by institution. So you can see that there's 1, 2, 3 — 9 agencies. Nine agencies received grants of 2.8 million.

**Mr. Chairman:** — The *Estimates* this year provide one \$14,000 item for grants for investment and trade, and a separate item of \$294,250 for payments to the agricultural product marketing development from that. What were . . .

**Mr. Kraus:** — . . . (inaudible) . . . 294,000 that were shown as well in 1984-85 was actually paid.

**Mr. Chairman:** — What was that?

**Mr. Kraus:** — I say . . . Are you reading from the *Estimates*, Mr. Chairman?

**Mr. Chairman:** — Yes, I'm comparing one to the other. I'm comparing the *Public Accounts* to the *Estimates*.

**Mr. Kraus:** — Yes.

**Mr. Chairman:** — Has this item been resolved, gentlemen?

**Mr. Katzman:** — I think it has.

**Mr. Chairman:** — My own impression is . . . (inaudible). . . I don't think it's been resolved. Department of Finance . . .

**Mr. Katzman:** — In 2.7, Mr. Chairman — it is lengthy but I think we're back into the SaskPen issue, as well as some policy things. And before I ask any questions, I would ask Mr. Kraus if there's any resolution or management letters that say where we're coming on this whole grouping.

**Mr. Kraus:** — Well, this covers quite a range of issues, Mr. Katzman. As you say, SaskPen is one issue that there's a number of administrative concerns identified by Mr. Lutz, as well as his questioning as to whether or not the real estate investments are in accordance with the investing laws.

So that is an issue unto itself that I really can't . . . I can't speak to that because it would refer spokespeople from the Department of Finance to answer those questions. And I couldn't say that they're all resolved by any means. They're still in the process of being resolved.

Some of these other issues pertain in part to my office, if you will, but . . .

**Mr. Chairman:** — The number (2) seems to, does it not, Mr. Kraus?

**Mr. Kraus:** — Yes, it does. That's the issue about how government should be accounting. I believe here the issue is whether or not . . .

**Mr. Chairman:** — I guess we're getting ahead of ourselves. Item number (1) states that the financial statements were submitted to treasury board on December 20th. Isn't that late? Isn't that later than normal, Mr. Lutz? I'm dealing on number (1).

**Mr. Lutz:** — December 20th? I suspect it might have been a little bit later than usual, Mr. Chairman. These things happen for a variety of reasons. Things can get held up. Perhaps Mr. Atkinson would be more inclined to speak to this subject since he did this audit. If the committee wishes, we can have Mr. Atkinson give you a brief résumé of how this thing went.

**Mr. Chairman:** — I would appreciate that. The question of the filing of *Public Accounts* was a matter of some controversy, actually.

**Mr. Atkinson:** — Mr. Chairman, I don't have the information with me at the present time, but I can make it available to you at a later date.

**Mr. Lutz:** — Can you give me an approximate chronology of how things happened; never mind being precise as to dates.

**Mr. Chairman:** — Give us your best effort now, rather than your studied effort next week.

**Mr. Katzman:** — Could I just add one question to that? I think what he's saying is, was it a little later than normal? — is part of what the question was.

**Mr. Lutz:** — Yes.

**Mr. Atkinson:** — I think, as it says here, the statements were submitted to treasury board on about December 20th, and I would think that if you used the last two years as a comparison, it was within very close to the same time frame, I believe.

**Mr. Chairman:** — I see. So the lateness of the *Public Accounts* was not because the statements were filed late. It was because treasury board didn't approve them. Is that . . . Mr. Kraus has disappeared on us here.

**Mr. Atkinson:** — To the best of my knowledge I believe that treasury board approved the statements, and they were received in our office for signature on March 11th.

**Mr. Chairman:** — Well, all right. Therein, I guess, lies the answer. Treasury board didn't approve the statements in time to prepare the . . . Public accounts didn't have time, anyway.

**Mr. Lutz:** — Mr. Chairman, when our office begins a year, each of our sections is required to submit a time budget and a schedule. Within the hours available to them for auditing, they have got to put all of their auditees on a schedule, and they have got to stick to that schedule or the whole system is going to back up. We think we were within a few days on the audit of these particular statements according to our programming and scheduling. When I said we were a few days later, we might have been.

But in essence we were on schedule with the resources we had, with the planning we have done, and there comes a point, when you have sent these on for approval, that the timing removes itself from our hands, and we can't control that. When they come back we will post-haste get them out.

**Mr. Chairman:** — I understand that the problem lay in terms of the board itself, I gather.

**Mr. Katzman:** — Mr. Chairman, I think, without being facetious and not getting into political arguments, the date tells me something very quickly. That's approximately the date of the change of the cabinet — in

that area — which means that the new positions, new ministers, new thing . . . You automatically are slowed down because your briefings and everything that have to go through before your treasury board starts to go again. So you know, knock say two weeks, three weeks to go with the change and the Christmas period, and you've got your explanation. You know, I'm not trying to get political or recover somebody's you-know-what.

**Mr. Chairman:** — Well a two-week delay might have been understandable. A three-month delay is not.

**Mr. Katzman:** — No, no. just a minute. It normally takes about two months or so from the time they get it.

**Mr. Chairman:** — Oh, nuts. Oh, heavens, it does not. I allege this is not a proper question for public accounts, but I allege that those *Public Accounts* were intentionally held up this year so that we wouldn't have them. Mr. Rousseau was candid enough to admit that the year before, and I finally see what the mechanism for holding them up is. They just don't deal with them in treasury board, don't approve them. Mr. Rousseau said that. He said if the opposition was going to use this as a political document, he wasn't going to give them to us until the House reassembled.

**Mr. Katzman:** — Oh, we're back into the . . . Now with that clarification on Mr. Rousseau's statement, I know what you're talking about. The year before, they were given to them, not tabled in the House, where the rules said we're supposed to table them in the House first. The year before they were given to you on a confidential agreement and they were not kept confidential. They were used.

**Mr. Chairman:** — There was no agreement they be confidential.

**Mr. Katzman:** — Well because they're automatically confidential until they're tabled. And you guys didn't live up by it, and now you're complaining because you broke the rules, and now you want the rules changed for you. We never got them when we were in opposition, except in the House.

**Mr. Chairman:** — You had them well before the middle of April, though.

**Mr. Katzman:** — But we never got them except in the House. You got them . . .

**Mr. Chairman:** — But you got them in the fall.

**Mr. Katzman:** — . . . before the House even sat and were given several months to play with them before they got tabled.

**Mr. Chairman:** — You got them in the fall.

**Mr. Katzman:** — I can argue that. One year, I believe.

**Mr. Chairman:** — One year you might not have. I've got the list of when they've been tabled.

**Mr. Katzman:** — I think I have one year I can argue that

with.

**Mr. Chairman:** — At any rate, December 20th is about the time they usually hit the deck, is it?

**Mr. Atkinson:** — I would say, you know, working without the documentation here, that would be fairly close.

**Mr. Chairman:** — Perhaps you could report. Perhaps you could report to us when you've had a chance to review your documentation, Mr. Atkinson.

**Mr. Kraus:** — I should make some comment too. Ninety per cent of the work — and Mr. Lutz may not agree with me on this — but I would say 90 per cent of the work is done by early fall. Then often . . . Well the auditor takes some time to review his financial statements and some of the information that may be coming in a bit later. But what happens is, it's not unusual for the preparers of the financial statements and the provincial auditors to discuss how to account for specific items on the balance sheet or whatever. There can be disagreement on how to treat specific accounting issues. And that is not particular or peculiar to the year we just completed. It happens periodically, and I suppose has happened for five or six years. I know it was happening before I was comptroller. So what I'm saying is, the detailed work, for the most part, is done. It's those issues that can take some time to resolve.

As far as tabling the public accounts goes, I don't want to get into the middle of the discussion, but I do know that in about the last 11 years there's probably been three or four of those years where it was tabled in the fall session. I believe the rest of the time it's been tabled in the spring session.

**Mr. Katzman:** — That's correct.

**Mr. Kraus:** — So it's been both ways.

**Mr. Katzman:** — It normally comes on the 15th day, sort of, Ned, and normally the 15th day isn't till the spring session.

**Mr. Chairman:** — No. Normally the 15th day is earlier. We used to sit for three weeks.

**Mr. Katzman:** — No, but you only sat . . . The problem was, except for about three years where we passed a special motion on tabling of documents . . . Because if we go past the 15th sitting day, The Tabling of Documents Act comes into play. And two or three times we had to pass special motions for The Tabling of Documents Act to get around that problem. The rest of the time we sat the 14th day, because we'd start on the Thursday, go Thursday, Friday, come back for two weeks, and then basically we were done — except for a couple of times, and then we had The Tabling of Documents Act. That's the best way to tell you that we didn't do what we did.

**Mr. Chairman:** — The tabling of documents, that amendment was passed — you're right — because the 15th day took place before some of the annual reports, before the fiscal year was finished in some of the departments.

**Mr. Katzman:** — That's right. And only those years . . . Those were the years that we sat more than 15 days, and those were the years that we sometimes did get the book in advance. I'm saying, the years that we didn't, it normally didn't come till spring.

**Mr. Chairman:** — The sessions used to start earlier than it did, except for this year. It used to start in early March.

**Mr. Katzman:** — Don't argue that one with me either. We started one time in February if I remember correctly.

**Mr. Chairman:** — At any rate, this is not an appropriate subject to be discussed with the officials, I gather, since I gather it's common ground that it's not the officials holding this thing up.

**Mr. Katzman:** — Mr. Chairman, just before we go on. I have a duty that I must perform. I'm 10 minutes late in performing it. We must welcome the press, only one hour late this morning.

**Mr. Chairman:** — The comment's duly noted.

All right. The Canadian Institute of Chartered Accountants has provided some standards which I guess our statements don't meet, Mr. Kraus.

**Mr. Kraus:** — Mr. Chairman, they've published some general recommendations as to what the financial statements should disclose, but they're very, very general. And I think even the CICA (Canadian Institute of Chartered Accountants) committee would agree that they're the kind of standards that one could say are motherhood, in a sense. And we do comply with some of them, but in terms of what the reporting entity should be for government, they have a long ways to go in terms of defining what specifically should be included or excluded. And Mr. Lutz can probably speak to it as well as I can because he's a member of the committee that is now looking at this problem.

You have a number of accountants that are trying to deal with the issue, both from the private and from the government sectors, and it is taking them some time in determining more specifically just exactly what the financial statements of a government should include. They can refer to it in general terms, but when it becomes a matter of specifics, that is where the difficulty arises. And we're talking about, do you include universities, community colleges, hospitals, and things like that in the reporting entity? So I'll let the auditor refer to that as well.

**Mr. Atkinson:** — Mr. Chairman, if I may. Perhaps to help shed a little light on this subject, I have available, and I can table with Mr. James, there's a booklet put out by the institute of chartered accountants called *Government Deficits: How far down is the bottom line?*

**Mr. Chairman:** — That might be useful. Mr. James tabled another document a few days ago which I'm told is good, too. I've read neither, but I've clearly got to before we get to this because . . .

**Mr. Atkinson:** — I also have available today, and

unfortunately do not have sufficient copies for the committee . . . The Auditor General of Canada and the controller general, I believe, of the United States general accounting office, have prepared for the Government of Canada and for the Government of the United States, illustrative financial statements of how they believe the financial statements for those two respective countries should be prepared.

These financial statements are not generalities; they are specifics. They do go through the reporting entity. They do deal with, how do you handle fixed assets? They do deal with the important information that should be portrayed by financial statements, so that the users can make decisions based upon information that is easily assimilated.

Unfortunately, like I say, I don't have sufficient copies. I could pass it around. It does have illustrative financial statements in total for the Government of Canada, and these are produced by the Auditor General of Canada. They are simply illustrative, to show that it can be done.

**Mr. Lutz:** — Mr. Chairman, I have a request out to Mr. Dye to provide us with a number of copies of these. Hopefully, and if the committee wishes, I can provide each of you with a copy, probably in two weeks, if there is an interest in it.

**Mr. Chairman:** — I would like to have it, and if I could have it before Finance comes here . . . I've clearly got to do some reading on this or I'm not going to make much of a contribution. I think . . . I'll say this and then I'll recognize a couple of hands. I think we are sadly remiss if we, as legislators, are not part of the debate on how these financial statements are prepared. These financial statements are not being prepared for other accountants. They're prepared, by and large, so that the public might understand what their government's doing. As elected representatives, I think we want a voice on how these statements are prepared, so that, as far as possible, the public is given accurate information about how the government is spending their money. Having given that little sermonette, I'll recognize Mr. Kraus, whose hand I saw first.

**Mr. Kraus:** — This is a very complicated issue. And I'm saying that because I think it is causing a lot of concern for the professionals, and there's a wide range of people involved in some of these studies — it's not just accountants by any means — as to what the answer should be. It's not an easy matter to come to grips with, and of course we have had just this most recent report that Mr. Atkinson has mentioned. I think it only became public at the end of March, so it's not even 30 days old, and it, of course, is a discussion paper, in part. It's for illustrative purposes. The auditor of Canada does not set accounting standards by any means, and he is intending that for someone to pick up and look at and use, and perhaps he is hoping, I believe, that the CICA would use that and use that to develop their standards.

But there is some ways to go before there are specific criteria that are identified or established that governments could use to develop or prepare their financial statements, rather, and the problem is it won't matter

really what they develop, there must be consensus for something to become generally accepted. And that's not just true of the public sector, it's also true for the private sector.

You should be aware that the CICA began to issue standards or recommendations for the private sector starting just after the Second World War. It took a good 10 to 15 years for business to accept it. They did not want to accept it. They felt that their methods were satisfactory. And so this isn't something that's going to happen overnight in any event.

**Mr. Chairman:** — It took a goodly length of time, and I think it's fair to say that the standards were accepted when the security exchanges started to insist on it as a condition of listing their stocks.

**Mr. Kraus:** — That was a key factor, for sure.

**Mr. Chairman:** — That was a key factor. Unfortunately there is no — apart from committees such as this, there is no similar body in the public sector. That's why I think this committee's input on the subject is a key issue.

**Mr. Young:** — Well like Mr. Kraus, this is the most difficult . . . I have a degree in economics, no less, and I watched on one of the American channels that we get now in Saskatchewan here, about three nights ago, David Stockman was on the tube doing some interview with some news person. He was absolutely repentant about how he had misunderstood the American financial situation, and he admitted it to be that, and he'd led them down the garden path, he had said, at the time, not knowing what the ramifications of his financing would be. He's the most intelligent man ever, if there ever was one, and he was absolutely . . . he was repentant. He said he'd made a mistake and on and on.

So how in the dickens are we in this committee going to attempt to tell the government how to . . . not how to finance, but even how to report it. It really scares me.

**Mr. Chairman:** — Well it's high time we started, is all I can say. Let me read to you one paragraph out of this booklet. Let me just read to you one paragraph.

**Mr. Katzman:** — Page please?

**Mr. Chairman:** — Five.

Governments report annually to the public and its elected representatives on the financial position and results — but it would take a financial genius to glean from these reports an overall picture of the financial activities and the position of governments across Canada.

Better information for elected representatives and voters would lead to better informed decisions and choices.

I couldn't say it better myself. Before we call Finance, does everybody have a copy of this document, which I think we should. It's only a few pages. We should read it through. If not, and I gather from the blank looks I'm

getting, Mr. James, You better put a copy on the members' desks in the House so they can have a look at it.

**Mr. Katzman:** — I think we've got that.

**Mr. Chairman:** — Yes, we've got it.

**Mr. Katzman:** — Is that last week's or this week's? I got one yesterday, I noticed; I was reading.

**Mr. Chairman:** — I, for one, would not know where to find mine. I'd also like to get that information . . . (inaudible) . . .

**Mr. Lutz:** — I've sent him the letter. I don't know how long it's going to be before I can receive the copies, but I will certainly make them available to the committee members, if it is the wish of the members, when they arrive. I guess I will do it through Mr. James, so that even if it's between meetings he can get it to the member in advance of the meeting. Is that all right, Mr. James — bring them down to you?

**Mr. James:** — Sure.

**Mr. Chairman:** — Perhaps Mr. James or Mr. Lutz could get on the blower and hustle them along a bit. I suspect . . .

**Mr. Lutz:** — I can phone Mr. Dye today and ask him to air-express a dozen copies out.

**Mr. Chairman:** — Maybe you'd better phone him, yes. I think the members would like to deal with Finance as soon as we can.

**Mr. Katzman:** — Mr. Chairman, without being facetious.

**A Member:** — You're not on yet.

**Mr. Katzman:** — Mr. Glauser's before me.

**Mr. Glauser:** — Well, after Mr. Shillington.

**Mr. Chairman:** — Always.

**Mr. Glauser:** — Well I go back to what Mr. Kraus has said. And I get considerable amount of this material at the house on an ongoing basis from the CICA. And there is even . . . I don't know if you want to call it confusion or disagreement or what it is among the accountants themselves as to what should or should not be done. And I think that's what you're seeing come forth now.

And so, if you've got that kind of a situation existing among the — and I'll call them, experts; these are the people trained in the field — how on earth can we in this committee . . . from what basis are we ever going to start to have input into how financial reporting is going to be done, or what kind of statements we're going to receive? It's just ludicrous to think that . . .

**Mr. Chairman:** — You are . . .

**Mr. Glauser:** — Wait till I'm finished, please. You quit butting in. You're worse than the member from Rosthern.

**Mr. Chairman:** — Sorry. Nobody's worse than the member from Rosthern.

**Mr. Glauser:** — You get up this early in the morning, you can . . .

**Mr. Engel:** — He's just getting ready for this afternoon . . . (inaudible) . . .

**Mr. Chairman:** — Yes, sharpening his teeth for this afternoon.

**Mr. Glauser:** — You know how it's going to be there.

So when there is that disagreement at the chartered accountant level, and between chartered accountants and the Auditor General — because the Auditor General, it isn't always everybody agrees with what he says, by any stretch of the imagination. So I'll repeat, it'd just be ludicrous for we, as lay persons in this committee, would ever attempt to think that we had the capability of having input into how reporting is going to be done, or what we expect. I think we need an interpretation of what's in front of us, but I think that would be it.

**Mr. Engel:** — . . . (inaudible) . . . receive information from CS . . .

**Mr. Glauser:** — CICA. Canadian Institute of Chartered Accountants.

**Mr. Engel:** — Oh, I see. Okay, I thought you said CSCA. I was asking my learned friend what that stood for. I just misunderstood you. Okay. I thought there's an umbrella association . . . (inaudible) . . .

**Mr. Katzman:** — Mr. Chairman, I'm going to suggest we don't get into this issue, and I'm going to suggest it for reasons that I will background. It took us, most of this committee — and don't get me wrong; one member spent more time than others on it — on the pension plans. It took us three years to really understand what we had got ourselves into. Last year I think we started to really understand it, and this year we made a final decision . . .

All I'm saying is, I think this committee's life will not be long enough to get into it as far as it must be, looking at the membership here. And therefore I think that we shouldn't even start it, and that should be the new responsibility of the new committee that's formed later. There is only possibly one member, two members of this committee that might get re-elected, because the others aren't running, and one's going to get defeated. So we'll start out . . .

**Mr. Chairman:** — You're looking at present members. There's three of the members . . . There's 12 members in this committee . . .

**Mr. Katzman:** — Ten.

**Mr. Chairman:** — Ten in this committee, of which only half are present this morning.

**Mr. Katzman:** — And I think of the 10 committee

members, I think about seven or eight of them aren't running again.

**Mr. Chairman:** — Gee, an awful pile of Tories got cold feet, that's all I can say.

**Mr. Katzman:** — You live in Regina, Ned; you see your family every day. Some of us, that have been here 11 years, don't.

**Mr. Chairman:** — That was a facetious comment and if the *Hansard* didn't record it as such then I was in error.

I disagree with the assumption that there is a disagreement among professionals. I think . . . Because I also get the material from the CIC (Crown investments corporation of Saskatchewan). The stuff comes wheeling in practically every month. I think there is some measure of agreement by the chartered accountants as to what the standards ought to be. There is no ability, however, to enforce those standards.

And I go back to the private sector. For many years there was agreement as to what financial statements and annual reports should contain in the private sector, but no means of enforcing it until the Toronto Stock Exchange, and then the other security exchanges, followed suit. The Toronto Stock Exchange said, if you want to list your shares on our exchange, your financial statements must meet these standards and your report must meet these standards. And they thus began to enforce uniformity.

I think there is some measure of agreement by the institute as to what these statements ought to contain. I think there's just no measure of agreement among governments as to whether or not they want to do it. Probably we're not going to solve the problem, but when Finance is called I would like them warned that I would like to venture into the subject, however timidly.

**Mr. Lutz:** — Mr. Chairman, if I might have a moment.

**Mr. Chairman:** — Yes, Mr. Lutz.

**Mr. Lutz:** — Mr. Kraus is quite right. Many of these things coming out are only recommendations. I think Mr. Kraus served on this particular committee for three years. Mr. Kraus, you were on for three years?

**Mr. Kraus:** — Yes.

**Mr. Lutz:** — And during those years he was an associate, or rather I was an associate. The material he was dealing with at meetings was being bounced off of me for opinions, and almost invariably over those three years I objected to everything they did, I think on very cogent grounds. They never had identified the entity about which they were talking, and there was a few other basic philosophical differences I had.

Well they solved that problem; they put me on the committee, which purportedly will settle you down. It hasn't. But I say to Mr. Glauser, the only way you are going to get a standard that can be applicable on a broad, across the board basis is to have dissent, to have debate. You can't possibly get standards in place unless they have

been debated thoroughly and disputed and disagreed with until eventually you get the points of view which will have consensus, which through usage will be found to work. And that is really how our standards have come into place. Over many years, through usage, you find that this was the best.

Now this is also an evolving thing which is never static. And twice a year in our office we have what we call an update, where we put our staff through a three or four day seminar on what has changed in the profession, what has changed in the standards. Nothing is static; nothing is agreed to the first day. In fact I just came back from Toronto on Tuesday night, and we had another of our two days, and there was mostly just dispute. And that is how we arrive at a workable consensus of what a standard should look like.

Now if everybody just said, yes, I agree, I would think we'd have chaos. So we do disagree; agreed?

**Mr. Glauser:** — Exactly. And that's the whole point of what I was saying. Because that disagreement has to exist in your own ...

**Mr. Lutz:** — Oh, indeed it does.

**Mr. Glauser:** — It can't be some outside force that doesn't have this knowledge coming at you and saying, this is what it should be, or this is what it shouldn't be.

**Mr. Lutz:** — But I do believe it was an outside force that caused much of this committee work to happen. And the big impetus was given to the committee work by the Canadair thing, which I believe came down in '83, when out of nowhere came this \$3 billion loss which nobody had really talked about before, because it was never really debated before. And all of a sudden there was this crisis in the land, if you will, and there had never been standards in place which compelled a thing like Canadair to be tabled and debated and aired.

Now my points I make, relative to this entire thing, are at the top of page 25. And I merely make the point that:

My concern is that public attention, debate and decisions are directed toward reported amounts in the "main" financial statements included in the *Public Accounts* which do not present fully the revenues and the expenditures and the financial position ...

And I merely say, if the public and the elected members are to be able to come to reasonable decisions relative to these numbers, I believe that a different set of statements must be prepared.

**Mr. Glauser:** — Okay, I just want to add one thing to what you've said there, and it takes me back to the Canadian Commercial Bank and coming before Judge Estey. And there's these two accounting firms — I won't mention their names — but there's these two accounting firms and they're appearing before him. And so what Judge Estey said after listening to this was, he says it sounds like a sporting event in which there were two referees and no one was blowing the whistle.

**Mr. Lutz:** — Now in this case, Mr. Glauser, Mr. Chairman, I think what has happened in the past in the way of standards being established — standards result from a perceived need by the users of financial information. Now you mention blowing the whistle. You could in fact probably suggest to me that I am blowing a whistle here. I guess I am. But when the users of a set of financial statements — and in the case of this bank, the banking industry, if they perceive a need for different standards, then I'm sure that the different standards will be promulgated by the various professional bodies involved. That's how these things happen.

As Mr. Kraus says, up to about the war there were really no standards. Everybody just floated right along. After the war for about 10 years there was what was called bulletins. Somebody would come out with: this is what we think it should be; but it never ended up as a hard and fast standard for all members to have to comply.

Now they're doing it in a little more formalized fashion and through committee. You have to do it through committee. This committee we're talking about here has got three sections: western, eastern, central, or whatever. And on that committee there are professional accountants, there are legislative auditors, there are public sector auditors, there are academics, there are deputy ministers — we've got two or three deputy ministers on this committee. I have the DM of Finance from Alberta on the western section with us people. And this is how we get standards.

Now that committee on Monday afternoon addressed the subject of Mr. Dye's illustrative financial statements which he and the Comptroller General of the United States prepared. And this is the sort of thing which will, over a period of time and much discussion and much debate, I would think, end up with a standard, hopefully. That is my wish.

**Mr. Chairman:** — I don't suppose we need to carry on this discussion. We can carry it on with the Department of Finance here. I intend to venture into the subject.

**Mr. Engel:** — I just have one short question. I suppose if you can write a financial statement in such a way that a politician without a degree in finance can read and see the bottom line, I think is what you're working towards. Now the question I have is: when do you propose — what kind of time frame — when you propose some concrete recommendations out of your committee would come forth that we could urge on the Department of Finance, saying that these new standards should be adopted or this total grouping ... like, if I look at a picture here, it's quite obvious, you know, when ...

**Mr. Chairman:** — I'm interested in Mr. Engel's question because the opening two paragraphs on page 24 suggest that there are now standards that aren't being complied with.

**Mr. Engel:** — That aren't being complied with.

**Mr. Lutz:** — It's a very difficult procedure, Mr. Engel. The work Mr. Kraus did for three years ... I think you were in



the western section, Mr. Kraus?

**Mr. Kraus:** — Yes.

**Mr. Lutz:** — The standard for compliance auditing took four years. The thing was approved last Monday. It's a very slow, well-debated process. Now I think probably the biggest mistake that could be made would be to put in place what is purported to be a standard, and do it with haste. I frankly believe that it's a process that's going to take a long while. I don't know how long this thing is going to take. We put out a standard on Monday for the compliance auditing and, as I say, that took four years. I don't know how fast it will go. I'm on the committee for three years, and when my three years is up, my tenure as a Provincial Auditor will also be almost up, and at that point I likely will lose a little interest in the thing.

But it is a slow process. You must have debate. You must entertain differing opinions. And on one of our proposals which is called an exposure draft we might get back 60 letters or more from associates to whom we've sent a copy, saying: what do you think of it? And they tell you what they think of it, and then you've got to start over again.

**Mr. Kraus:** — Mr. Chairman, if I could. I wouldn't want the impression left that we're not complying with some of the reporting standards that are suggested. It's far ranging, even though it's general, and we do comply. And in fact one has to keep in mind that the financial reporting that is used by this province was established in 1957. Although it's been modified somewhat, it was considered to be pretty good for those days, and in fact the province of Ontario adopted it in the '60s and more or less swear by it. They've been fairly adamant about keeping what is.

But the issue that we are not addressing at this point in time, for lack of specifics, because everybody agrees in general that it could be better, that's the easy part. The hard part is to get down specifics, just exactly what should be included and how should it be accounted for; that is where the disagreement begins amongst the experts, both on the audit side . . . Within the audit group there's disagreement — within their own group, and the same applies to the preparers and so on.

And so . . . because what we're talking here in part is, how would we combine, as I said earlier, the moneys that you people appropriate in the House with the moneys that are spent by SPC (Saskatchewan Power Corporation), with the Liquor Board, with a university, perhaps, a community college, hospitals — it goes on and on. Because where does the government's responsibility stop? That is the difficult part.

So I would just like to just reaffirm it. I believe our accounting methods and reporting methods are appropriate, but there's no doubt that there could be improvements made, but we have to wait and see what the specifics are before the changes are made. We don't want to leap off in some direction and find out that we're leading but we're leading in the wrong direction, and that's the concern.

**Mr. Chairman:** — Okay, anything more then on 2.7(2)?

**Mr. Engel:** — Is there a specific question or a direction that this committee needs to have some idea on so that that evolution starts happening in Finance? I was thinking, you know, like basically the picture on page 12 of this little booklet that was handed out, and you could have drawn another circle in, like my neighbour here did on the . . . put the Heritage Fund in there as another one of those buckets.

To me you have this whole problem. You know, people talk about Saskatchewan having a \$2 billion deficit, or maybe we've got \$8 billion deficit if you include what the government is really responsible for. What areas do we audit? And we don't see them in our *Public Accounts* records. We don't see the true picture and the reasons why New York decides we're a triple A or a double A or not even A credit rating any more. Somebody is using some numbers and some firm or some form to determine that, and I think if we're not reflecting the financial situation that Saskatchewan's in through our system, maybe we should be working towards an evolution in the accounting . . . It's happened; this is why I had the question from Mr. Lutz's. How long will this take, or where are we going, or what new thing should we be implementing as far as reporting?

**Mr. Lutz:** — Mr. Engel, my position is stated in the third paragraph on page 25, where:

I continue to recommend that the Government of Saskatchewan include in the *Public Accounts* a summary general purpose financial statement, . . . showing clearly and fully the revenues, expenditures and financial position of the Government of Saskatchewan in accordance with the economic substance of transactions.

Substance over form. When it happens, I believe we'll be at the behest and initiative of the elected members of the various governments. It's not something that I can really compel to happen. I think it must be the role of the elected representatives who will cause this to occur.

**Mr. Engel:** — One quick little supplement, just to give me my accounting class here. I am willing to come to meetings at 7 in the morning if I can take this as a university course or whatever. I might even be able to get you guys to offer us a little certificate when we're done.

But in the American system, you know, in this joint book here that you told us we're going to get a copy of, between Dye and the American auditors, do they, in their right-wing extremist philosophy, do they have all these other little buckets in their, you know, various other departments, or what is the equivalent?

I can think of NASA (National Aeronautics and Space Administration). I don't know of an awful lot of other Crown corporation type organizations in the American system. Is there an equivalent problem down there? Or is it even worthwhile us looking at the American thing, because of the uniqueness of Saskatchewan's role where we've involved so many sectors in the public sector?

**Mr. Chairman:** — Mr. Kraus, I think, has a comment to

make.

**Mr. Kraus:** — I know the question's being directed to Mr. Lutz, but I would like to say that I know that up to this point the federal government of the United States does not have a financial statement for all of its activities, such as the federal Government of Canada. It may report on separate funds; it may budget globally, but it doesn't have a report against that, a financial report for all of its activities. It's even different than Canada in that respect.

And what they're recommending here is moving way out into the future. Because, as I say, they don't even have a financial statement, to the best of my understanding, now, that would be comparable to the federal government's financial statements.

**Mr. Engel:** — I only know of two Crown corps down there — the CIA (Central intelligence Agency) and NASA. But I'm not sure if they have other functions they're involved in. But here we have a multiplicity of areas that aren't being reported, you know . . . (inaudible interjection) . . . He's coming up with a few extras.

**Mr. Chairman:** — Well they've just created a new one, but it's . . . the new farm Bill creates a new Crown corporation to handle the sales . . . (inaudible interjection) . . . What's that?

**Mr. Katzman:** — Some kind of economic development.

**Mr. Chairman:** — Right. The word "economic" is in it somewhere.

**Mr. Lutz:** — Mr. Chairman, perhaps it would help to answer Mr. Engel if we . . .

**Mr. Chairman:** — Okay. Yes. And then Mr. Young. Go ahead.

**Mr. Lutz:** — Because he did ask me a question, and I don't think I responded. I suspect that the main problem you're going to encounter is: what did they include in these financial statements? This is, I believe, your biggest concern. Mr. Atkinson will read to you their description of what they call the entity, and that might give you some indication . . .

**Mr. Kraus:** — And this is what they're proposing. Correct?

**Mr. Lutz:** — Oh quite. Yes.

**Mr. Engel:** — But they're not . . . (inaudible) . . .

**Mr. Kraus:** — Well they're not doing it. No. They're proposing.

**Mr. Lutz:** — This is an illustration of how this might work.

**Mr. Atkinson:** — I think what the auditor . . . Being a bit presumptuous, Mr. Chairman, is that I think what the Auditor General of Canada is saying is that the standard-setters are having a great deal of difficulty dealing with all these questions. And everybody says, well it's nice to talk about it in generalities, but has anybody ever put together the types of financial

statements that you're talking about?

The Auditor General and the Comptroller General of the United States, in a joint project, have produced summary financial statements for both the United States government and for the Government of Canada. And they presented them separately. And they have dealt with a number of the issues that seem to be concerning the members of the committee, one of those being, what is the reporting entity? In other words, what do these financial statements include?

And what they have included in the financial statements, the illustrative financial statements — I think it's important to say that, the illustrative financial statements — is that they have included all the organizations through which the government carries out its activities. And that includes the government departments. It also includes majority-owned Crown corporations and any corporation where, through a controlling interest, the government has full management control.

In these illustrative financial statements they have also included the Bank of Canada. And it is sort of unique in its function. What they have not included is the Canada Pension Plan, because they feel they do not control it because of its federal-provincial nature. It includes everything else.

And that, I think, is what they talk about when they mean a summary financial statement. It includes all the entities that the government has direct control.

**Mr. Young:** — What they're missing there is, when ifs become absolute rule that they bail out a bank, if you're sitting out there with an insolvent bank and it's become the absolute that the taxpayer bails him out, then you must include the solvency of all banks. Because as soon as one goes under, that then becomes an indebtedness of the taxpayer, and then that's where these things get out of whack, because unless you run an audit on every bank every year, you don't know what the liability of the populace is.

**Mr. Atkinson:** — That would be contingent liability.

**Mr. Chairman:** — Guarantees really are a very grey area. I remember when I was minister of Co-ops . . . (inaudible interjection) . . . Yes, that's right. A group came to . . . The department officials came to me . . .

**Mr. Young:** — I meant credit unions in that when I said banks, too.

**Mr. Chairman:** — Credit unions are the same thing in this province.

**Mr. Young:** — The same thing is going to happen. If they go under, it's the taxpayer . . .

**Mr. Chairman:** — With credit unions the liability is direct and statutory. By law we guarantee it in Saskatchewan.

**Mr. Young:** — What is, Ned?

**Mr. Chairman:** — With credit unions. It's direct and

statutory.

**Mr. Young:** — The government has guaranteed?

**Mr. Chairman:** — I believe so, yes. I believe we're on the hook with credit unions. With the bank it's become . . . One of the federal people called it conviction.

I remember, when I was minister of Co-ops, the officials came with the proposal for setting up a sporting facility as a co-op, and then they were going to guarantee it with the co-op guarantee board. And I said, gosh, that sounds to me like that should go over to culture and youth. We shouldn't be spooning out money for an arena, I think. So I said, no, and the department went . . . (inaudible) . . . Sure enough, a week later the people who wanted to build the arena arrived on my doorstep and wanted me to reconsider it. I said: why don't you go to culture and youth? They said: well, they turned us down. And I said: with every good reason. This is not a guarantee, it's a loan. This is not a guarantee, it's a grant. Of course, we're going to have to pay that money out. Now you've got to be kidding the troops.

But my point is that guarantees . . . And if I had signed the thing without looking, the arena would have been built; it would have got to three or four million bucks; and then sooner or later the Department of Finance would have to fork out the money to pay for it. It was just inevitable.

But my point is that guarantees are not properly controlled in this government unless something's changed. I agree that the whole area of contingent liabilities is a confused mess.

**Mr. Young:** — Right now governments are anxious to get business, to say the least, and some of the financing arrangements could possibly, you know, be it arenas or whatever, could result in the taxpayer having to kick in. Hopefully that none of that will come to pass, but on a bad, cloudy day, these things would be worthless. To give a true picture of where things were at.

**Mr. Chairman:** — Yes, Mr. Lutz, I'm sorry. I was going to comment about one recent development, but I won't.

**Mr. Lutz:** — Mr. Chairman, Mr. Young, what you say about banks and contingency liabilities is quite true, but I think over years and years every standard that's ever been put in place, promulgated and accepted by usage to be valid, has been as a direct result of a stated need by some segment of society. I'm equally sure that as a result of some of these bank problems, there will be some new standards for the auditing and reporting on banks, too. I'm quite sure there will be. There is a committee established by CICA right now, headed up by a lawyer to study this problem.

**Mr. Glauser:** — That was the first mistake. I didn't say that, Mr. Chairman.

**Mr. Chairman:** — No, that was quite unparliamentary.

**Mr. Lutz:** — The standard will only come about because there is a need by users, and I think, as Mr. Kraus has said, what we've put out so far are just recommendations. In

one case we're calling it a solid recommendation, which should be followed by members, but it won't work unless the users of this information see a perceived need for such information and start demanding it.

**Mr. Glauser:** — I think you mentioned the Bank of Canada. Now, by tradition the Bank of Canada has been out there, at arm's length. The governor of the Bank of Canada, to all intents and purposes has . . . Until it came to James Coyne.

**Mr. Lutz:** — But how does the governor get appointed, and who is responsible to whom and what is the accountability? Bring him in — that's what they said.

**Mr. Glauser:** — The whole thing has to be . . . Now the Bank of Canada becomes under government control, right?

**Mr. Lutz:** — Was it not mostly under government control?

**Mr. Glauser:** — No.

**Mr. Chairman:** — No, the governor is appointed by the House.

**Mr. Glauser:** — The same position as you.

**Mr. Lutz:** — Okay. All right. But none the less, it's wholly owned by the people.

**Mr. Chairman:** — But the governor is a parliamentary . . . In many ways he's a parliamentary officer. He's appointed by the House of Commons and Senate and can only be fired on the joint resolution of the House of Commons and Senate.

**Mr. Lutz:** — But I think that has really nothing to do with what is included or excluded from these financial statements which try to show the entity and the transactions.

**Mr. Glauser:** — There has to be a change in thinking in order for that to happen.

**Mr. Lutz:** — Of course, yes.

**Mr. Chairman:** — The hour drones on. It's 10 to 9.

**Mr. Katzman:** — I can't resist this, Mr. Chairman.

**Mr. Chairman:** — Will you try?

**Mr. Katzman:** — No. Mr. Lutz just gave us another reason why it should be under the Department of Finance . . . (inaudible) . . . But I say that jokingly.

**Mr. Lutz:** — Mr. Chairman, I've never suggested that my accounts from my office should not be included in the public accounts of the province.

**Mr. Katzman:** — No, no. I meant be totally responsible for, which is not the way you are.

**Mr. Lutz:** — Mr. Katzman, I am always responsible. I have never been more responsible.

**Mr. Katzman:** — Responsible to. Sorry.

**Mr. Chairman:** — Order.

**Mr. Katzman:** — Mr. Chairman, I have my hand up.

**Mr. Chairman:** — Order. We'll pass around some short boards if everybody wants to pat themselves on the back here. Let's get going. It's 10 to 9.

**Mr. Katzman:** — Going back to Mr. Engel's first question: what is the indebtedness of a government and the reporting of it?

**Mr. Chairman:** — I think that was Mr. Young's. Go ahead.

**Mr. Katzman:** — Both the pension plan and the government indebtedness, I guess, I've spent three years doing up. That's where the majority of my personal research has been. And it's interesting to note, if I can get Mr. Engel's attention, it's interesting to note on Mr. Engel's question about the debt of the government departments and everything else. It is available to a person if you spend the time to look for it. You've got to go through every Crown document, equity versus asset versus liability. And I mean, it's work. It took me six months just reading annual reports, and then I still couldn't find some of it and I had to dig around deeper.

But based on this document and the document that you're going with, the majority, except for guarantees, as Mr. Young says, are probably findable to the membership of this House if they've spent the hours looking for them. It is not in a consolidated statement. And maybe that is part of what that white document is indicating — the federal and the United State — is that there should be one document that has all the numbers finally down.

But getting back to our Provincial Auditor's report, I think that's a separate issue from the issue we're on to. I think as far as the position of the Canadian Institute of Chartered Accountants has to do with it, I'm prepared to accept that as information and not really at this time, because of reasons I stated earlier, get into a lengthy debate upon it.

**Mr. Chairman:** — Well, I want to discuss that with Finance officials. I saw Mr. Engel's hand first, and then Mr. Lutz.

**Mr. Engel:** — Well, all I was going to tell the member for . . . Can we call them by name in this committee, or do we have to . . .

**A Member:** — Yes.

**Mr. Engel:** — I hate to display that ignorance. But just to say to Katzman that I believe . . .

**Mr. Chairman:** — Watch the names you use.

**Mr. Engel:** — I believe that what I'd like to see going to a recommendation when we're calling Finance is that we start demanding summary statements — not necessarily a consolidated statement but a summary statement.

I think it's what the auditor has asked for:

Without appropriately prepared summary financial statements the Members of the (Legislative) Assembly and the electorate they represent do not have sufficient information . . .

And I think that adequately expresses my views. I appreciate that second paragraph on page 25 because that's basically what we're looking for, is where we have a uncomplicated summary statement there that somebody can go through that the public knows that's available, and saying, this fairly presents the financial situation that the province is in. And I think that, getting this close to an election and starting with a nice, clean page with a new government, it would nice to be able to total and demand of Finance saying: make that summary statement available; here's the mess we started with, and this is where we're going to go from, you know, and that is what we've got to clean up. That's basically what I'm saying.

**Mr. Katzman:** — It's taken me three years, and I still can't find all the mess you guys left.

**Mr. Engel:** — Because there are no summary statements. You're making my argument for me.

**Mr. Katzman:** — Good example, I think, and this is what makes it very difficult to find. Let's take the Coronach plant. It was commissioned to be built in such and such a year. It is then built out of a special account not chargeable to Sask Power. It becomes chargeable to Power the day it is commissioned and starts to produce. Therefore it is a hidden bill that we don't know about to Sask Power until Sask Power brought, for example . . . When was Coronach started to be built? The last part . . .

**Mr. Engel:** — Phase 2 or phase 1?

**Mr. Katzman:** — The last part that they started.

**Mr. Engel:** — Phase 2; it was commissioned in '82.

**Mr. Katzman:** — Yes, but it was started in '81 somewhere.

**Mr. Engel:** — '79, '80 . . .

**Mr. Katzman:** — Now what happened is that bill came on to the debt of Sask Power . . .

**Mr. Engel:** — On the day of commissioning.

**Mr. Katzman:** — . . . in 1984, so they had to start collecting for it. So we didn't know in the Sask Power debts until '84 that debt was there, as far as the annual report is concerned. And all of a sudden, it takes a jump.

Now Nipawin will come on; either this year it comes into the debt or next year, and there's — boom! — a big debt again which we didn't know about. So it now changes the economic balance of that corporation, bringing in the asset as well as the debt. Those are the other things you can't find in the annual reports.

So when you're talking on consolidated report, what are you talking? What are we asking for? As Mr. Young says, are we asking on the guarantees? And I'm just scared we're opening up a mushroom that when we open this one up, let's forget about everything else if we're going to discuss this one — nothing else at this time.

**Mr. Chairman:** — I disagree with that, Ralph.

**Mr. Engel:** — I think it's a process of evolution, Mr. Chairman, if I may. And you grow into it rather than just say you can overnight change that whole process.

**Mr. Katzman:** — My point is that there is so much there you don't understand until you start trying to dig it out. I spent three years trying to dig it out. And this Sask Power stuff, the only way I learned about that was by listening to the PURC (Public Utilities Review Commission) hearings. If I hadn't heard the PURC hearings, I wouldn't have realized that these dams come on the way they do.

**Mr. Glauser:** — Well, when you get into this, and I think Mr. Lutz can bear this out too, there are assets in the province of Saskatchewan that aren't showing up anywhere.

**Mr. Katzman:** — That's right.

**Mr. Glauser:** — There's land, there's whatever. So once you start doing a summary submission, then those things have to be brought into the picture.

**Mr. Chairman:** — I agree.

**Mr. Glauser:** — So it's not just a simple little thing, as Mr. Kraus has said, and also the auditor. It's much broader.

**Mr. Chairman:** — There are few issues more complex than deficits, and I think few issues of more concern to the public. However, this is getting political, and we want to keep politics out of government.

**Mr. Engel:** — I think to follow that argument up, you know, who is in the market for buying a legislative building? And I didn't realize that we'd ever privatize court-houses and make money off that. Those are some assets that should belong to the province without necessarily having a dollar figure on it. You know, that is really opening up a politician can of worms, Mr. Glauser. You know what I'm saying, that there are some assets that I think should be part of governing and running the province without necessarily using them to kind of offset the deficit position we've got in here.

**Mr. Glauser:** — I wasn't talking about those kinds of assets.

**Mr. Engel:** — Well Katzman pointed to this building when you were talking about assets.

**A Member:** — He wanted to sell it.

**Mr. Chairman:** — Katzman wanted to sell the building?

**Mr. Katzman:** — I didn't want to sell it. All I'm saying is, Allen, we get a debt when we build the court-house, so

we have to have it as an asset. If you pay for something, you'd then have an asset there. It's natural. You pay for your tractor, it's an asset. You depreciate it each year on the farm.

**Mr. Engel:** — But I can sell it. You try and sell this, you know, gee . . .

**Mr. Katzman:** — Hey, there's many a things that are never for sale. You know, there's many a things that are never for sale that you may own. They have reasons that you'd never sell them. There's obviously reasons why the building would never be sold and the land around it and so forth. But I mean, what you have to do is have a value — and you need both numbers.

**Mr. Chairman:** — I have been lax in allowing this conversation to go on too long.

**Mr. Katzman:** — Yes, you have, Mr. Chairman.

**Mr. Chairman:** — We are going to call Finance, and I, for one, am going to get into this issue, although I promise I will not take onto the next generation in dealing with it. With respect to point 3(a) — rocketing right along here . . . (inaudible interjection) . . . No, heavens, we're going till 11. We'll stop for a seventh inning stretch . . .

**A Member:** — I've got Crowns at 11.

**Mr. Chairman:** — We'll stop for a seventh inning stretch at 9:30. We have raised with them in the past . . . Order, please. We have raised with Finance in the past the issue of investments. I gather . . . Well, not quite. There's a broader issue apparently in 3(a), and that is that they're not monitoring investments made by departmental officials who in turn, apparently, are relying . . . they have a great deal more faith in human nature than I do. They're relying on the major investment dealers with whom they deal, with the assumption investments will be ineligible under these regulations without the offer for sale. If they're assuming that, they're dreaming. In my experience most brokers don't know what the rules are. If they do, they certainly keep it a secret from me.

**Mr. Katzman:** — I take an insult to that. The brokers you may deal with don't.

**Mr. Chairman:** — Well, the ones in Saskatoon may be an extremely illiterate lot. How many brokers could you ask: what are the regulations for investing? Mind you, the ones I deal with deal with individuals and not with governments. Perhaps brokers that deal with governments are more literate.

**A Member:** — What sort of brokers are you talking about, real estate brokers?

**Mr. Chairman:** — No, no, no.

**Mr. Katzman:** — Investment brokers.

**Mr. Chairman:** — Investment brokers. Perhaps those who specialize in dealing with governments do know more about it. I don't know.

**Mr. Kraus:** — That would be the position by Finance. I won't attempt to address it, but they will have a . . .

**Mr. Chairman:** — A fixed position.

**Mr. Kraus:** — Well, they can explain how they feel it works and that the professionals in the market in fact do know what the rules are for . . .

**Mr. Chairman:** — Well, okay. We'll let them offer their own explanation, then.

**Mr. Katzman:** — Well, on a personal note, I find they're excellent. And I've been doing a considerable amount of this in the last couple of years. And they do know what the rules are, and they've been giving some pretty decent advice.

**Mr. Chairman:** — It hasn't been universally followed, then. Anyway, we'll let the Finance officials make their own apologies, I guess, under (3).

**Mr. Katzman:** — Mr. Chairman, why don't we just jump over to the next issue?

**Mr. Chairman:** — Agreed.

**Mr. Katzman:** — Because we're going to call Finance, so let's just flip.

**Mr. Chairman:** — Do we want to tell them what specifically the things we'll be discussing with them, or just let them guess so that they find out when they come here?

**Mr. Katzman:** — Well, there's so many issues that we're going to slightly touch on.

**Mr. Chairman:** — I obliquely raised issue under (b), borrowings by Crown agencies without the approval of the Minister of Finance. I guess we'll want to raise that as well. Number (4), SaskPen — I think that's almost a given that that's going to be discussed, and that carries on in (5). There's an interesting comment in 5(d), and I'm all the way there. If I've skipped over some issues other members want to raise, please . . . The corporation's general ledger is not balanced monthly, but once a year. It is a bit odd. I didn't know anybody balanced a ledger once a year.

**Mr. Kraus:** — Again, Finance will speak to it, but they will tell you that the number of transactions they have are not very significant in a year, and they do keep something other than a general ledger. It's a synoptic that they keep, and they do balance that regularly. And so, it isn't . . .

**Mr. Chairman:** — As bad as it sounds.

**Mr. Kraus:** — Well, no. That's the thing. I think you'd have to speak to them about it and let them explain what they're doing.

**Mr. Chairman:** — Okay. We'll see what explanation they have on that as well. Well, item number (6) on page . . . Did I skip over anything that anybody wanted to raise? I rapidly covered (4) and (5). No? — (6) is also SaskPen.

**Mr. Katzman:** — . . . (inaudible) . . . SaskPen no matter what we do so let's move.

**Mr. Chairman:** — All right. There doesn't seem to be, does there, any reason to agonize over it.

**Mr. Katzman:** — Yes.

**Mr. Chairman:** — Seven, then.

**Mr. Katzman:** — They're going to do it no matter what we do.

**Mr. Kraus:** — Would you like the story on 2.7 or 2.7(7)?

**A Member:** — Yes.

**Mr. Kraus:** — Well this a case where the Heritage Fund had an investment in Pioneer Trust Company, and we did not have them apply to the Consolidated Fund for reimbursement. Rather, they simply filed their own claim and were reimbursed, or will be reimbursed by Pioneer, when the final payments are made. So we didn't see much sense in having the Consolidated Fund pay Heritage Fund. We rather just let the investment take the loss that it would take in the fund that the investment resided. That's a bit complicated, but the point is . . .

**Mr. Chairman:** — Why was that done?

**Mr. Kraus:** — Well normally, if we have an investment, whether it be in the Heritage Fund or the Consolidated Fund, if it takes a loss, we write it down and the fund that had the investment takes the loss, and that's all we did here. It was just a matter of where we were going to record the loss, in the Heritage Fund or the Consolidated Fund; it didn't really make much difference.

**Mr. Young:** — Why would you even consider having it change from one fund to another in the first place?

**Mr. Benson:** — This was under the Pioneer deposit reimbursement . . .

**Mr. Young:** — I appreciate that. But it was a Heritage Fund deposit and you lost it. Why would you ever consider transferring over to Consolidated and writing it down there?

**Mr. Benson:** — That's why we didn't.

**Mr. Chairman:** — Just for openers, it seems that the \$60,000 which would have been available from CDIC wasn't applied for either.

**Mr. Kraus:** — No. No. All the moneys that the Heritage Fund were entitled to, they received, or will receive. The liquidation isn't completed, but they have received their moneys the same as anyone else.

**Mr. Engel:** — Did you get the \$60,000?

**Mr. Kraus:** — Yes, we would have received the 60,000. The point is, is that if you look at what we call our combined fund, when you get to that particular fund where you combine both the Heritage and Consolidated

Fund, it doesn't make any difference at that point. It's just a matter of whether we recorded the loss that the Heritage Fund was incurring, whether we recorded that in the Consolidated Fund or just left it where it was in the Heritage Fund, but there's no difference to the province as a whole. It's just which fund is going to take the loss.

**Mr. Chairman:** — Except that again, it's a question of providing understandable information. If the Consolidated Fund had taken the loss, the financial picture presented to the taxpayer might be easier to understand, rather than having your loss divided among two funds.

**Mr. Benson:** — It might be less understandable, because that loss would have shown up in the bulk of the payments made to all depositors of Pioneer. It would have been just one of the payments made by the government to the unsecured depositors.

**Mr. Chairman:** — But that's . . .

**Mr. Benson:** — Whereas this write-down will show in our financial statements next year.

**Mr. Chairman:** — There was somebody had his hand up over there.

**Mr. Engel:** — That was my question. Is that about what they expected? Did the Heritage Fund get treated the same as another depositor would have been? Like if you have 4 million in there and you lose 1.2 million out of 4, is that about what the assets were, that there's about a 60 per cent pay-out on it, or was it different for the Heritage Fund?

**Mr. Benson:** — That was the estimate, but the recovery will be the 70 per cent. It's estimated now that it will be 70 per cent loss.

**Mr. Engel:** — It would be about 1.4 instead of 1.2. I haven't got my computer here.

**Mr. Benson:** — It would be less; the loss would be less.

**Mr. Engel:** — It would be less than the 1.2? Oh, less?

**Mr. Kraus:** — Yes, because the estimate was on the conservative side and we didn't . . .

**Mr. Engel:** — Take it easy.

**Mr. Kraus:** — Sorry. We wanted to be a little bit conservative in terms of how much we thought we would lose, and so we estimated it a bit high on the loss.

**Mr. Chairman:** — If they had applied . . .

**Mr. Katzman:** — If I read you correctly, what you have said, Mr. Kraus, is that the \$4 million invested in guaranteed income certificates, when it is all done and finished with the closure of Pioneer Trust, that you will receive approximately 70 per cent of the moneys that you had in.

**Mr. Kraus:** — Correct.

**Mr. Katzman:** — Rather than going after the Consolidated Fund for the other 30 per cent that you could get.

**Mr. Kraus:** — For the Heritage Fund, yes.

**Mr. Katzman:** — Yes, for the Heritage Fund. The decision was made to show the Heritage Fund slippage there, and the Consolidated Fund slippage which was to private individuals other than government there.

**Mr. Kraus:** — That's correct.

**Mr. Katzman:** — So for example, the government had about 9.5 to \$10 million worth of money that it would have lost if Pioneer Trust had gone broke, and there would have been no pay-out over the — whatever the federal government system does. And what we've said is, okay, the pay-outs to private individuals are consolidated within the internal government. The government department will accept that portion that the consolidated will accept after the selling of assets.

And the way I read what you just said is, the government in the total picture of Pioneer Trust by doing the bail-out will cost us roughly somewhere between 7.5 and \$9 million, using your numbers, which means the Government of Saskatchewan, by paying out the people of Pioneer Trust and taking the position as the number one claimant against all our assets, actually made money by doing that, rather than letting it all go loose and would have lost another million or two. End of comments.

**Mr. Chairman:** — I don't follow your comment.

**Mr. Katzman:** — I'll try one more time for your benefit, then. What has actually happened with the \$28 million or whatever was paid out, that the Government of Saskatchewan, by being the liquidator and the first person to claim against its assets and having no other people claim except governments — Government of Saskatchewan, the Heritage Fund, and the Consolidated Fund — we have more money in our pocket today because of that action, rather than letting Pioneer Trust go the normal way and us not being the first person on the notes.

So in other words, if we had not paid the people of Saskatchewan, they would have had their losses, the government would have had their losses, and our losses would have been greater to do nothing than to do what we did do. And the people got all their money.

**Mr. Chairman:** — No, that's nuts, Ralph.

**Mr. Katzman:** — No, that's not nuts. That's what happened. That's the end, bottom line, Ned. That's what you guys haven't understood since day one.

**Mr. Chairman:** — No, I think you haven't understood it.

**Mr. Katzman:** — Well just a minute. I'm correct in what I've said, am I not, Mr. Kraus, on the roll-over? Now the numbers may not be correct, but the principle, I'm saying, because I don't think you want to comment on the numbers.

**Mr. Kraus:** — I'm just not sure I followed it, Mr. Katzman. The issue here is that — and I have to stick with what I've got here — is that the way we dealt with this Heritage Fund investment was that rather than have the Consolidated Fund pay the Heritage Fund and then have the Consolidated Fund take the loss, we said, why don't we just let the Heritage Fund take the loss because that's where the investment was anyway. As far as the province is concerned, it doesn't make any difference at all. It's just the left pocket to right pocket in a sense, when you look at those two funds.

**Mr. Chairman:** — I understand that.

**Mr. Katzman:** — Okay, but what I'm saying, Mr. Kraus, is . . .

**Mr. Benson:** — In response to your question, Mr. Katzman, really we're not in a position to address whether it was the proper thing to do to bail out Pioneer Trust or . . .

**Mr. Katzman:** — No, no. My question is this, though: by being in that position that you are number one collateral — now the government's number one and you are number one; am I correct?

**Mr. Benson:** — Well the liquidator is a privately appointed liquidator, and who has the claims on the residual assets really it doesn't matter to his . . .

**Mr. Katzman:** — My understanding is just you had a claim and just the government Consolidated Fund had a claim.

**Mr. Benson:** — Well what happened was that when the liquidator closed the doors, each individual who had a deposit had a claim against the liquidator called the estate. And what the province did was buy out the residual claim, and we took their claim instead. The actions of the liquidator to liquidate Pioneer Trust are not affected by who the claimants are.

**Mr. Katzman:** — What I'm saying is that when it was all over there were two claims: this fund, plus the Consolidated Fund.

**Mr. Benson:** — Yes, and CDIC (Canadian Deposit Insurance Corporation).

**Mr. Katzman:** — And CDIC.

**Mr. Engel:** — I only wanted to make one comment to Katzman and that is this: that sure, hindsight is better, but the whole argument we are making is that the total cost to the province was far in excess of what it would have taken to keep a good Saskatchewan-based company afloat. I think it would have taken less effort to keep Pioneer Trust in a position where we could still have a banking system here than what it cost us to do what the Tories did . . .

**Mr. Chairman:** — Let me suggest that if that's an appropriate subject, it's better left to the officials . . . the witnesses actually came. I have one question . . .

**A Member:** — Who let him get away with that?

**Mr. Chairman:** — I'm going to call order here.

**Mr. Katzman:** — I'm on the subject. I'm going to be on the subject.

**Mr. Chairman:** — I recognize you are, but I don't think it's germane to the question of whether or not we put these questions to Finance. I do have one thing I think that is germane, though: did we ever get this . . . Like, we didn't apply for the \$60,000 from CDIC. If we had have, would that not have been obtained in addition to . . .

**Mr. Katzman:** — We received it. We got it.

**Mr. Benson:** — You didn't have to apply for the 60,000. Every depositor received automatically from CDIC the \$60,000.

**Mr. Chairman:** — I just read the statement, perhaps incorrectly: "My representatives have also observed that application was not made for reimbursement of the balance of the deposit certificates."

**A Member:** — You don't have to; it's automatic.

**Mr. Benson:** — We have made a claim for the 3.975 million against the estate.

**Mr. Chairman:** — Who is first, CDIC or . . . who is the first claimant, CDIC or the Government of Saskatchewan? Because if it's CDIC, that doesn't matter, whether you claim for it or not, because they're going to take their money out before you get the balance.

**Mr. Katzman:** — Yes, he's behind us, the federal bank.

**Mr. Chairman:** — Then it should have applied for it.

**Mr. Katzman:** — The bank thing?

**Mr. Kraus:** — The way this is written, what it means under the 3.9 million figure — that the wording there is saying that he's observed that the 3.975 has not been applied for. In other words, yes, they received the \$60,000, but they did not apply for reimbursement of the unpaid balance, of the outstanding balance, \$3.975 million.

**Mr. Katzman:** — Right.

**Mr. Chairman:** — Oh, I see. I did misread it. Yes, I did misread it. Okay, unless there's something else in Finance . . . Ralph still wants to get a kick at the member for Assiniboia here. We'll give him one short kick, and then we have our seventh inning stretch.

**Mr. Katzman:** — My comment here, Mr. Chairman, is: when I read this document, all said from number 7 tells me — and I didn't take my calculator to it — that of the GICs, the 4 million plus, the loss will be about 1.2 million. Am I correct? If I'm reading that document . . .

**Mr. Benson:** — Well, based on current estimates.

**Mr. Katzman:** — Thank you.



**Mr. Chairman:** — The discussion here was fun. Okay, gentlemen, adjourned and reassemble at 9:30 — kind of a seventh inning stretch. I think four hours is too long to remain sitting.

The Committee recessed from 9:15 to 9:40

**Mr. Chairman:** — I'll call the meeting to order, gentlemen. We finished with the Department of Finance.

The Department of Health. The first item is item number (1), home care. Adherence to a manual is stated as one condition, but apparently there's no monitoring of that done. While one can understand the reluctance of the department to slap around volunteer boards, there should be some monitoring done, quite clearly. So I guess we should call them and discuss that with the Health officials.

The continual problem with SHSP . . . Am I right? This is the problem . . . No, I'm not right.

By Minister's Order number #68-84, the minister approved the payment of grants to special care facilities which includes a grant to Saskatchewan Hospital Services Plan for level 4 beds in hospitals in the amount of (19 million.)

It was overspent by \$400,000. I guess we'll raise that as well. Is this the end of the year problem?

**Mr. Kraus:** — No, this is a brand-new problem. Yes, and it's one that they're going to be able to resolve satisfactorily. It's just a matter of making sure the proper person is authorizing or approving these grant payments, and they have an ability under a certain section in their Act that they can have the minister delegate authority to someone lower, who would be there all the time, I take it, or much more accessible, to approve these grant payments. And that is the solution they're going to take. It's an appropriate solution, and that's the one they're going to follow.

**Mr. Glauser:** — This is not untypical of those imprest accounts.

**Mr. Benson:** — In previous years the practice was not to get a minister's order to authorize these payments. Then in '84-85 they adopted the practice of having the minister approve some 19 million in payments, and some 403,000 wasn't approved by the minister. In prior years they never really did have a minister's order; it was delegated to, probably, the deputy minister, so they're going to readopt that practice and have the deputy minister sign for the grant.

**Mr. Chairman:** — Okay. We'll get to ask them that, I guess, when they come.

Overdrawing their bank account. Overdrawing the imprest bank accounts. Not the brightest policy in the world, is it?

**Mr. Kraus:** — Although these advance accounts are not supposed to overdraw, in . . . Well now this is going back to 1984, yes.

**Mr. Chairman:** — Yes, this said 1984.

**Mr. Benson:** — The problem is going to recur again this year. Those accounts were drawn again last year.

**Mr. Lutz:** — Can you tell us which ones, so we'll be sure not to miss them?

**Mr. Chairman:** — Yes, I wish you'd give us a list of the ones that are likely to be overdrawn.

**Mr. Benson:** — In fairness to the department — and they can respond to it — they said the problems that were causing the overdrafts are now overcome, and they don't think they'll incur them any more. But probably Mr. Lutz will be commenting on it again next year.

**Mr. Chairman:** — Okay. With respect to the Frank Eliason Centre, Parkland Regional Care Centre and the Saskatoon Sanatorium, the centre had undercharged, I gather, for registered Indians and was entitled to a higher amount. Is that correct? I'm looking at the officials from the Provincial Auditor's office. It doesn't state whether we got too much or too little money. If we got too much, it's not a major item.

**Mr. Atkinson:** — I think they charged them at a rate that was set in the regulations and they charged . . . I'm just trying to remember. Was it lower?

**Mr. Kraus:** — They had been undercharging. They had been undercharging registered Indian residents, and the rates that are to be charged to Indian residents are now being confirmed by policy, by cabinet, treasury board, etc., so that there is going to be a different rate structure, and it's going to be approved in an appropriate manner so that the policy will reflect what they charge these people.

**Mr. Lutz:** — Mr. Chairman, our comments relative to these numerous and various things are designed primarily to advise the members that there is in place a system with some holes in it, if you will — systems-based auditing. We don't necessarily concern ourselves to the nth degree with how much it was wrong. We're more interested in how come it was wrong. Management has the responsibility to put in a system, to put it in place, to manage, control, etc. And this is the thing we are pointing out here, cases where the system has not been adequately designed or not been adequately used. Now we can tell you . . . If you want to wait, we'll dig through our paper and find this thing for you.

**Mr. Glauser:** — It's not a case of why is the fly in the soup; it's what happens in the kitchen?

**Mr. Lutz:** — Right. Who put the hole in the screen door. Do you get material back from PSAAC — this is Public Sector Accounting and Auditing Committee — from CICA?

**A Member:** — Yes.

**Mr. Lutz:** — I thought you must because we wrote one of those letters to those people one time. Who cares about what fly in the soup. How did it get there?

**A Member:** — I thought you must have read that, Mr. Glauser.

**Mr. Glauser:** — Yes. I remembered it.

**Mr. Chairman:** — The next item: cancer foundation. This is an issue where apparently there's some concern that the cancer foundation wasn't getting proper authorization from MCIC for reimbursements to which MCIC was entitled, for fees paid to doctors. Where does the money from Saskatchewan Cancer Foundation, come from?

**Mr. Benson:** — A grant from the provincial government. I think the problem here, Mr. Shillington, is that MCIC would send a bill to the cancer foundation and the cancer foundation wasn't verifying the bill before payment. And now MCIC provides, in their billing, full details of the bill. And so it's a matter of are they checking now to make sure they're *bona fide* charges.

**Mr. Chairman:** — The members can raise that with them if they like. It strikes me as a . . . The world's not going to split in two over the problem. It seems to me, if I remember correctly, the hospitalization fund and the failure to segregate duties — neither is that a new problem. It seems to me that was around last year, if I'm not mistaken. Am I? It seems to me we dealt with this problem in the last year's report. I don't have it with me, and I should bring the darn thing. Do you have it?

**A Member:** — What's that?

**Mr. Chairman:** — Last year's Provincial Auditor's report.

**A Member:** — No, I didn't bring one I don't think. We'll have some in there.

**Mr. Chairman:** — At any rate, unless the officials from the Comptroller's office can assure us that this problem has been put to bed once and for all . . .

**Mr. Kraus:** — Well, they've advised us that they've put in 1, 2, 3, 4, 5 — five procedures. And if they've implemented them as they've said here, then the problem should be resolved.

**Mr. Benson:** — It wasn't reported last year. The Department of Health was not . . .

**Mr. Chairman:** — It wasn't, okay. How did we come to not get any interest from the bank? Was the funds not deposited in the proper account?

**Mr. Kraus:** — Finance perhaps could speak to this better, Mr. Chairman, but I can say that there is an agreement between the main bank for the province and the Department of Finance as to what service charges will be charged for cheques and so on, and what interest will be earned on moneys that are in excess of needs. The old agreement did not provide interest on surplus moneys. On the other hand we didn't pay any service charges for chequing and so on.

Now not so very long ago they struck a brand-new

agreement, and they can provide more information on this than I can, but we're now paying a service charge for banking transactions. On the other hand the government will be receiving interest for surplus moneys in bank accounts. So it's a different arrangement than before.

**Mr. Chairman:** — Okay, the Clerk has made a note of that. This issue ought to be raised with Finance. Mr. Kraus says that there's some new agreement. Right. No, no. (7). I'm also going to ask the Clerk to dig out — it's just a clear question of photocopying these minutes and provide them to us with respect to each department so we are reminded of the things we want to raise.

**Mr. Katzman:** — Mr. Chairman, I have made a suggestion to the Clerk, while you weren't here for the break, that rather than wait until next week for the blue book, next meeting, that he, as soon as it is produced, give it to the members of this committee. Therefore, if we wish to peruse it to make sure what we're calling.

**Mr. Chairman:** — Yes, get a copy of these minutes.

**Mr. Katzman:** — No, no, not the minutes. I was referring to the verbatim as well. Because we don't get the verbatim until next Thursday now.

**Mr. Chairman:** — Oh, I thought we got the thing the next day.

**Mr. Katzman:** — No.

**Mr. James:** — My understanding was that our office shipped them off to all the members as soon as they printed. But in any event I'll get them to you tomorrow.

**Mr. Katzman:** — I don't get it until Monday at the earliest.

**Mr. Chairman:** — Okay, well that's something we can check into then.

With respect to item no. (8), was the money recovered back from the employee?

**Mr. Kraus:** — It has not been recovered, Mr. Chairman.

**Mr. Chairman:** — Why was it not recovered back? I don't want to know the name of the employee — but there's 2,000 bucks here.

**Mr. Kraus:** — I am writing . . . I have written the department to inquire — I've asked the same question and I know that they felt that under the circumstances that the individual believed he was entitled to be paid.

**Mr. Chairman:** — Well he believed wrong. That's fairly standard. I know. I was on the board of SGI while I was an employee of the government. I worked as Roy Romanow's executive assistant and through chance wound up on the board. I was on the board first, actually, then I became an executive assistant. And I know the role is quite clear — you don't get paid.

**Mr. Kraus:** — There was a decision in this particular instance that apparently the honoraria would be paid. However, from my perspective I am following up as well

to ask why they had not collected it back.

**Mr. Chairman:** — Okay. We can follow up with that as well. It would help us here. Okay.

The Indian and Native Affairs Secretariat, has this problem been . . . Does anyone have any information that this problem has been resolved, with Indian and Native Affairs Secretariat?

**Mr. Benson:** — Mr. Chairman, as a result of the comments of the Provincial Auditor we were requested to go and work with the people at the secretariat so that they could have better control over these grant payments. Really what was happening, these grants were made and there were certain conditions on the grants, and the secretariat didn't have adequate staffing to ensure that these provisions were being complied with before payments were made. They've now hired two more field staff, and as a result of some of the things that we're doing with them hopefully there will be better or more attention paid to the conditions being complied with.

We're scheduled to go back in there sometime this summer to see if in fact it's working as we had set out with them.

**Mr. Chairman:** — It might only take 10 minutes because I can't think of any other questions we'd want to ask them. But perhaps we should call them and ask them to justify themselves. It will only take a short time.

Department of Justice. The old land titles office is back again. Golly, I sure wish they'd lose some of this on my land title . . . (inaudible) . . . this account. We perhaps should deal with that. There's an enormous amount of money goes through that land titles office.

**Mr. Kraus:** — The department agrees with the auditor's concern, and they have been working towards developing an internal audit for these particular accounts. I know they have begun. I'm sure they haven't covered off all of the accounts by any means yet, but they have begun the process. But they've been concerned as well.

**Mr. Chairman:** — Okay, perhaps we'll call them as well. This was the thing I was on last year; and I suspect, unless someone gives him some encouragement to get cracking, the 22nd Legislature is going to come to an end before the problem is solved.

I may say, completely off the topic, the land titles office officials did a magnificent job in catching up after the strike — just fantastic. They're now running a day behind. A day . . . (inaudible interjection) . . . Regina land titles office has never been within a day. Yes, if you burst through the door at 10 o'clock, you can pick it up at 5 the next day.

**Mr. Young:** — I can remember Donald MacPherson, and he said that when he was a young man in practice he could have farmers come in in the morning, he could do up their transfer and put it to the land titles, and at 4 o'clock he would take one's money and hand the title out — one day to get it out.

**Mr. Chairman:** — I could even still do that in the rural land titles offices. I had a transfer in Humboldt, and it was germane to know when the transfer was going to come back. And so I phoned and I said: I'm going to have it on the bus; an employee of a law firm in Humboldt will bring it in at 9 o'clock — the thing got into Humboldt late at night — be in there with it at 10 o'clock; when can you have it ready? And nothing was said for a couple of seconds. And he said, well I guess I can go for coffee at 10:30; we'll have it ready by 10:30. I said, what? He said, the same day — he could do it right away while you stand there . . . (inaudible interjection) . . . Yes.

But the land titles office in Regina, a land titles office which handles 200,000 transactions a year — it's a huge office, covers a quarter of the province, a quarter of the population of the province — is now one day behind.

So, all right. However, it seems that they haven't caught up with their auditing as quickly as they caught up with their engrossing.

Okay. Apparently trusting the inmates here . . . doesn't strike me as where I begin with implementing a new system of trust with my fellow men. Okay, you can raise that one as well. I guess we'll raise both concerns.

The RCMP, 1(b) — that's a fair hunk of change. We could find it quickly in *Public Accounts*, but that's a big chunk of money. And we pay a portion of their costs, do we?

**Mr. Benson:** — (inaudible) . . . this is in rural Saskatchewan, and they bill us, and this has been an issue raised by the auditor for a number of years. I think everybody in the Government of Saskatchewan agrees with the auditor. We've made several attempts, either to audit the books ourselves or get a statement that we could audit. Or we've even pursued that the Auditor General of Canada provide us with some assurance that the bills from the RCMP to ourselves represent a fair cost. The department is continuing to pursue that, but it's been an outstanding issue for several years.

**Mr. Chairman:** — I can't find the expenditure in the *Public Accounts*. Where is it here? Judicial centres, court house, public prosecutions, legal services, administration — where is it gentlemen? Can someone help me?

**Mr. Young:** — Mr. Chairman, just on a point, do they still . . . (inaudible) . . . the annual salary . . . like, if an RCMP constable is \$36,000 a year, do they just mainline that thing through . . .

**Mr. Chairman:** — I found it. It's on page 309.

**Mr. Benson:** — The problem is that we don't know.

**Mr. Young:** — You don't even know that much?

**Mr. Benson:** — Well we don't. We don't have any details to . . .

**Mr. Chairman:** — There's a cool 35 million involved here, gentlemen. I guess we'd better raise it as well.

**Mr. Young:** — They could be buying new cars and all sorts of . . .

**Mr. Chairman:** — It may be something that they would want to communicate to the federal government on. Perhaps . . .

**Mr. Lutz:** — Mr. Chairman, may Mr. Atkinson just have a minute of your time on this subject?

**Mr. Chairman:** — Yes.

**Mr. Atkinson:** — The comptroller is quite right when he says everybody in the Department of Justice was concerned with this. And there have been concerted efforts with the RCMP to have a statement of expenditures in an acceptable form to the Government of Saskatchewan to enable them to pay for the policing services.

I've been recently informed by the Department of Justice, and by the Auditor General of Canada, that they will be auditing the accounts that are involved with this contract, and expressing an opinion on the claim that is being made to the Government of Saskatchewan that it is in compliance with the terms and agreements of the contract, or the agreement that they have between the federal government and the provincial government. And I believe we will be at that time the only jurisdiction in Canada who is using policing services from the RCMP who will be getting a billing in that form.

**Mr. Chairman:** — I see. So hereon and henceforth we will get something that's been audited by the Auditor General of Canada.

**Mr. Lutz:** — We anticipate the problem is going to solve itself this year or next — I think, this year.

**Mr. Chairman:** — This year? Okay. We needn't raise it then if that's the case. In this regard I wouldn't trust the cops any more than I'd trust the robbers. But we apparently have the cops' problem solved. It's not because the cops are dishonest; it's just that, even with the best conscience in the world, any additional expenditures can creep in that aren't necessarily authorized. I'm not suggesting the RCMP are in any sense dishonest.

**Mr. Young:** — That was a nice back-peddle there, Ned. Full points.

**Mr. Chairman:** — Thank you. I appreciate that compliment coming from you, Kim.

The Public Trustee does not take, in the opinion of the Provincial Auditor, sufficient precautions to ensure that assets which must be of a very considerable value . . . One piece of jewellery worth \$2,000 — we don't know what it was worth — was heisted.

**Mr. Lutz:** — At the bottom of page 38, Mr. Chairman, we use a number of \$100,000.

**Mr. Chairman:** — Okay. What do they do with it now?

**Mr. Katzman:** — Mr. Chairman, that doesn't say one piece that's all . . .

**Mr. Lutz:** — Just jewellery.

**Mr. Chairman:** — So the total jewellery's worth \$100,000.

**Mr. Lutz:** — Yes.

**Mr. Chairman:** — I see. Okay.

**Mr. Kraus:** — They were taking it to the jeweller to have it appraised so that they could in fact determine what they should insure it at. While it was there, it was stolen, and the jewellery store's insurance coverage apparently doesn't cover this. And the public trustee has now initiated court proceedings against the jeweller, and in addition they're going to make sure that next time . . . well, when they do this in the future, they'll make sure that the appraiser's insurance coverage is going to cover the jewellery when they go for appraisal.

**Mr. Chairman:** — Do they get the same jewellery store to do all the appraisals?

**Mr. Benson:** — We're not sure of that.

**Mr. Kraus:** — I couldn't speak to that; I don't know.

**Mr. Chairman:** — They should have a contract with the jewellery store under which the liability is clearly accepted. That's nuts.

**Mr. Young:** — . . . (inaudible) . . . worth 25 grand. If it's a limited company, the guy's got no assets. The only thing that he values is his insurance.

**Mr. Chairman:** — Most jewellery stores . . . Well, if you're dealing with jewellery stores, though . . .

**Mr. Young:** — I think Birks or something, you'd be okay, some big outfit — but a little guy, man!

**Mr. Chairman:** — Yes, someone's got a comment here, one of the people.

**Mr. Bucknall:** — One of the other problems here . . . the jewellery was left there for many days; it wasn't . . . And they recognized that they should have acted more promptly getting it back, so . . .

**Mr. Katzman:** — Oh, you are now saying to me the only reason the insurance may not be good is because it was left there too many days?

**Mr. Chairman:** — No, I don't think that's what he said.

**Mr. Bucknall:** — That attributed to the loss.

**Mr. Chairman:** — But not to the . . . The insurance policy, I gather, didn't cover other people's property. It didn't cover . . .

**Mr. Benson:** — No, your standard insurance only covers

\$2,000 of unscheduled property, and so you have to get an appraisal for the specific property.

**Mr. Katzman:** — I'm going to ask: who do we bring forth? Could I have the name of the official, either off the record or on the record?

**Mr. Chairman:** — You want something off the record?

**Mr. Katzman:** — The name of the official that's affected.

**Mr. Chairman:** — Okay. Would you turn the machine off for a second.

Then, I think, determined that we will not ask the Department of Justice to bring the public trustee with them.

**Mr. Katzman:** — Correct. 2.11

**Mr. Chairman:** — Were the goods ever received in this case, in 2.1(3)?

**Mr. Lutz:** — Yes.

**Mr. Chairman:** — Yes, they were. Well what was the problem then? I missed it.

**Mr. Kraus:** — The issue was that they received goods after our fiscal year end, but they made the payment and charged it against the old year end, and they're not supposed to do that. It was really a new year's transaction, but they charged it against the old year.

**Mr. Chairman:** — Why were they trying to do that? Was it to spend some unexpended money?

**Mr. Kraus:** — Well, I can't comment on that.

**Mr. Benson:** — Well maybe if I could just interject for a minute. What the supply agency did, they thought they were trying to get rid of all the business by year end, and they inadvertently billed for some goods that were not sent until the next year.

**Mr. Lutz:** — What would happen to this 32,000 if they had complied with the rules and hadn't done this?

**Mr. Kraus:** — It would lapse.

**Mr. Lutz:** — Ah, thank you.

**Mr. Chairman:** — Right.

**Mr. Kraus:** — And I don't believe that they aren't aware of the proper year-end procedures. That's my comment on it, I guess.

**Mr. Chairman:** — Okay. Well we'll raise it with them when the boys are here — or the girls, whoever it may be. I don't know who's in charge of that now.

**Mr. Katzman:** — I assume — I make an assumption here — it is the old policy: we've got some money in the bank; if we don't spend it before the March 31, 1985 deadline, we're going to lose our money.

**Mr. Chairman:** — It seems to be the old army game, yes.

**Mr. Katzman:** — Okay. Mr. Chairman, that does not bother me, and I will tell you why. Last year there was put through, I think either three months . . . either in December or November, that there would be no more of that done and all purchases were stopped. So I understand that has now been taken through . . . something has been done procedurally to stop this.

**Mr. Chairman:** — Well there always was something to stop it.

**Mr. Katzman:** — No, no, no. They've now put a more effective system in. Am I wrong, Mr. Kraus?

**Mr. Kraus:** — Well, Mr. Katzman, it comes to this: is that we rely on the officials in the departments to indicate when they've received the goods. If they sign the document that says they received it on March 28th, but didn't receive it till April 14th, we aren't any the wiser. So as long as they followed the procedures that have been in place for many, many years, there's no problem, but you can't detect it unless you do a . . . perhaps the kind of investigation that Mr. Lutz does.

**Mr. Katzman:** — Wasn't there some document or some order or something sent out last year that should have curtailed this last minute spending type things?

**Mr. Kraus:** — Yes, there was. There certainly was that, but the thing is that — it's like any policy and any procedure — provided everybody abides by it, it works.

**Mr. Katzman:** — See who can bend the rules the farthest and get away with it.

**Mr. Kraus:** — It occurs from time to time.

**Mr. Young:** — What were the nature of the goods that we're talking about, any how?

**Mr. Chairman:** — Well it could have been cleaning supplies. It might have been anything. There's probably nothing wrong with the purchase. It probably was something quite legitimate; cleaning supplies or something. But — it's the old army game of getting all your money spent so you've got more next year. Okay. We'll raise it with them.

The Department of Revenue and Financial Services. Here's an issue which is not new . . . (inaudible interjection) . . . Did I miss something?

**Mr. Katzman:** — No. On that one, Mr. Chairman, I thought we resolved that in '83 or '84.

**Mr. Chairman:** — Which one?

**Mr. Katzman:** — This issue. The committee made a decision that we were accepting the revenue and finance department's decision and not the auditor's.

**Mr. Chairman:** — You're now on 2.11.

**Mr. Katzman:** — Yes.

**Mr. Chairman:** — Okay. I thought for a moment you wanted to go back to Justice.

**Mr. Katzman:** — No, no, no. 2.11. I thought we agreed that the department was correct; the auditor was wrong.

**Mr. Chairman:** — Mr. Clerk?

**Mr. James:** — Pardon me?

**Mr. Chairman:** — Can you find . . .

**Mr. Katzman:** — David Mitchell was the Clerk of the time.

**Mr. Chairman:** — You may have to find the decision on that. Perhaps we'll set this one aside. We have dealt with it and I don't know what we decided. Does anyone else recall what the report of the committee said?

**Mr. Lutz:** — Do you wish to speak to this, Mr. Kraus, or would you rather I speak to this one?

**Mr. Kraus:** — I think it would be best if you spoke to it, Mr. Lutz.

**Mr. Lutz:** — Thank you. This is another one of those cases, Mr. Chairman, where what we do is review prior years' verbatims and bring forward for the attention of the committee members matters which were presumably resolved in prior years but had never really been resolved.

Now a case in point, this year was the comprehensive auditing thing where I said three audits hence has now arrived, bring it forward. In this particular case the committee recommended to revenue and supply that a study be done. We are merely advising the members that it hasn't yet been done. However, I can further advise the members that I believe revenue supply and services has already incurred some costs in conducting this study. They are part way through this study, I believe, which I applaud. I personally will welcome it, and they have told me that yes, when they're finished I can have a copy of it.

So we merely bring it forward to let the members know that this thing was rather pending as some others have been. But I would also like to advise you that they are in the process.

**Mr. Katzman:** — I don't argue that, Mr. Clerk — Mr. Auditor. What I suggest is, we have two recommendations. You have brought forth the 1980 records, which is correct of your position. What I also suggest is that somewhere between '82 and '84, when we had them in and they explained their position, the committee accepted their position but had said that they would give you some documentation to back up their position, which you are indicating they're doing now. They were saying they had done some internal something-or-another and it says it isn't profitable. Money in first money out would not pay to do more kinds of audits or something. They said they had done something and had made a calculated decision. We said, fine, we accept that. Now you get what you have done to

Mr. Lutz's people.

Now, what you're saying to me, you never received that portion to back up what they said here in '83 or '84, whenever it was. Am I misreading?

**Mr. Lutz:** — Mr. Chairman, what my statement here says, that in 1980 there was a recommendation by the committee to the department. I'm advising the committee that as of this date the recommendation was not complied with. I guess I could add one thing: I'm advised that on Monday next we are slated to meet with the people from revenue and supply to discuss the results of their present study.

**Mr. Chairman:** — Let me read to you . . . I think we should call them, but I think we'll leave it to the end. Let me read this for you. This is the report which we tabled, the fourth session, 20th legislature. The items were the same.

Summary: The committee is not satisfied with the department's lack of compliance regarding a recommendation to the Assembly in 1980, wherein it was reported and recommended that the department ensure that there is a balance between the number of detailed field audits and their respective costs to taxpayers.

The next paragraph I'm going to leave; it isn't quite germane. The last paragraph in the summary says:

The committee requested the department to provide the committee with various kinds . . .

No, that was pension plans.

Action: The committee will review next year the department's corrective measures.

So perhaps we should call them, but let's leave it till the end of our last department. Then we have it in hand.

**Mr. Katzman:** — My only point is this, Ned. I don't . . . I agree with what you said. But we somewhere along the line at that time agreed with them — the study still had to come in; no argument there — but they seemed to believe, and their opinion, and we accepted it that day, that the cost-benefit analysis, the cost-benefit to them in their opinion — not the auditor's opinion — told them that they were going about as far as they could with the manpower and so forth that they had.

**Mr. Young:** — Diminishing returns.

**Mr. Katzman:** — That's right.

**Mr. Chairman:** — But that was not what the report says. The report says just the opposite — weren't satisfied.

**Mr. Katzman:** — Mr. Clerk, would you pull the verbatim for that — not the recommendations, but the verbatim for that — people when they were here — and double-check if that . . .

**Mr. Chairman:** — We're not going to finish this thing today anyway, I regret to say.

**Mr. Katzman:** — No, no, I'm saying . . . but he can pull the verbatim.

**Mr. Chairman:** — We can do it next week.

**Mr. Katzman:** — Oh yes, not today, and just . . .

**Mr. Chairman:** — Perhaps what we'll do is adjourn . . . Mr. Clerk, we'll adjourn the Revenue and Financial Services on this issue until next week, and we can refresh our memory with the verbatim.

They went for 18 months without reconciling their bank account?

**Mr. Kraus:** — Can I speak to that? I guess I have to, because it's my problem. The reason we had such a difficult time reconciling the bank was that, in the middle of having some problems . . . Most of the work to reconcile the bank was done but, through a change in staff and so on, they weren't completing reconciling the bank. They actually didn't reconcile it per se. And when that came to our attention, we put additional resources on it, or when it came to my attention, I did.

But what happened in the mean time was, we instituted or implemented a new expenditure system April 1, 1985. And that complicated matters because the system was not working as well as it could have been, and it made it very difficult for the bank reconcilers. Consequently, it took some additional time to reconcile the bank.

This account is now current, although it took a long time to make it current, and there weren't any problems. There weren't any errors or anything that were discovered. Everything was okay. It's just that the bank wasn't reconciled. It's unacceptable, but we worked as hard and as fast as we could to resolve it. It just took us quite a long time to do it, and it was complicated, as I say, because of this new system that we had — this new computer system — and it was producing unsuitable information for bank reconciliation purposes, which just compounded the problem.

**Mr. Chairman:** — You automated your confusion.

**Mr. Kraus:** — Pardon me?

**Mr. Chairman:** — You automated your confusion, as the computer people say.

**Mr. Kraus:** — Well, it . . . in part, yes.

**Mr. Chairman:** — At any rate, it's been resolved, I gather.

**Mr. Kraus:** — Yes, it has.

**Mr. Chairman:** — You're now reconciling it on at least a monthly basis, are you?

**Mr. Kraus:** — Yes, we are.

**Mr. Katzman:** — . . . (inaudible) . . . you have got.

**Mr. Chairman:** — Oh, I use a computer all the time. I've

got one in my listing office. I've got an IBM. I have gone to IBM equipment rather than NCR. There's so much I like about it. They're just the best bloody equipment . . . and I know that they're going to get an argument here from the Clerk who's an Apple man, but I'm not. I'm an IBM man when it comes to computers.

**Mr. Katzman:** — . . . (inaudible) . . . copies of IBM compatibles last evening. The have now got a laser printer, sorry, a printer that does both dot matrix and daisy. Unreal.

**Mr. Chairman:** — Faster than greased lightning.

**Mr. Katzman:** — Unreal.

**Mr. Chairman:** — Yes, the laser printers are very expensive and very good.

**A Member:** — I suppose we shouldn't be on . . .

**Mr. Chairman:** — We're entirely off the subject here.

**Mr. James:** — So we're not worried about number A then?

**Mr. Chairman:** — No, we're going to take Mr. Kraus's word for it that he's balancing his cheque-book monthly. I make no comments on getting a cheque-book balanced. I never could do it till I got married. My wife does it. The investment and financial services . . .

**A Member:** — Now you don't have to.

**Mr. Chairman:** — Now I don't have to, no. All I do is get an allowance.

The investment and financial services division, this sounds like a typo, overstated . . . this is not something that's an ongoing problem. You're not overstating your debt, are you? You haven't been accused of that recently?

**Mr. Kraus:** — Well actually it's a guaranteed . . . The record of guaranteed debt is maintained by investment and financial services in Finance. We take that information and then we publish it in the *Public Accounts*. It was incorrect, not that they didn't have procedures to review the debt, make sure it was right, but there was something, and perhaps Gary could speak to it with more detail, but I can say that what we're going to do is, we're going to make sure that when we get that information this year end, we are going to take the time to go back to Finance and make sure that the information has been prepared correctly.

**Mr. Chairman:** — Yes, somebody needs some new batteries in their calculator if you're missing it by 25 million.

**Mr. Lutz:** — Does that mean then that you're going to go back and review their system to make sure that their system will pump out information that your system needs to make sure that your system functions?

**Mr. Benson:** — Yes, I know last year there were some differences in opinion between the auditors and ourselves as to what the causes of some these errors were.

So we're going to . . . This year when we do the public accounts, we're going to look at their procedures very closely and make sure that they are adequate.

**Mr. Chairman:** — Okay. Will there be any need to discuss this issue further gentlemen? It's a fair error of 25 million, but they say they've got it in hand. They've got a new system.

**Mr. Benson:** — Well some of this stuff was shown in actual debt rather than a guaranteed debt, is some of the error. So it's not as if . . . But I think the auditor has a point. We're going to look at very closely.

**Mr. Chairman:** — Okay.

**Mr. Katzman:** — . . . (inaudible) . . . Do you leave them in at all? Just going through their items, or can we move to 2.12, Department of Social of Services?

**Mr. Chairman:** — With respect . . . I'm not sure of that. With respect to 2.11(2)c, at the top of page 41 . . . (inaudible) . . . at the top of page . . . You do not have in place a system to ensure compliance with the policy with respect to its expense accounts and revenue transfer accounts.

**Mr. Kraus:** — Well, Mr. Chairman, we do rely on the . . . We do provide procedures to departments, and we do rely, in good part, for them to follow those procedures. And we don't check everything 100 per cent by any means. In some cases we just don't have the resources to go out and check it. But I can assure you that the departments are aware of the established year-end cut-off procedures.

And the problems, where there were considered to be problems, we did investigate the three bank accounts in question and we couldn't find any problems. So, I mean, in fact there weren't any. At least we couldn't find any. So it's fair game or fair comment to say that we might investigate them once in a while, but at least they know what the procedures are. And we aren't aware that there were any errors.

**Mr. Chairman:** — The purpose of management systems, though, is it's intended to be a preventative medicine.

**Mr. Benson:** — Oh, but there are procedures that we send out to them, every department, as to the cut-off procedures. And we send them out every year. So we do give them direction on what they're supposed to do.

**Mr. Chairman:** — Okay.

**Mr. Katzman:** — Mr. Chairman, my opinion is . . . Maybe I've missed something, but I've skimmed the pages here and I'm ready to go to page 45.

**Mr. Chairman:** — I'd like to go through this quickly.

**Mr. Katzman:** — Just trying to finish up to page 80 today.

**Mr. Chairman:** — Up to page where?

**Mr. Katzman:** — So we can get to page 80 today.

**Mr. Chairman:** — Oh you're dreaming, Ralph.

**Mr. Katzman:** — Oh you can do it; it can be done.

**Mr. Chairman:** — The employees' dental plan — I swore weak batteries in some calculators here — out by \$44,000.

**Mr. Kraus:** — I'd have to admit here that the deputy of this department is my boss, so you should know that from the beginning. But I will say that these issues that the auditor has raised on the two or three benefit plans, whether it's a dental plan or group life, or there's one other one too and I can't remember — disability — these problems were identified last year by the auditor, and the deputy sent in a special task force to deal with it. Now it takes a while to clean the thing up. So certainly during the year '84-85 that this report covers, he would not have had everything fixed up.

I can say that much of what is being reported in this segment of the report has been addressed. And in fact . . . Well, and I'm not talking about specific issues; I'm talking in general. And in a couple of cases, on the group life fund, for example, and on the disability income, I'd just like to read the management letter in part that Mr. Lutz signed this year. And he said:

I'm gratified to note that a number of concerns in my memorandum respecting the year ended December 31, '83 have been addressed by the agencies and improvements have either been made or are in the process of being made.

He said that about the group life as well. And so, just in general, things have improved a long ways from where they were when Mr. Lutz did his report on this particular year.

**Mr. Lutz:** — I don't recall that. Did I actually say that, Mr. Kraus?

**Mr. Kraus:** — Yes, I have it twice — in the fall of 1985. That's just three months ago.

**Mr. Lutz:** — . . . (inaudible) . . .

**Mr. Katzman:** — I'm sorry, Mr. Lutz. The first couple of years the growing pains were unreal. And that's what you refer to — the growing pains of all those things that were agreed to. And they've now straightened up. If you look at the annual reports, they now show that they've been straightened out, Mr. Chairman.

**Mr. Lutz:** — Humour aside, Mr. Chairman, Mr. Kraus, if I said I was gratified, I would presume that we see an improvement.

**Mr. Kraus:** — Well there has been a very definite improvement over there.

**Mr. Chairman:** — Okay, both with respect to dental and group life. Is that right, Mr. Kraus?

**Mr. Kraus:** — Yes, all three. All three. There's group life,



dental, and disability. There's the three different plans.

**Mr. Chairman:** — Oh yes.

**Mr. Kraus:** — And while there were problems, they have definitely addressed them.

**Mr. Chairman:** — Okay. On to page 44 — public employees' superannuation fund. No, the first one is the public employees' superannuation fund. What has been done, if anything, here, Mr. Kraus? We might as well deal with this one. We've got you right here. It's page 44, top of page 44.

**Mr. Benson:** — Are you talking about item number (7)?

**Mr. Chairman:** — Yes, item number (7). We'll just give the officials a moment to get their documents together.

**Mr. Kraus:** — This is a matter concerning supplementary allowances paid to deceased members' spouses out of the MLA superannuation plan. Is this the issue we're talking about?

**Mr. Chairman:** — No, that's number (8). Go back to number (7).

**Mr. Kraus:** — Oh, this is the issue where there are . . . Yes, the auditor had identified that there weren't formal controls in place to ensure that investments purchased by the fund are in accordance with statutory provisions for the investment of surplus funds, and I know that that board has now an agreement with investment financial services to cover off this particular issue.

**Mr. Katzman:** — That was something you said about that earlier in some other department as well.

**Mr. Chairman:** — I'm just waiting for the questions here to catch the issue. Gentlemen, are you able to give us a report on it?

**Mr. Kraus:** — On?

**Mr. Chairman:** — On the . . . Are you satisfied that the investment problem has been . . .

**Mr. Kraus:** — Oh, yes, they've addressed it. And in fact, Mr. Benson was advising me the plan also has some moneys invested by one of the life insurance companies who administers some of these moneys, and they've also entered into an agreement with that company as well. So it is covered now.

**Mr. Lutz:** — Have these agreements also covered off the problem of . . . Will these investments be made in approved securities and delineated what and what cannot be purchased? That's covered off, is it?

**Mr. Benson:** — That's what we've been advised, yes.

**Mr. Lutz:** — Which is part of the systems problem, as well. How do we know . . . If you do delegate to somebody to invest my money, how do I know, then, that the somebody won't contravene the law and just invest in some incorrect things?

**Mr. Benson:** — Okay, Mr. Lutz, what we've been advised is that they have the agreement with Mutual Life. It spells out the authorized investments that they can make. When they're advised of the investments, the accounting clerk in PEBA (Public Employees Benefits Agency) checks off to make sure that these are in fact authorized investments.

**Mr. Chairman:** — It sounds like they've got it covered.

**Mr. Lutz:** — Well, the system should be in place to do that because that's the responsibility of management.

**Mr. Chairman:** — Okay, (8) is a tougher nut, by the look of it.

It is my view that the 60 percent rule contained in . . . 26.1 would apply to supplementary allowances granted to the deceased member's spouse subsequent to the death of the member as well as before his death. Consequently, the failure to reduce all supplementary allowances to spouses subsequent to the . . . death to 60 per cent means that all new supplementary allowances granted subsequent . . . exceed the amounts that would be permitted under current legislation.

Perhaps you can explain that to me.

**Mr. Bucknall:** — We have differing legal opinions. They say they're following the Act, and our legal counsel says they are not.

**Mr. Lutz:** — Mr. Chairman, perhaps, Bill, you would like to quickly lead through what is happening versus what we think should happen.

**Mr. Chairman:** — Yes, I don't understand the problem, I must say.

**Mr. Katzman:** — . . . (inaudible) . . . explain for the members who don't follow it how they devise that supplementary benefit. There's a policy for that.

**Mr. Chairman:** — Yes, that I don't understand.

**Mr. Bucknall:** — The supplementary benefit?

**Mr. Katzman:** — How they divide that at the same time and then . . .

**Mr. Bucknall:** — How it comes into being?

**A Member:** — Yes.

**Mr. Bucknall:** — Well it's an allowance that's granted, based on the number of years that you've been receiving a pension. I believe it's built in now that it's automatic and it roughly adds, oh, a hundred dollars a month — you can add that much — to pensioners. Okay, so . . .

**Mr. Chairman:** — And it's a statutory thing. It's set out in a statute somewhere where it says you get five bucks a month for every year you started, or something like that. It's a formula.

**Mr. Bucknall:** — Yes, because the longer in, the greater it grows. So if you start out with \$1,000 a month pension, you may have added \$100 a month for 10 years — you're now getting \$2,000 a month. It has become substantial.

And then if you die, they do the calculation of 60 per cent. So your \$2,000 a month pension becomes 60 per cent, \$1,200 to your widow. Okay? Now, after that they calculate the supplementary to the widow back at the \$100 a month rule again. They don't keep applying the 60 percent rule. So all the widows, plus the pensioners, each get a hundred dollars. But it results in inconsistencies because . . .

**Mr. Chairman:** — That's irrational, just for openers.

**Mr. Katzman:** — No, no . . .

**Mr. Chairman:** — Sorry, let Bill finish; we should let Bill finish . . .

**Mr. Katzman:** — I think he's confused us, Ned, with one cross-over there. That's what I wanted to check.

Bill, let's assume I'm a \$1,000 a month pension. I'm now in for X amount of years and my pension has grown to the \$2,000, as you have just said. I die. In this system my wife will get 60 per cent of the first thousand. There's no argument there, correct? Now the argument is over the second thousand that I've gained over the years, if she should get 60 per cent, or if she shouldn't.

**Mr. Bucknall:** — No.

**Mr. Katzman:** — Then I'm misunderstanding it, too.

**Mr. Bucknall:** — No, they do the calculation of 60 per cent up to the day you die. But after you die they say, well, she's a pensioner now, her name substitutes for yours, and they give her the hundred dollars.

**Mr. Glauser:** — So she becomes an extension?

**Mr. Bucknall:** — Yes, after that.

**Mr. Katzman:** — So what's happened — I'm at 1,200 and now it starts growing by the full, rather than 60 per cent. Okay, now I'm with you.

**Mr. Lutz:** — If the survivor can live this ten or eight years additional, she's now getting 100 per cent of what you were getting for both of you, and if she lives another five years she's going to maybe beat that, too.

**Mr. Bucknall:** — There's some examples there where there's really \$500 or \$600 a month differences. And like the person who died sooner, the pension is \$500 or \$600 a month more to the widow. There's real examples of this, both in that same . . . both worked as long, but . . .

**Mr. Katzman:** — This goes back, I assume, to when we changed the Act about five, six years ago to allow this rather than bringing in additional legislation all the time.

**Mr. Kraus:** — The information I have says that it may have been calculated this way for approximately 10 years.

**Mr. Katzman:** — Yes, that's about right. I've been here 11. The last Bill was when Mrs. Patterson or Peterson, when they gave her a special pension — help me out somebody — and then we decided this is silly to bring in special Bills to do it all the time. They put something in the system. That goes back to when I first became . . .

**Mr. Glauser:** — What kind of an effect is this having on the fund?

**A Member:** — It doesn't matter.

**Mr. Chairman:** — Oh, it would be dramatic. I don't know what would happen to the fund, but it would have a dramatic effect on the pension.

I can think of some widows — I can't think of any widowers, but I can think of some widows who are fairly young — who are . . . That would make an awful difference. I'm not necessarily saying they shouldn't get the full 100 percent, but we need to make these decisions consciously and not unconsciously. I think we need to discuss this with the officials and take a recommendation to the Assembly to deal with the problem. I don't think we can afford, gentlemen, to be kind-hearted and generous with our own pension schemes, and pistol puritans with everybody else's. I think we've got to deal with our own as well, and not ignore the problem.

**Mr. Katzman:** — Mr. Chairman, I happen to agree with you.

**Mr. Lutz:** — Mr. Chairman, would your committee be interested in our legal opinion if and when you get down to deliberating this?

**Mr. Chairman:** — Yes, we probably would. I would assume that we're going to get a different legal opinion from the folks over at . . .

**Mr. Katzman:** — Mr. Chairman, I don't care what the legal opinion is. I've made up my mind what I'm going to do.

**Mr. Chairman:** — For those of us . . . If we're going to get two different legal opinions, one from the Provincial Auditor's office and one from Mr. Kraus's office . . .

**Mr. Kraus:** — The solicitor would have given this agency . . . the Justice department would have given this agency an opinion, a legal opinion, yes.

**Mr. Chairman:** — I'm not sure the legal opinions are going to be a lot of help to us. We're going to get two different opinions. And there seems to be some ambiguity in the Act that we need to clean up.

**Mr. Katzman:** — No, Mr. Chairman. I would suggest that we also bring in what we do in the other pension plans that get adjustments.

**Mr. Chairman:** — Deal with them all at once, as one package.

**Mr. Katzman:** — No, no. For example, in the teachers . . .

In the public service, they don't get this benefit, from what I understand.

**Mr. Chairman:** — No, the teachers are dealt with annually.

**Mr. Katzman:** — No, no. That's extra money once you're deceased. They don't get that. The only people that are getting that is the MLA pension plan. Or is there somebody else . . .

**Mr. Chairman:** — The public service get it, don't they?

**Mr. Katzman:** — Well, that's what I'm asking. I understand it's not a problem there.

**Mr. Chairman:** — Mr. Kraus, can you help us?

**Mr. Kraus:** — I'm not sure. Perhaps someone on the audit side could.

**Mr. Bucknall:** — Yes, I think public service do get it.

**Mr. Lutz:** — Is it like a COLA thing or a cost of living adjustment?

**A Member:** — I don't know.

**Mr. Chairman:** — Well, let us agree, gentlemen, that we're going to deal with the problem, and that we want a report on other pensions when we deal with it. If the problem exists, Mr. Kraus, anywhere else, we want to deal with that when we deal with the MLA one.

**Mr. Benson:** — Should we check that?

**Mr. Chairman:** — Yes, that's what I'm asking you to do.

**Mr. Kraus:** — We believe, now that we've talked it over, that the 60 per cent rule would apply to a public servant's widow. In other words, if there is supplementary allowance being paid we think that the 60 per cent rule would be applied, where it isn't being applied with the MLAs' spouses . . . (inaudible interjection) . . . You don't think so?

**Mr. Katzman:** — I don't think so. I think this is the only one that's getting through the crack.

**Mr. Kraus:** — Yes, that's what I'm saying. I think in our case it's cut down to 60 per cent and it stays there.

**Mr. Chairman:** — I think, Mr. Kraus, we need to be sure. So I think we need your officials to check for the committee and then report to the committee before we deal with this.

**Mr. Kraus:** — Before we'd actually deal with this. So you want to know how other widows are . . . (inaudible) . . .

**Mr. Chairman:** — Whether or not there's any similar problems with the public service pensions.

**Mr. Benson:** — Which ones should we deal with like that?

**Mr. Katzman:** — Can I try the question, Mr. Chairman? Mr. Kraus, could you answer the question on the supplementary benefits on any pension plan that is formula, (a) when the pensioner takes his plan and he gets his 100 per cent increase each year — boom — if he gets it; two, if he is deceased does his widow get a 60 per cent of what is accrued to that date, including those extra dollars or not; and (c) from that date forward does she get 60 per cent of each yearly increase or 100 per cent of it? In the MLA plan we were told she's getting a 100 per cent.

**Mr. Benson:** — If we check the teachers, for example, and the old government plan, would that be satisfactory?

**Mr. Katzman:** — Those are the two plans, yes.

**Mr. Chairman:** — What about the Crowns, gentlemen? There are one or two of those pension systems rolling around.

**Mr. Katzman:** — There's 19 pension systems rolling around.

**Mr. Chairman:** — Why don't you check them all. Is that too big a job, Mr. Kraus?

**Mr. Kraus:** — It may not be, because we could go to some of the pension people and they might have a handle on this right away.

**Mr. Chairman:** — Just get on the blower. They'd probably tell you on the phone.

Okay. They're going to report on all 19 then, if that's the number, the magic number.

**Mr. Glauser:** — I just have a question. Wouldn't it be beneficial if we knew what this 60 per cent rule is in 26.1. In that paragraph there, "It is my view that the 60 per cent rule contained in section 26.1 . . ."

What does that say?

**Mr. Chairman:** — I have no . . .

**Mr. Katzman:** — Oh, you need your copy of the Act. Copy that line.

**Mr. Bucknall:** — Before on 26.1 there on page 44, it says:

Where a person who was a member and: . . . dies leaving a spouse, 60 per cent of the supplementary monthly . . . that he was receiving (I think that's the problem) . . . or that he was or would have been entitled to . . .

The words, "that he would have been entitled to" is all the years going down the road too. And they say no, no, that just means that he was receiving and they stopped there.

**Mr. Lutz:** — Mr. Chairman, we were actually tempted maybe to take this particular statute to a judge of the court for a judicial interpretation of what it meant. And that might be the best rule in the long run, I don't know.

**Mr. Chairman:** — I think the best rule is, resolve the

bloody problem here and now.

**Mr. Katzman:** — Right here.

**Mr. Chairman:** — Okay, gentlemen, you're going to come back with that report in due course.

Department of Social Service — 10 to 11 — I guess we'll roll this one off and then that will be 11 o'clock when we get done this department.

**Mr. Katzman:** — Mr. Chairman, I make one comment here. Just call them — let's not waste our energy. And most of what we're calling is to do with people getting paid moneys who shouldn't get paid moneys — overpayments, fraudulent claims, so forth, so on. Same old problem — same year, new people. It's tightening up, I believe. Am I correct?

**Mr. Lutz:** — Mr. Bucknall, this is your audit, I believe. Do you have the impression that it's tightening up? Just say you don't know if you don't know.

**Mr. Chairman:** — Yes, no, or maybe — three choices.

**Mr. Bucknall:** — This was, of course, at March '85 and they've indicated that there are many changes being implemented and still to be implemented.

**Mr. Katzman:** — My understanding is that they are catching "a lot more now than they were then" because they've put in some thumb systems.

**Mr. Bucknall:** — There has certainly been improvement, yes.

**Mr. Chairman:** — Okay, we'll call them.

**Mr. Katzman:** — I think, Mr. Chairman, we had them here last year and we are told they now have — the opposition may not have liked it — they have now hired X amount of investigators to be out double checking some of the stuff. They're catching, what was it, 12 per cent of them or something that were fraudulent that they've now found, by different methods.

**Mr. Chairman:** — Okay, we'll call them and we'll hear their thump, thump, thump as they pat themselves on the back.

**A Member:** — You certainly won't.

**Mr. Chairman:** — When have I ever thump, thump, thumped anyone?

**Mr. Glauser:** — I thought we were finished. Let's call it a morning. It's going to be a long day.

**Mr. Chairman:** — All right, do you want to leave the Department of Supply and Services for next week then?

**Mr. Glauser:** — Yes.

**Mr. Chairman:** — We'll start there, page 48?

**Mr. Glauser:** — Absolutely.

**Mr. Katzman:** — Could we attempt to have somebody standing by next week for about 9 o'clock.

**Mr. Chairman:** — I don't mind doing the agenda — from 7 to 11. I'm not wild about actually doing our work from 7 to 11. Our attendance this morning was terrible, quite frankly. And I know that meets the middle, but I think its adequate and I think in fairness to members I think 7 o'clock is unreasonable. I think we should start at 9 and if that won't work . . .

**Mr. Katzman:** — Only for next week, Mr. Chairman, am I suggesting we continue the one more early one and then we can do as you please . . . (inaudible) . . .

**Mr. Chairman:** — I don't mind dealing with the agendas early in the morning, because I don't think it's essential that everybody be here for that. We could come to the committee with comments from our colleagues in caucus. But I think it's inappropriate to be dealing with the departments at 7 in the morning.

I would like to think that everybody would rise and shine at 7, but such is not the case. I think we'll just deal with the agenda next week, Ralph.

**Mr. Kraus:** — Mr. Chairman, I would like to remind the committee that I believe the three weeks come due next Thursday, at which time MESP — municipal employees' superannuation plan — was supposed to come back. I just remind you . . .

**Mr. Chairman:** — Oh, all right. Let's have them back.

**Mr. Kraus:** — . . . that they should be coming back for . . . (inaudible) . . . presentation.

**Mr. Katzman:** — Oh, are they ready to come back? Has somebody talked to them?

**Mr. Kraus:** — Well we've talked to them, and I believe that . . . It's my position that I believe that the committee should at least agree on the format of the financial statements. In other words, in general terms what are they going to look like? And then they'll get on to it.

**Mr. Chairman:** — Okay, I'll call them.

**Mr. Lutz:** — Mr. Chairman, a question for Mr. Kraus. Do these financial statements require treasury board approval before they can be produced? If that is the case, what would this committee be looking at?

**Mr. Kraus:** — Well this committee would be looking at the format that they're proposing to use, Mr. Lutz. The numbers that would be in the financial statements would be there for . . .

**A Member:** — Subject to law . . . (inaudible) . . .

**Mr. Kraus:** — Illustrative. Just like Mr. Dye's report. I mean, they still have to go ahead, complete and finalize them and get you to audit them, so . . . (inaudible) . . .

**A Member:** — Okay.

**A Member:** — It's just a format.

**A Member:** — Yes. Okay.

**Mr. Katzman:** — Mr. Chairman, let me suggest that now that we have somebody coming, let's make us all for next week and start early.

**Mr. Chairman:** — No, let's start at 7 next week to be sure . . . (inaudible interjection) . . . No. All right. I think that is unreasonable.

**A Member:** — Oh, next Thursday . . . I won't be here next Thursday.

**A Member:** — Won't be here at all.

The committee adjourned at 11 a.m.