

STANDING COMMITTEE ON PUBLIC ACCOUNTS

May 1, 1986

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

**Mr. Chairman:** — We have finished, as I recall it, with Social Services. The next department then is Supply and Services. Number 2.13 seems to me to have been a problem that was around before. These revolving funds have been a problem. Mr. Kraus, are we any closer to resolving this than we were last year at this time?

**Mr. Kraus:** — I'm not sure whether this first item was reported last year or not. I've been advised that this particular revolving fund has introduced a new inventory control system, a new system and procedures that, if they do as they advised us they're going to do, it should resolve the problem. That's on 13(1).

**Mr. Chairman:** — It seems to me the mapping services I have heard before.

**Mr. Kraus:** — Yes, it was reported in 1984 as well. The information that we have was that they did put in a new system to deal with the problem identified by the auditor in 1984. However, the employee doing the work didn't understand the system properly and, as a result, there was a lot of work that had to be done at year end to make up for some of the deficiencies that occurred during the year . . . (inaudible interjection) . . . Well I'm just reporting what I have here.

**Mr. Chairman:** — You're giving it fairly accurately, Mr. Kraus.

**Mr. Kraus:** — Yes. But they feel that the employee does understand his duties now and they're satisfied. The supervisors are doing everything that they can to keep records up to date and correct. So again, if they do as they say they're going to do, the problem should go away. It's not that they don't know what to do; it's just a matter of doing it.

**Mr. Chairman:** — Okay. Perhaps we should call them. They seem to be having some problems. And we are having ongoing problems. To my regret, I did not bring my 1984-85 report along.

**A Member:** — We've got some in the cupboard, but the door is locked.

**Mr. Chairman:** — And there'll be nobody here till 9 o'clock with the key, I suppose. Oh, well.

**A Member:** — I have a copy of last year's if you want.

**Mr. Chairman:** — Do you really? if you could get that for me. Thanks.

What do we spend in total on printing and photo costs? Do we know?

**Mr. Kraus:** — On printing up . . .

**Mr. Chairman:** — What's this cost us? Yes. What's involved with printing and photo reproduction revenue?

**Mr. Kraus:** — I wouldn't know that. You'd have to ask the department that question, Mr. Chairman.

**Mr. Weiman:** — What are you referring to, Ned?

**Mr. Chairman:** — 2.13(b) on page 49. Thank you very much.

**Mr. Weiman:** — 2.13(b).

**Mr. Chairman:** — Yes. I'll see if I can find it in here on . . .

**Mr. Benson:** — I wouldn't expect it be a lot. Most departments have their own photocopying services.

**Mr. Chairman:** — That's what I was wondering . . .

**Mr. Weiman:** — That has nothing to do with photographic services at all, does it?

**A Member:** — No.

**Mr. Chairman:** — No. That's a different operation.

**Mr. Katzman:** — The major thing here is that big sucker that they have over at the department where if you want a run of 5,000 or something done, you take it over there and they do it with these big machines that they have. That's the main work they do. And then that's what you're charged for.

**Mr. Chairman:** — Where is the thing in the . . .

**A Member:** — Are you looking for supply agency?

**Mr. Kraus:** — The supply agency financial statements are on page 58 in volume 2.

**Mr. Chairman:** — Oh, yes, yes. There's not a breakdown, is there?

**Mr. Benson:** — There's no detail as to the photocopying.

**Mr. Katzman:** — It's under a million, Ned.

**Mr. Chairman:** — Well I guess we'll ask them to come.

**Mr. Katzman:** — Are we bringing them?

**Mr. Chairman:** — I think we should bring them. I would want to question them with respect to 2.13(2)a). It's been here in previous years. We could ask them about this as well. We don't seem to have the answers. Okay.

**Mr. Katzman:** — Well, just hang tight, Ned. When you say mapping services, we're talking about something that was transferred into them, or are we talking about what they've always done?

**Mr. Chairman:** — It was mentioned last year.

**Mr. Katzman:** — Yes, but they only got it about a year ago.

**Mr. Benson:** — That's right. It used to be in the

Department of Highways.

**Mr. Chairman:** — Okay. Where does that leave you?

**Mr. Katzman:** — I think it's just a matter that the first year and second year they had trouble fitting it all in the system, and I understand it's cured now. They do the work for Highways and everybody else, and it was just a matter of how it was all set up originally that caused the problems.

**Mr. Chairman:** — Let's call them and ask them that. We don't have that assurance from the officials. Let's call them and ask them that.

**Mr. Katzman:** — We'll put them on the list.

**Mr. Chairman:** — Tourism and Small Business. I'm interested to know that Tourism runs a sawmill.

**A Member:** — Pardon?

**Mr. Chairman:** — Tourism runs a sawmill. I didn't know that.

**Mr. Meagher:** — It's part of the dude ranch.

**Mr. Chairman:** — Is that right. It's just north of Prince Albert. It's just within walking distance of Paul's hacienda.

**Mr. Benson:** — Mr. Chairman, perhaps I can give you some information on that.

**Mr. Chairman:** — Yes. That might be useful.

**Mr. Benson:** — The sawmills used to be part of DNS revolving fund in northern Saskatchewan. And when DNS was decanted to the South, the revolving fund was transferred to the Department of Tourism. At the same time, negotiations were going on with Sask Forest Products to transfer the sawmill operation to them. A lot of the problems resulted from the fact that the transfer took in excess of a year to finalize. So Tourism were in effect saddled with the sawmills, but Sask Forest Products were ostensibly responsible for the management of it, and there was some obvious breakdowns in communication.

**Mr. Chairman:** — When did they dispose of these? When did they finally unload them on Sask Forest Products?

**Mr. Benson:** — They were moved right from inception, but there was some disagreement as to the terms under which Sask Forest Products were going to take the operations. So it really operated for a year under the management of Sask Forest Products, but technically and legally, Tourism were responsible for it.

**Mr. Chairman:** — Did they make or lose a buck on the these sawmills?

**Mr. Benson:** — It loses money.

**Mr. Chairman:** — Did they make any money on them? Are they operating at a loss or profit?

**Mr. Benson:** — At a loss.

**Mr. Chairman:** — Who picked up the loss during the year that they were . . . Was it Tourism?

**Mr. Benson:** — Tourism.

**Mr. Engel:** — And yet the funds and the banking was done outside of Tourism's control?

**Mr. Benson:** — In effect they give Sask Forest Products a contract to operate the sawmills on their behalf.

**Mr. Muller:** — They've just more or less done d\* administration and the bookkeeping of it, then, when k was under Tourism, until they took over it.

**Mr. Engel:** — When did that . . . (inaudible) . . .

**Mr. Muller:** — Well, I don't know the exact date.

**Mr. Engel:** — I mean, was it within . . . was it the following year, like last year? Was it within '84-85?

**Mr. Benson:** — It was still part of Tourism legally in '84-85, and they finally negotiated the agreement, I think in November or December of '85.

**Mr. Kraus:** — Just if I could add a few extra facts. The memorandum that transferred operating responsibilities to Sask Forest Products but still left the administrative function with Tourism was dated April 11, '84. The thing was to be finalized shortly thereafter. It wasn't until just February 27, 1986 that the agreement was actually signed. And now of course everything is clarified and Forest Products is now responsible for the whole thing including the administrative side of things. But the problem that the auditor has raised is that, during that interim, Tourism was to continue to account for things, but they weren't. Forest Products not only was managing the operation, but they were performing the accounting as well.

**Mr. Engel:** — Whose sawmill is this?

**Mr. Muller:** — It's at La Ronge, is it not?

**Mr. Engel:** — Is this the one at La Ronge?

**Mr. Benson:** — I think there's three sawmills in total. They're just small operations.

**Mr. Katzman:** — One of them, I think, came to the department because of default. They'd loaned the money . . .

**Mr. Benson:** — What had happened, I believe, under DNS these were opened really as training mechanisms.

**Mr. Muller:** — Is that logging mill at Weyakwin . . . (inaudible) . . .

**Mr. Benson:** — I believe so.

**Mr. Muller:** — I think Sask Forest Products runs it now.

**Mr. Katzman:** — Mr. Chairman, without being facetious, it's part of the change-over of departments, and it seems like in the shuffle of the departments, instead of taking five or six months the thing happened, it took 13 or 14 months, and now it seems to be where it belongs . . .

**Mr. Chairman:** — Twenty months.

**Mr. Katzman:** — Twenty months? Okay. I don't really think we want to . . . We're here to solve problems that may go on for ever, and this one isn't going to go on. It's secured by now. So I mean there's no need . . .

**Mr. Chairman:** — I don't have any particular quarrel with that. It seems to be a matter that will be raised perhaps in Crown corporations. I don't know whether anyone else has any difficulty with that.

**Mr. Engel:** — This is where a substitute committee would come in handy. We've got a committee member that would know more about this than I do. You know, we were talking before you came about substituting members in this committee . . .

**Mr. Katzman:** — Yes?

**Mr. Meagher:** — Who did you have in mind?

**Mr. Katzman:** — You could do like Crown corps. You could change people any time you wanted to. The whole thing seems to be the northern issue, this whole report on this department. Am I correct, Mr. Lutz?

**Mr. Lutz:** — Yes.

**Mr. Katzman:** — I'm prepared to move on to 2.15.

**Mr. Engel:** — . . . (inaudible) . . . a comment from one of our auditors if they feel that it's not worth calling, that the thing has been resolved . . . (inaudible) . . . transition period.

**Mr. Chairman:** — Mr. Engel's addressing a question to you, I think.

**Mr. Lutz:** — Mr. Atkinson, what do you think? This was your audit, I believe.

**Mr. Wendel:** — No, it wasn't. Now as whether it's been completely resolved, we won't know . . .

**Mr. Engel:** — I see.

**Mr. Wendel:** — We've got a letter here from the department saying they had now finalized the agreement just recently. As to what they've done with the administrative problems, we'll have to go back.

**Mr. Katzman:** — Yes. The comptroller seems to say at least it's moved back to forestry rather than here. And that's the main thing that I was concerned about.

**Mr. Wendel:** — That's my understanding. An agreement has been signed just recently.

**Mr. Benson:** — Yes. But I'm sure the Provincial Auditor is

going to have concerns when he goes in for the year what? — '85-86, because it's . . .

**Mr. Katzman:** — Yes. It will show up one more time until it cures itself.

**Mr. Wendel:** — It may.

**Mr. Katzman:** — Well, it has to, probably by the system.

**Mr. Chairman:** — With respect to items number (a) and (b) . . . Item number (c).

**Mr. Benson:** — Sub (3)?

**Mr. Chairman:** — Yes, (3)(c) on 51. Was this never resolved? The problem just . . .

**Mr. Lutz:** — Is this page 51 you're on?

**Mr. Chairman:** — 51, then carries on to 52. Was this never resolved — that it just rolled on until they get rid of it?

**Mr. Lutz:** — Well, Mr. Chairman, I guess we're going to go back to what I said just some days ago, last meeting: management is responsible to put in place the system to control the operation of the undertaking. And in this particular instance they had not been doing comparisons between logs cut and logs sawn and logs planed and sold. So other than that, I can't comment on this. We'll have to wait till we go back and see what it looks like.

**Mr. Kraus:** — The issue as I see it on page 51 is — and the reason it's being reported this way, if I understand this correctly — is that the criticism is that the revolving fund in Tourism still had responsibility for the financial administration. And of course since they weren't doing that, Mr. Lutz is reporting they didn't have an adequate system in place to ensure that they had control of financial operations.

That went hand in hand with the fact that this thing, during the transition period, really wasn't operating according to the agreement, or the memorandum of agreement. And so once the agreement was signed, then these responsibilities would then revert to the Sask Forest Products Corporation and they'd be fully accountable for it. But in the interim, of course, this comment is correct.

**Mr. Chairman:** — I think I would like to speak with these people about this thing. Not only does it not appear to have been operated in accordance with proper management directives, it doesn't appear to have been operated in accordance with any common sense principles either.

**Mr. Katzman:** — Well, Mr. Chairman, you and I are just going to differ on this one. Small Business got something dumped on their lap when DNS disappeared. These were supposedly training bush camps for logging. They were then moved over to the Sask Forest Products, who charged them a fee for managing them, but everything wasn't in place.

I think that . . . I really don't want to talk Tourism and

Small Business. If I was going to talk to anybody, you're really wanting to talk to Forest Products, who were doing the operations of these plants. And Sask Forest Products reports in Crown Corporations, not here. So therefore just tell your guys in your department to discuss this issue when it comes upstairs rather than here. I mean, we're going to do something twice again.

**Mr. Chairman:** — But it was Tourism and Small Business who were responsible for this operation during those nine months.

**Mr. Katzman:** — I don't argue that. But the people making the errors were in the Sask Forest Products Corporation and they're the ones . . . All Tourism was paid 5 per cent to have these guys look after it and they didn't do it right. So that argument should go up to Crown Corporations and not here, you know, because that's where you get your Sask Forest Products to answer the questions.

**Mr. Chairman:** — Except that Tourism are also responsible. It was their . . . The matter was in their bailiwick. They had the responsibility for the . . . That's something for the taxpayer. It appears to be quite a mess. No checking of sale prices; charges were not reviewed; no system to ensure the customers were billed for shipments. God! — pardon my language.

**A Member:** — No checking the lumber.

**Mr. Benson:** — In our opinion, Mr. Chairman, what happened was: Tourism thought they had a deal and had really delegated the whole responsibility. And there was some balking on the signing of the agreement, and by a technicality Tourism were left with it. And really, in my opinion, probably Sask Forest Products should have been the ones who were looking after this.

**Mr. Chairman:** — But apparently weren't.

**Mr. Benson:** — But apparently weren't, yes.

**Mr. Chairman:** — Therefore, apparently no one was.

**Mr. Weiman:** — I don't know. Unless I'm reading this wrong, I take it that the persons entrusted or the areas entrusted with the administration of all of this was in fact Sask Forest Products. Then I would have to tend to agree with the member from Rosthern.

If you look at 2.14(2), I think it makes it absolutely clear that Sask Forest was in charge of the administration, because at one time they charged a fee for administration of the saw mills — which tells me they in fact were the administrators. Later on, pursuant to that of course, it says the amount charged was recovered from Sask Forest Products. But up until that time of recovery, that 5 per cent fee, or equal to 5 per cent of sales, was the fee that they were charging to administer the whole program.

So I tend to agree with the member from Rosthern. It states very clearly who was administering.

**Mr. Chairman:** — Well I think it's clear that no one was. Tourism believed, apparently, that Sask Forest Products

were doing it; Sask Forest Products believed, apparently . . .

**Mr. Weiman:** — Well I disagree there. I don't . . .

**Mr. Chairman:** — Well would you let me finish, please. Tourism and Small Business felt that Saskatchewan Forest Products were responsible; Saskatchewan Forest Products, it seems, did not accept the term on which it was transferred to them. And the thing operated with apparently very little management. I would like to know what on earth went wrong here. I would like to call them, and I think we should.

**Mr. Weiman:** — Well I guess it comes down to this — and this is where I disagree with you. I believe that the actual administration, whatever the arrangement that was set up or some of the miscommunications, the actual administration was by Sask Forest Products. I'm sure Sask Forest Products wouldn't have been charging a fee for not administering.

**Mr. Chairman:** — Oh, you've a great deal more faith in human nature than I have.

**Mr. Weiman:** — Well maybe I'll put it the other way. I would suspect that the Department of Small Business and Tourism would not have been paying a fee for something they weren't doing.

**Mr. Chairman:** — You still have more faith in human nature than I have.

**Mr. Weiman:** — At any rate I think the jurisdiction on that one is Sask Forest.

**Mr. Katzman:** — And therefore it should be a Crown corps, not us.

**Mr. Chairman:** — I just simply disagree.

**A Member:** — Well then we've come to an impasse.

**Mr. Chairman:** — Well perhaps we have. I don't know why we don't resolve it by calling them. There was a memorandum for agreement signed on April 11, 1984. It was a preliminary agreement which was not executed until, we are told, February '86.

**Mr. Katzman:** — No. No, he said the final last area, but they had taken over in December or something, didn't you . . . You said . . .

**Mr. Kraus:** — I believe it was, the original memorandum was — and I have my dates here, just a moment — that April 11, 1984 is when the memorandum was signed, and I believe it's at that time that the operations were actually transferred. And it was at that time that Tourism assumed that Forest Products would be responsible for the whole thing — lock, stock, and barrel.

**Mr. Chairman:** — Let me ask Mr. Kraus a question. Apparently, Mr. Kraus, Saskatchewan Forest Products weren't operating on an identical set of assumptions.

**Mr. Kraus:** — Well I believe — and Mr. Lutz's people

might be able to speak to this better than I can — but I believe they were keeping the books, if we can use that term. I don't think they were doing a very good job of it according to Mr. Lutz's report, and it was really — Forest Products wasn't doing a very good job of the accounting.

**Mr. Benson:** — The dispute, Mr. Chairman, was really over a subsidy to be paid because of the operating losses, and that's what . . .

**Mr. Muller:** — Well, on page 53, sub ii):

There was no checking of sales prices to determine whether the correct price was charged.

Wholesale lumber sales were all transacted by Sask Forest Products Corporation . . .

So the lumber was sold through Sask Forest Products. So Tourism wasn't actually handling the sales of the lumber.

. . . Sask Forest Products Corporation on behalf of the department. (Pardon me) . . . employees received copies of SFP invoices showing prices and other terms.

So it seems to me that it was under the jurisdiction of Sask Forest Products.

**Mr. Weiman:** — I think what we're coming down to is trying to determine who had the responsibility for the administration, or even though it's sort of quasi, who had the jurisdiction over those sawmills. And if I can refer you to 2.14, sub (1), page 50, I think it states very clearly that it's Sask Forest Products. And if we can read together on this:

On the understanding that a purchase agreement would be concluded whereby the sawmills operated by the Department of Tourism and Small Business would be sold to Northern Forest Operations, a subsidiary of Saskatchewan Forest Products Corporation, The Minister of Tourism and the chairman of Sask Forest Products signed a memorandum of agreement dated April 11, 1984 (which you have stated before).

But it goes on to say that:

This memorandum confirmed that Sask Forest Products, as the future purchaser of the mills, had assumed and would continue to assume all operating responsibilities for these mills until ownership was transferred.

I think it states very clearly that they put the responsibility and the administration into the lap of Sask Forest Products, and I believe Sask Forest Products should be called to Crown corps and not to public accounts. It makes it very clear.

**Mr. Chairman:** — Perhaps I should ask the Provincial Auditor: what was the responsibility of Tourism and Small Business?

**Mr. Lutz:** — Mr. Chairman, as has been stated by, I

believe, the comptroller, it was quite a confusing series of developments. If I could read on from where Mr. Weiman left off, the memorandum of agreement was in place as we understand it, and nobody really understood what that meant at the time, I think, because what we could find out pending execution of this sale document, Tourism was to process revenues and expenditures at the direction of Forest Products, and maintain accounting records of these transactions through Northern Saskatchewan Economic Development Revolving Fund.

But in the interim, Northern Forest, or whatever this thing is called, yes, opened a bank account and then they began processing revolving fund receipts and payments through that account rather than through Tourism.

Now these procedures, we believe, were subject to treasury board regulations and directives, but that didn't happen either. Meanwhile Forest Products charged them a 5 per cent management fee, or some such fee, which was not provided for in any agreement and which subsequently was paid back.

We have a difficult time with this one ourselves. We felt that the revolving fund was responsible for this until such time as a final sale took place, and that is the vein in which we have reported these things. Now I don't think I can add much beyond that.

**Mr. Weiman:** — If I may interject one more point on that and, as I said, we're trying to determine what jurisdiction should be looking at this in so far as what I said regarding the memorandum of the operating responsibilities and the ownership. Who initiated setting up the revolving fund? Who initiated setting up the bank accounts, etc.? The initiation, as you've stated, Mr. Lutz, was not by Small Business and Tourism. The initiation was done by Sask Forest Products.

And again I underline, if that is the case then Sask Forest Products is the one that should be called to heel. And I believe that this is not the correct forum for it, that it should be Crown corps that should be calling Sask Forest Products to have these questions clarified.

**A Member:** — That's right.

**Mr. Chairman:** — Well, I disagree. I get the impression that this thing's something of an orphan which got stuck between Saskatchewan Forest Products and that department.

**Mr. Weiman:** — But that's our point. We're just trying to determine the parentage of this. And my opinion is that the parentage of this is Crown corps and not the parentage of public accounts.

**Mr. Chairman:** — Just before I recognize Mr. Engel, Tourism were at least partially responsible for the mess. Therefore they ought to be called and asked some questions about it. Mr. Engel.

**Mr. Engel:** — Thank you, Mr. Chairman. I've been listening intently. I think that, as I listened to the members opposite, I'm trying to read into what they're really trying to tell us here.

The Department of Tourism, because of a political decision to phase out the DNS (Department of Northern Saskatchewan), inherited the forest activities — the sawmills, lumber, logging. There's three or four activities involved. I think from the time period that's involved here until it was transferred to Sask Forest Products, Crown Corporations Committee would not have the right to discuss it, because it's under the responsibility of Tourism and Small Business, although a memorandum was signed with an intent there, dated April 11th.

I think the minister didn't absolve himself of the responsibility by saying, we'll sign an agreement, memorandum, that that's what's going to happen. But they were still responsible during that time frame until that transaction was completed.

And I think that you get down to the same hassle that Crown corps . . . And I've sat on Crown Corporations Committee as much as I have on this one. I think Crown Corporations Committee would have trouble getting Sask Forest Products to accept the responsibility and to get down to it. And I think we have the staff and the auditor's people here that can direct us in asking our questions.

This was raised and printed in the auditor's report for somebody to look at, that some politicians got their fingers in here and in the process of it they didn't do a thorough job. And are you guys trying to hide something, say look, because it's not in this and it's not in that we don't discuss it? What are you saying? Why can't we call Tourism?

**Mr. Weiman:** — I suspect a couple of things. First of all, let's clarify something to the member from Assiniboia-Gravelbourg. There is no intent to hide anything. I believe that answers are forthcoming. What we're trying to determine is where those answers . . . or where those questions should be placed.

As the member stated about his experience in Crown corps, and as the comptroller has indicated and the auditor has indicated, it is sort of a grey area, not knowing where the true responsibility lies. But yet the auditor is responsible to bring that forward. He'd indicated to us on previous occasions that even though there may not be a resolution to some of the concerns that he has, his responsibility is to bring those concerns forward. What we're trying to do is determine what forum it should be in.

As the comptroller has also indicated, the agreement was concluded in February of 1986. Once it has been concluded, it is right now — today, as of today — within the jurisdiction of Crown corps. There is nothing preventing Crown corps to calling Sask Forest Products forward to go over the particular year's events. There is nothing preventing Crown corps in delving into the questions that have arisen by the auditor's concern. And you full well know that, and so does the member from Assiniboia-Gravelbourg.

**Mr. Chairman:** — I will assist you, Mr. Weiman, in telling you what I know. What you are assuming, you are making certain assumptions with respect to the agreement. At the very least I would want to call the department and talk to

them about the agreement and see exactly what responsibility they retained in that preliminary agreement until the final document was executed. I'm frankly with Mr. Engel. I just don't know what the fuss is here. We have a matter . . .

**A Member:** — I think . . .

**Mr. Chairman:** — Let me finish, please. We have a matter of some seriousness which has been raised by the Provincial Auditor, and I don't know why we don't call the department to discuss it. I'm with Mr. Engel. I'm not sure I know what's going on. Perhaps it's too early in the morning.

**Mr. Katzman:** — Well, Mr. Chairman, my thinking is along these lines. The history of this committee has been, the auditor brings up a problem. If in due course to the comptroller and the auditor looks like the problem has been solved, we don't bother to go through the issue any more because we believe the solution and things have been looked after. That's normally been the history of committee.

What we have here is a group — you called it an orphan or somebody else called it an orphan, so I'll pick up on that word — got left floating around with sort of having one group running it and one group sort of being responsible. To date now the responsibility of this orphan has now been properly placed by the letters and everything into one department, Sask Forest Products.

All I'm saying to you, Mr. Chairman, if that is correct — and we've got that from the comptroller, that it's there now, and the auditor — if that is correct then the normal procedures of Sask Forest Products will look after this particular situation. And I believe that . . . (inaudible) . . . and we are worried about not what happened yesterday but that it shouldn't happen again tomorrow. Therefore this thing belongs up in Crown corps, not here, and I'm using history, past procedures. Normally these were looked up there rather than here when they got moved.

**Mr. Chairman:** — But we've had any number of Crown corporations here.

**Mr. Katzman:** — I don't disagree, but usually because it's an issue we're dealing with here that's not being dealt with up there.

**Mr. Chairman:** — But the responsibility of the Department of Tourism in this mess will not be discussed in Crown corporations. And it is clear to me that the Department of Tourism bear part of the responsibility. I disagree with your comment that we only concern ourselves with future problems. We have, I think . . .

**Mr. Katzman:** — No, no. But in most cases problems that have existed before and are cured and so we don't really worry about them as we do the things that haven't been cured.

**Mr. Chairman:** — If I may finish, we have concerned ourselves with problems and we do concern ourselves with problems which have occurred in the past. Part of our responsibility is to call the departments to account

and to shed some light on these things and to ensure that they're not papered over. I'm not suggesting anyone's doing that. It may be when we see the memorandum of agreement that that will in fact answer all our responsibility, but we don't know what's in that memorandum of agreement and I would like to discuss that with the department officials, if nothing else.

So I would like to call them. I maintain that position.

**Mr. Weiman:** — In this instance I would seek the opinion of the auditor and the comptroller on one question. In terms of the reference that I made to 2.14(1), the opinion that I'm seeking is, where would you see the onus placed on the day-to-day management and responsibility of this particular — and I will not say Crown or department — but this particular operation?

**Mr. Lutz:** — Mr. Chairman, as at March 31, '85 the Department of Tourism and Small Business, as we understand it, were responsible for accounting for, providing data on, and looking after the day-to-day operations and the money of this thing. The Forest Products was responsible to operate them . . . (inaudible interjection) . . . Yes. It rested with Tourism and Small Business, while Forest Products operating the mills, and whatever "operating the mills" means. I don't know what that means. I suppose run the logs in and boards out, I don't know.

**Mr. Weiman:** — Can I have the comptroller's opinion, please.

**Mr. Kraus:** — Yes, on that issue . . . Sorry.

**Mr. Lutz:** — The department has had to provide all the accounting, the administrative, and whatever other kind of work they wanted.

**Mr. Kraus:** — Correct. From April 11, 1984 on, the operation of the mill itself was with the forest products company. The accounting remained with Tourism. And as you notice, when you move into that second paragraph, by November 1, '84 all the transactions concerning these mills, though, were transferred out of Tourism over to the Forest Products. And of course what was happening — which isn't in here and can't be in here — was that they expected that that agreement would be signed shortly and it wasn't. Because one would assume that if you took over operation for the mill, you'd also take over the accounting function; that would go hand in hand. But until a final agreement was signed, of course, Tourism was really required to continue the accounting.

However, now that the agreement's signed, if you were going to fix up these problems that are identified on page 51, if those things still continue, if there isn't adequate accounting records now, if you were to move it ahead the only people that could fix it up would be the forest products company, although at the time that we're talking about here, this problem was the responsibility of the Department of Tourism.

**Mr. Lutz:** — Mr. Chairman, and Mr. Kraus, I think while what you say about the transactions running through this Norfor (Northern Forest Operations Ltd.) bank account, I

wouldn't become too impressed with that because none of that was legal anyway. They weren't supposed to be doing that. The stuff that they were handling was supposed to be subject to treasury board regulations, treasury board publications, treasury board rules, and treasury board policies have been contravened by the process of revolving fund receipts and payments through NorFor's bank account rather than through the Consolidated Fund.

**Mr. Kraus:** — I can't disagree with you. That's the problem when the agreement wasn't signed. This is what resulted.

**Mr. Benson:** — The agreement was dated April 1, 1984, and that's why the actions were taken as they were.

**Mr. Chairman:** — April 11, '84.

**Mr. Benson:** — Well, yes, April 11th. The purchase agreement was to take effect at the beginning of that fiscal year.

**Mr. Chairman:** — I see. It was backdated.

**A Member:** — I'm sorry, did you say the agreement was backdated . . .

**Mr. Benson:** — Well the purchase agreement was supposed to take effect that the sale occurred at the beginning of the fiscal year.

**Mr. Lutz:** — Supposed to. What does that mean? They didn't sign it?

**Mr. Benson:** — Well that's the problem. The agreement wasn't executed, and so the sale wasn't really consummated until April 1st of the following year.

**Mr. Lutz:** — It's a little difficult to say, was supposed to.

**Mr. Benson:** — Well, that's the same with hindsight. It looks . . .

**Mr. Lutz:** — Of course. It's 20-20 vision, always.

**Mr. Chairman:** — Well gentlemen, let us call them and put these questions to them.

**Mr. Weiman:** — Well, in terms of a proposed agreement, though — I'm even thinking in other realms outside of this particular thing — in terms of a proposed agreement, where would the responsibility lie, then? Do you not take the responsibility of this agreement, whether it's in fact or proposed?

**Mr. Lutz:** — No, it doesn't. The events that transpired did not reflect the fact that this agreement was in place because the Department of Tourism and Small Business was still responsible for the day-to-day transactions, for the day-to-day recording, for the day-to-day administration. They even got 5 per cent some something for something which was paid back. The fact remains that the Department of Tourism and Small Business was responsible for this thing at March '85.

**Mr. Weiman:** — Well, Mr. Chairman, may I suggest: we have a difference of opinion, and I say difference of opinion. I think the only way we're going to resolve it is ways that we've done in the past, and I think it's incumbent upon you to bring this to a vote.

**Mr. Chairman:** — Well I have no motion before me.

**Mr. Weiman:** — Well I'll make the suggestion that we propose one. Otherwise let it lie.

**Mr. Chairman:** — We're setting some sort of a precedent in not calling the department. This is different. We have called departments in the past when members want to put questions to them. I don't recall an incident from the past where we've refused them to call a question. I'm going to get a little . . . I may get hard to get along with, I'll tell you.

**Mr. Weiman:** — Well we've also had procedures here in the past that there were departments we didn't call; so, I mean, it's six of one and half a dozen of the other. We're going to have to determine whether to call these people or not.

**Mr. Chairman:** — But that's been done by agreement. We have not . . . I don't recall an incident where the government members had to move a motion to prevent a department from being called.

**Mr. Katzman:** — What you're really saying here is this has the opportunity to be called here or at Sask Forest Products, which goes upstairs.

**Mr. Chairman:** — How are you going to get the department?

**Mr. Katzman:** — What has been said here is there was an agreement that did not get finally executed, that said in the fiscal year that we are reviewing that this corporation was to have moved from Tourism to Forest Products. Somewhere along the line it took more than the 12 months for the agreement to be signed. Therefore, on the management scale of government, the responsibility had not finally moved from Tourism over, therefore Tourism had to report it.

Therefore, when the auditor comes in to do his report, he does Tourism books, only sees certain things and not all of it, obviously. Therefore he must report deficiencies, which he's done. Since that has happened, the agreement has been executed and the total responsibility is now with forest products. The only people who can answer most of the questions that we really want asked if we got into it, is not Tourism but is Sask Forest Products. Therefore if you wish to call them, I think we are going into an exercise of futility because Tourism doesn't do it any more. It's all cleaned as far as they're concerned, but has Sask Forest Products cleaned or not? That's really the next question.

And what I suggest, Mr. Chairman, rather than getting ourselves into a long-legged dispute, this is probably the lowest priority of anything. And if we have lots of time and nothing else to do, we might want to call these people. But it's not a high-ranking problem like many of the other things we have to deal with, because I think it is self-cured in due course.

**Mr. Chairman:** — What you're making, it seems to me, is an elephant argument in favour of calling both Tourism and Sask Forest Products.

**Mr. Katzman:** — If you call Tourism, they can't answer; they've got to bring Sask Forest Products operators with them.

**Mr. Chairman:** — Let's bring them in together.

**Mr. Katzman:** — What I'm saying is that . . .

**Mr. Chairman:** — Crown corporations can't do that.

**Mr. Katzman:** — What I'm saying is, the thing has cured itself now. It is all over in Sask Forest Products. Therefore, I say, I ain't interested in calling them. Or its on a very, very low priority if we're going to call them, because there's other things that are more pressing that are going to continue to happen if we don't stop it. So if one is being cured because of an agreement, why wouldn't we deal with it after we deal with the more priority and pressing items? So if you want to bring them in at low priority, I'm not arguing against you there. But if you're making it a high priority, I think there's other things more important.

**Mr. Chairman:** — . . . (inaudible) . . . Mr. Engel, Mr. Meagher, and then Mr. Weiman.

**Mr. Engel:** — I think this is quite different than what Ralph suggests here. I see four pages here. If you want me to go through it . . . you can all read it. But the auditor uses some very, very tough language here, even in terms of the language that auditors use. We have a situation here that was more than just poorly managed. I think there are risks involved of loss through error or fraud, are words that I see in a number of occasions.

And to say that that's low priority and say that the government doesn't need to be accountable, I think we have a situation here that has four pages of our book, and I know there's only 25 departments and there's 100 pages in the book, so there's four pages for each department, you can argue.

But there are definitely reasons here that I would like to see Tourism and Small Business before us. If they can't answer the questions and have to bring in Sask Forest Products, we can get to the bottom of accounting. Has there been fraud involved; has there been excessive losses; are there more logs brought in than there is lumber sold; is the lumber sold for the right price? All these questions that need to be asked and we don't know if that situation . . . and if we don't raise it, it certainly won't make it in public accounts . . . In Crown Corporations Committee.

**Mr. Katzman:** — Are they not capable of asking this?

**Mr. Engel:** — No. I'm saying they don't have the resources in that committee, of an auditor and staff people, that can point out the deficiencies in the workings of a government. I'm not here to endorse a cover-up and say that, oh, its not a big thing, you know, there's only four pages that use . . . I should have taken a highlighter



for Katzman's good and marked every line that indicates that it's important that we look at it. What was happening here? Who was responsible, and did they misuse their position?

**Mr. Katzman:** — I'm certain Sask Forest Products will be audited?

**Mr. Engel:** — Pardon.

**Mr. Katzman:** — I'm certain Sask Forest Products are now audited.

**Mr. Engel:** — I'm not saying they will or they won't. I think this is worthy, Mr. Chairman, of bringing them before us to discuss these reports that I think are very important.

**Mr. Meagher:** — Well I'm of the view that this raises, at the very least, some interesting questions about accountability when you have one department doing the accounting for a different operation. Just the questions of the inventory alone, just what happened to the materials and this sort of thing, I think would be well worth a couple of questions, and I would like to see them both brought in.

**Mr. Chairman:** — I think that's the proper way to handle it, to bring them both in at the same time. Otherwise they're going to be blaming it on each other.

**Mr. Weiman:** — I just want to clarify a statement that will be on the record, and that is the statement of the member from Assiniboia-Gravelbourg that indicated, and I could almost quote it word for word, that he is not here to endorse a cover-up, which implies that there may be a cover-up. And I just want to make sure that that is clarified. There is no intent of cover-up, but there is an intent of finding out answers to questions and determining what particular forum should answer those questions.

One question that I do have though, I'd be interested in knowing, and I don't think I can have the answer today, and that is to find out whether Sask Forest Products for this particular year has already been before Crown corps.

**Mr. Chairman:** — No, it hasn't.

**Mr. Meagher:** — Let's make a motion that they both are brought in.

**Mr. Chairman:** — All right. Make a motion, Mr. Meagher.

**Mr. Katzman:** — Hold it. Now we're starting a new precedent. You know, Mr. Chairman, if you don't get it your way, you want to play around until you get it your way, and I'm not going to . . . you know, that's not . . . What I said is that what we should do with this is, if you want to put it on the list, put it on the list, but put it down as a lower priority because, supposedly, the comptroller has told is that it's now another area and it should be looked after. So let's look after the stuff that isn't going to be looked after unless we say something about it . . .

**Mr. Chairman:** — One further addendum to the compromise, then I'm prepared to live with it, and that is

that . . . and the low on the priority list, if you like, but that we call them both. I think they should both be here.

**Mr. Katzman:** — You have to. You either have to call them both here or up there, but it's a lower priority than the stuff that has to be cured because the comptroller seems to say that it should now be cured while it's in one department. So in accepting that it makes it a little lower priority than things that says, they ain't going to be cured unless we do something about it.

**Mr. Engel:** — I have a question for the comptroller . . . (inaudible) . . . Did you inquire or indicate or do you think that the questions that he is raising here, there was no check to ensure that the customers were billed for all shipments. Do you feel now that all shipments are billed out?

**Mr. Kraus:** — Well we have no idea of that. I guess the only . . . just to clarify what I had said before is that in the year in question, that this was the responsibility, technically, of Tourism. It was being undertaken by Forest Products. Right or wrong, that was the case. I don't know whether this situation exists now or not, but I do know that the responsibility for these issues are clearly now with the Forest Products.

**Mr. Engel:** — Right. I was aware that he said that, and I wasn't aware that he said that this little operation now . . . and there's more than one.

**Mr. Muller:** — Oh, yes. This will certainly be all billed out properly now through Sask Forest Products because it's all handled through the one corporation. And all the lumber and inventory will certainly be . . .

**Mr. Engel:** — They weren't doing it before. We have no indication that they will do it now because they don't answer or do answer. I don't know if we know those answers, but the auditor raised some serious mismanagement problems and . . .

**A Member:** — That's when it was an orphan.

**Mr. Engel:** — If I can finish my sentence, Mr. Chairman, it's taken as an understanding that this little operation was losing money. And when I read this over, I say, well, maybe this is why they're losing money. And we should be looking at an operation like this because we have responsibility as a committee, public accounts. I see we are charged with the responsibility to see that everything is done above-board. And I don't like words like possible fraud or possible theft or possible loss. Those kind of words shouldn't belong. That's what makes governments look as though they're inefficient and aren't operating well.

So I think we should be looking at saying: have those rules changed; what controls have you put in place; what management techniques have you got in there? And I think those kind of questions need to be answered. And I like the member for P.A.'s suggestion that we look at it, you know, look at their account book.

**Mr. Chairman:** — I'm going to recognize the Provincial Auditor before I recognize Mr. Muller. I don't know

whether you want to be recognized. I'm going to recognize Mr. Lutz.

**Mr. Lutz:** — Mr. Chairman, I wouldn't want us to get lost in this first element of forest products because from page 50 at the top to page 53 near the bottom, the entire discourse refers to the Department of Tourism and Small Business. The matters we report herein are matters we found when doing that audit, including the northern Saskatchewan economic development fund. We were doing the audit for the Department of Tourism and Small Business, and these are the things we found.

**Mr. Chairman:** — All right.

**Mr. Muller:** — This has no reflection on auditing of Sask Forest Products, and Sask Forest Products now having the complete operation; their inventories are certainly kept well up to date.

**Mr. Lutz:** — Mr. Chairman, I don't do the audit of Sask Forest Products, so I can't really comment on that. But this is to do with Tourism and Small Business.

**Mr. Chairman:** — All right. I gather then, gentlemen — do I? — it is agreed we will call them, with a low priority on it, whatever that may mean, and with them both coming. We'll call both the officials of the Saskatchewan Forest Products and the Tourism and Small Business.

Urban Affairs. Mr. Provincial Auditor, you have not audited the financial statements yet from the northern revenue sharing trust? I'm sorry. I'm on to page 53, 2.15. You haven't done your audit yet for the year ending 1985?

**Mr. Lutz:** — Oh we've done our audit. I believe the statements haven't come back, and therefore I haven't issued my auditor's report thereon. It requires treasury board approval of these things before I'll sign them.

**Mr. Chairman:** — Ah!

**Mr. Lutz:** — I believe we've done all our audit work, but it's just that, you know, we send these away to get treasury board approval . . . (inaudible) . . . and sometimes they take a little while.

**Mr. Chairman:** — Mr. Kraus, can you help us here?

**Mr. Kraus:** — I'll speak to this for a minute and maybe turn it over to Mr. Benson. It's a fairly technical thing, and part of the problem here is that there's an inability to determine whether the financial operations of the hospital and the assets of the school facilities in the northern settlement of Uranium City should be reflected in the financial statements or not.

You have to look at this from the perspective that there isn't really anything wrong here, but the way this thing has been constructed, with agreements and the laws that affect it, it's not clear as to who is accountable for these assets. And the way this fund has accounted for them has left the auditor in a position that he isn't sure whether they should be, or somebody else should be. But that's the issue. I don't think that there's anything necessarily wrong per se. And maybe I should let Mr. Benson explain it,

because it's fairly technical.

**Mr. Benson:** — Mr. Chairman, what happened was: when Uranium City collapsed, it became a northern settlement, and previously those assets and operations were operated by Uranium City. And we had to put those assets and operations somewhere, so the assets were placed in the trust fund, and the financial operation of the hospital was left with Saskatoon City. Right now the situation is that negotiations are being conducted with both the Departments of Education and Health to determine where the ultimate destination should be, because probably Urban Affairs shouldn't be looking after these things. There will be a legislative amendment once the officials, I guess, have determined where these things should lay.

I don't think the auditor is raising an impropriety. He's just saying where . . . He doesn't know where the proper accountability should be established, and therefore he's denying spending.

**Mr. Weiman:** — I don't wish to put motives or words into the mouth of the auditor, but how I read this one, 2.15, is: the auditor is saying he would like to reserve judgement. It's almost like an "if" clause on the top of page 54: "Accordingly, should my report . . ." You know, it's almost, you know, a very heavy "if" clause:

. . . should my report on the 1984 financial statements contain a reservation of opinion, I will provide details of any reservation in my 1986 annual report.

So as I said, I don't want to put words into the mouth of the auditor, but it seems to me that he's bringing this forward as a caution, and he wishes to reserve judgement or opinion to a later date. I hope I'm not putting words in your mouth, Mr. Lutz.

**Mr. Lutz:** — Mr. Chairman, I think in essence that is quite correct. I believe you've read the position very accurately. I'm required by legislation to report annually any reservations in opinion. I'm also required to do this work. What I've really said here is: we haven't got all this work done; if there happens to be a reservation in opinion for this report which hasn't been finished yet, I'll report it next year. That's really what I'm saying to you.

**Mr. Chairman:** — I'm satisfied with that, and supplemented by the comments of Mr. Benson.

**Mr. Engel:** — Look, is there a lot of red tape involved, or will the department be able to bring this to a head or . . . It sounds here that we don't have that audited report in our hands. It's treasury is the only people that have that, eh?

**Mr. Benson:** — Well the financial statements have gone ahead and . . .

**Mr. Engel:** — They're printed, I mean, the expenses and . . .

**Mr. Benson:** — They aren't in this year, okay? It's just been recently that we've sent them for treasury board approval. And it accepts . . . they've got "contained a

denial of opinion from the auditor.”

**Mr. Lutz:** — Well I believe this arises from the old NAD trust, which became the northern revenue sharing trust account, correct? And part of the assets of the old NAD trust was the hospital in Uranium City and the school and the school district or something . . .

**Mr. Benson:** — Northern Lights.

**Mr. Lutz:** — . . . or whatever it’s called, Northern Lights, thank you. And our problem with this one is that nobody seems to have inherited the assets, the liabilities, the operations, of these two things. I think Saskatoon City Hospital is more or less doing the hospital work on a contract, but we don’t know where these should rest. So right now it’s pending, and that’s . . .

**Mr. Katzman:** — Let’s just leave it at that and go on to the next one.

**Mr. Lutz:** — Yes.

**Mr. Chairman:** — Yes, it’s just the same as if that’s something we need to involve ourselves in — a new generation of legislators after the election — and let this one — if there’s any of us left . . .

**Mr. Katzman:** — There’s only two guys in this room who will be back, and they’re both sitting on each side of me.

**Mr. Chairman:** — Well I’m sure Mr. Weiman will do a grand job.

**Mr. Chairman:** — The Milk Control Board — when I read this . . . I’ve had some concern because it involved the producers. The taxpayers are the taxpayers, but the producers are the producers. I’m sure they rely with blind faith on what the Milk Control Board does. I would be amazed if there were a Volkswagen full of producers who keep accurate accounts and check the figures when they get their money back. I may be wrong.

**Mr. Katzman:** — You’re wrong.

**Mr. Chairman:** — Is that right?

**Mr. Katzman:** — Oh, they’re like . . . They’re checking that line and column when it comes to overpayment and overproduction like you wouldn’t believe, Ned.

**Mr. Chairman:** — Well you guys obviously know something about dairy producers that I don’t. Is there a problem with this, with the producers? Are they . . . Allen? Allen’s reading it. I’m looking for some advice here. It’s not something that I obviously know a great deal about.

**Mr. Katzman:** — Okay. I will give you two opinions here. think item (2) on the list . . . I’m assuming the issue here is that the interest was not credited to the account, and that’s the issue on item (2). And it doesn’t . . . Because their year is till July 1st, if it was credited over in January or February, that would be sufficient as well — or March. So I’m making an assumption, Mr. Auditor. Or can Mr. Kraus

**Mr. Kraus:** — Well on item (2) here the milk board had actually entered into an agreement with the bank account whereby, when there were excess funds, the board would receive a special interest rate on these excess funds while the interest was earned, but the bank neglected to actually give them credit for that interest. And now the bank was contacted, and they did get the interest they were entitled to, and of course the board will be making sure that the bank gives them interest when they are, in fact, entitled to it. So there is no money lost or anything. It was just the bank was slow to credit interest to the bank account.

**Mr. Katzman:** — And it was still . . . They got it within the financial year, so we’re okay there. That’s my question. Because their year is July or something, August 1st, the end of July? What are you looking for? It’s under Agriculture.

**Mr. Chairman:** — It is under Agriculture, is it?

**Mr. Katzman:** — I believe it’s under Agriculture, isn’t it? Milk Control?

**Mr. Weiman:** — It will probably be under Advanced Education.

**Mr. Katzman:** — You got out of the right side of the bed. Duane’s in a good mood this morning.

**Mr. Chairman:** — I’m reasonably satisfied it’s not in the . . . (inaudible) . . . here. Can either of you gentleman give me some help? Can we find this thing? Mr. Kraus?

**Mr. Kraus:** — Are you looking for the financial statements?

**Mr. Chairman:** — Yes.

**Mr. Kraus:** — They may be tabled separately in the House. Not all financial statements make it into these volumes. The Liquor Board’s another one, for example, that’s tabled separately.

**Mr. Chairman:** — The Milk Control is not a Crown corporation?

**Mr. Benson:** — It’s a body corporate.

**Mr. Chairman:** — It is a body corporate?

**Mr. Benson:** — Yes.

**Mr. Chairman:** — What kind of a body corporate is not a Crown corporation?

**Mr. Benson:** — That’s new legalese.

**Mr. Chairman:** — I’m surprised. It’s a body corporate but not a Crown corporation.

**A Member:** — Right.

**Mr. Chairman:** — Who is the shareholder of this august body if the Crown isn’t?

**Mr. Katzman:** — The total expenses of the Milk Control Board, I understand, except for some item, are paid for by the producers. There is a levy comes off their cheque to pay for the cost . . .

**Mr. Chairman:** — Are they the shareholders of it?

**Mr. Katzman:** — I guess . . . I don't know if it has shareholders. It's just a board that takes the money in, issues it out, issues in and out the quotas, and is paid for out of the money that the dairy farmers get from . . .

**Mr. Weiman:** — Is it similar, except for a difference in semantics and terminology, is it similar to the hog commission? Could we call it a commission?

**Mr. Katzman:** — Yes.

**Mr. Chairman:** — A commission is not a body corporate.

**Mr. Weiman:** — No, but do you know what I mean? The operation and the . . .

**A Member:** — It can act in its own right.

**A Member:** — Yes, to clarify it a bit, let's call it the milk commission.

**Mr. Katzman:** — Yes, but the people that are appointed are recommended by the different groups of the dairy industry.

**Mr. Lutz:** — Mr. Chairman, in this part (2) I'm not complaining about them making an agreement with the bank to receive interest. I object to the fact that they don't have in place a management system which would even follow up their own agreement. Somebody forgot to say, look at it later and see if they paid. That's really my point here.

**Mr. Katzman:** — And Mr. Kraus said it's cured now, correct?

**Mr. Kraus:** — Yes, that's correct. Yes.

**Mr. Chairman:** — Okay. It's not going to cause rioting in my riding, I can tell you that.

**A Member:** — Well I have 64 per cent of the dairy in my riding. Obviously I'm watching their industry.

**A Member:** — And relating to them about milk control.

**Mr. Chairman:** — That comment really deserves to be put on the record.

Okay. At 9:30 we are going to have the Municipal Employees' Superannuation Commission here.

**Mr. Katzman:** — And there's no sense dealing with 2.17 then.

**Mr. Chairman:** — No, why don't we go to 58?

I take it it's agreed: the Milk Control Board, we'll leave them to the tender mercies of the member from Rosthern,

I guess.

**Mr. Chairman:** — Apparently we have centres which are not able to properly manage their affairs, or weren't at the time the Provincial Auditor was . . .

**Mr. Katzman:** — Don't change your procedure, Mr. Chairman.

**Mr. Chairman:** — Well I'm not so sure.

**Mr. Katzman:** — Can I ask the comptroller if this has been cured or not?

**Mr. Chairman:** — I see. I'm sorry, I misunderstood you.

**Mr. Benson:** — What has happened is that the statements by the Provincial Auditor, of course, are accurate. And the alcoholism commission in April of 1985 took more direct control of what was happening at the rehab centre, and they've set up a record-keeping system that is supposed to provide better information.

Now because of the location of the centre, there's no way that SADAC (Saskatchewan Alcohol and Drug Abuse Commission) really knows whether the numbers are 100 per cent accurate or not. But the accountant advises us that he reviews them monthly now, and he thinks that they're in line; it's what they would expect. So without conducting an audit, you wouldn't really know whether the thing is resolved or not.

**Mr. Katzman:** — The only part that bothers me, what about this \$31,000 overpayment to Mr. . . . Who was the individual? Was Mr. Faris, the fellow that got paid \$31,000 too much?

**Mr. Chairman:** — Doesn't sound like Mr. Faris.

**Mr. Katzman:** — I just thought I'd ask the question. He was the chairman.

**Mr. Chairman:** — Not during this time period.

**Mr. Katzman:** — Yes, he was around for about a year or two after.

**Mr. Benson:** — It's Crosthwaite, isn't it? Crosthwaite; isn't he the old chairman, former chairman?

**Mr. Chairman:** — Yes, he's the former chairman.

**Mr. Katzman:** — So he was paid \$31,000 too much?

**Mr. Benson:** — It's a technicality. According to our information he was paid in accordance with what the intent was, but by neglect they didn't change the OC and so technically he was paid the incorrect amount.

**Mr. Katzman:** — But it all got settled up after; is what you're saying.

**Mr. Chairman:** — What were the terms of the . . .

**Mr. Katzman:** — Hold it, Ned — hold it.

**Mr. Engel:** — Was there a retroactive order in council passed to cover the overpayment?

**Mr. Chairman:** — Just a moment. Do we want to go off the record on this?

**Mr. Katzman:** — Turn the mikes off.

**Mr. Chairman:** — Yes, we'd like to go off the record for a moment.

Thank you. With respect to the \$94,000 then, the information you have, Mr. Benson, is that this has been cured, is it?

**Mr. Benson:** — That's our understanding.

**Mr. Chairman:** — Okay. Anyone feel any need to call the SADAC, as the officials call it?

**Mr. Chairman:** — Saskatchewan Arts Board. For some reason or other the Department of Culture and Recreation decided to chisel the arts board out of \$43,000.

**Mr. Kraus:** — Well, Mr. Chairman, this is an issue I think the committee dealt with one or two meetings ago where there's several Acts in place that say that moneys appropriated "shall" be paid. And there's going to be a letter written, I believe by the Clerk, to perhaps the Premier, asking that these three Acts — and this is one of them — be amended so that the wording be permissive . . . Be "may" be paid.

**Mr. Chairman:** — You're right.

**Mr. Katzman:** — If people don't pay the money promptly . . .

**Mr. Chairman:** — Yes, you're right.

**Mr. Benson:** — Just by way of information, is something happening on that?

**Mr. Chairman:** — By the way, has something happened on that?

**A Member:** — No.

**Mr. Chairman:** — It's in the same category as our grits and eggs.

**Mr. James:** — A letter hasn't been written to the Premier because I was hoping the committee would want to include this in their report rather than in a separate letter off to the Premier.

**A Member:** — No. The Premier has been informed there is a letter forthcoming.

**Mr. Chairman:** — That may be a little late. Draft up the letter and Cal and I will sign it and we'll get it off.

Are we back on the record again?

**A Member:** — Yes.

**Mr. Weiman:** — It's just one of those . . .

**Mr. Chairman:** — Well that doesn't cover 2.19(2) I don't think, does it?

The Saskatchewan Arts Board has set student fee levels for the Summer School of the Arts and collected fees amounting to \$198,921 for the year under review. There appears to be no specific authority under the governing legislation to assess and collect these fees.

**Mr. Katzman:** — How many years have they been collecting fees?

**Mr. Lutz:** — Oh probably . . .

**Mr. Katzman:** — Thirty years?

**Mr. Lutz:** — No I don't think — maybe 20 years.

**Mr. Chairman:** — Mr. Benson says 20.

**Mr. Lutz:** — Maybe 25 years, who knows.

**Mr. Chairman:** — Perhaps we ought to include this in the legislation as well if that's a problem. I don't know why we don't tidy the whole mess up at once, Mr. James.

**Mr. Benson:** — We're advised, Mr. Chairman, this could be done by regulation. It wouldn't have to require legislation.

**A Member:** — Yes, just turn it over to the Premier to have a regulation for this.

**A Member:** — Trust me, Mr. Chairman.

**Mr. Chairman:** — Trust you; I do, I do. Okay, item 2.20.

Saskatchewan Beef Stabilization Board, a little tardy in mailing out the invoices, aren't they?

As at the conclusion of my (the) audit on June 3, 1985, the Board had not yet mailed out the invoices for the year ended March 31, 1984.

Not very timely.

**Mr. Katzman:** — What kind of invoices?

**Mr. Engel:** — Ask the question again.

**Mr. Katzman:** — What kind of invoices?

**Mr. Chairman:** — I'm not sure which one of the Provincial Auditor's staff . . .

**Mr. Lutz:** — Mr. Chairman, the middle paragraph on page 60 attempts to explain how these things arise. Do you wish me to read it, or do you want to read it to yourself?

**Mr. Chairman:** — No, now that you point . . .

**Mr. Lutz:** — I think it's in there.

**A Member:** — Yes, “animals enrolled and animals marketed” . . . “The differences calculated will be invoiced . . .”

**Mr. Chairman:** — It sounds like we should have a talk with these lads.

**Mr. Kraus:** — Mr. Chairman, as Mr. Lutz has pointed out, they’ve had difficulty in billing these producers in a timely manner. There are a number of reasons that they have, but still there’s no doubt it’s unacceptable.

**Mr. Katzman:** — Is it cured?

**Mr. Kraus:** — Well, they have implemented a new system. However . . .

**Mr. Chairman:** — That was the source of their problem in the first place, wasn’t it?

**Mr. Kraus:** — Well, yes. The thing was they were involved in implementing a new computer system, and sometimes that can make it worse for a while before it gets better.

**Mr. Chairman:** — Automated confusion. It sounds like that’s what’s happened.

**Mr. Kraus:** — However, you know, at this point in time we can’t say that they’d resolved their problem. We know that what they were planning on doing should resolve it.

**Mr. Katzman:** — Well could I ask another question then? Should we wait one more year before we call them to see if the new system did work or not? Because we have done that when somebody’s automated. We said, okay, we’ll leave them one more year before we call them.

**Mr. Chairman:** — It seems to me Agriculture’s coming anyway. Why don’t we just tell them to catch the beef stabilization board by the scruff of the neck and bring them with them.

**Mr. Katzman:** — Well, the problem with them is it’s like the pork commission. It’s another separate board.

**Mr. Chairman:** — I don’t know how the rest of you feel. In my view we should have these people here and raise these questions with them if we’re not satisfied.

**Mr. Engel:** — From strictly an MLA’s point of view, there are problems with the beef stabilization board now. I have farmers coming to me, and even small ones that have a small herd. Somebody will have 12 head registered with the plan, and he decides that because the prices are low or whatever, that he doesn’t sell any of those 12 that he’s got registered. But if he’s got 16 altogether and only registered 12, he’s got himself a problem if he markets some, either through the board or out.

I have one example of a guy that they’re dickering with right now, or dealing with, and trying to solve his problem. And he took some to their purchasing centre. They said that . . . I’m not sure if they just weren’t buying

that size. Picked them up there and took them over to another place and sold them and double-billed. So, you know, the producer is complaining as well as the problem here of that we’re not collecting enough. I’ve got a situation where a guy feels he’s paid in twice, you know, on the same animal because they were dropped off and then sold again. At the year end they’d pick them up.

So I don’t know if that new computer is going to solve it. It’s not as good a program as it was when it was originally implemented, and pay-outs were made, and farmers were happy. They are now crying and complaining.

**Mr. Chairman:** — Better call them, I think.

**Mr. Engel:** — Because they’re being charged and they’re not getting benefits on it at all.

**Mr. Katzman:** — Well, I’m of the other opinion, Mr. Chairman. I think it’s better now than it was six months ago or a year ago.

**Mr. Engel:** — Speaking as a producer or a politician?

**Mr. Katzman:** — Speaking as the amount of complaints that I get in my door.

**Mr. Engel:** — They’ve given up on it.

**Mr. Katzman:** — No, I don’t think that’s the problem because I get them out of your riding, and what they’re saying to me is it’s a lot better now. All I’m saying is that I don’t care what you do with it, Mr. Chairman — but I’m just of the opinion that it seems like they’ve changed system. The first year they’ve got some problems, which they always do when they computerize. The comptroller says that he thinks they’ve done something, but he doesn’t know if it’s going to work or not. I’m prepared to give them, you know, the 12 months to find out. If somebody’s not prepared, I can live with that too.

**Mr. Muller:** — Well, certainly I’ve been involved with the beef stabilization board under both programs, and I certainly like it the way it is now. And being in the feeder-finish program, which I don’t have any cows, certainly has worked very smoothly for me. I’ve never been overcharged or undercharged, and I’ve always received my stabilization when there was some forthcoming. You know, I have really no problem with it.

Now there may be some small problems in it, but I’m sure that the new system will clear it up.

**Mr. Chairman:** — Well, I’m not going to make a case . . . (inaudible) . . . I would have called them.

**Mr. Engel:** — Is there a problem with people trying to get out of it? Are there a number of them or . . . It doesn’t look like a big amount if the refund has only been 24,032 . . .

**Mr. Muller:** — The only way you can get out if it is on a three year . . . You have to give notice three years in advance and . . .

**Mr. Engel:** — Not according to this. On the top of page 61:

A participant may withdraw from the plan, with the board's permission, if he pays to the board all of the payments that he has received under the plan with interest less any levies deducted.

**Mr. Muller:** — Oh, certainly. He can reimburse the money and get out of it immediately, or he can wait three years . . . get out of the cattle business, wait three years and be out of it automatically.

**Mr. Katzman:** — Let's move to the next one. There doesn't seem to be any demand for it.

**Mr. Chairman:** — Okay.

**Mr. Engel:** — I am convinced if the new system is in place, that if it's going to work, I have no problem, other than . . .

**Mr. Chairman:** — Okay. Centre of the Arts. So, the boys went to the bank and floated a small loan, did they?

**Mr. Katzman:** — Has it been cured?

**Mr. Benson:** — Yes, they got a line of credit approval from the Minister of Finance in March of this year.

**Mr. Katzman:** — Good enough.

**A Member:** — Let's go over to the crop insurance.

**Mr. Chairman:** — We've certainly going to want to call crop insurance, I think. That's just a given.

**Mr. Katzman:** — No, it isn't.

**Mr. Chairman:** — Well I tell you, I'm an urban member, and in the year under review I was getting complaints about this mess, and it had nothing to do with the program itself.

**A Member:** — You had constituents applying, didn't you?

**Mr. Chairman:** — I had constituents who wanted to know if they could get their gardens in on this boondoggle. No. I had complaints from farmers about this thing, and I have got to be as isolated as any member from rural people, and I was getting complaints about this thing. Not the program; just an unbelievable administration. I assume we're going to call these people. Allen, this is really your . . .

**Mr. Engel:** — Oh, absolutely.

**Mr. Chairman:** — Yes, this is just a given.

**A Member:** — Looking at the beef folks, too?

**Mr. Chairman:** — No, I think we're going to let the beef folks go. I think we're going to take somebody's word for it.

**Mr. Katzman:** — Hold it. hold it.

**Mr. Chairman:** — Hold it, hold it. You want to call the

beef?

**Mr. Katzman:** — No.

**Mr. Chairman:** — No?

**Mr. Katzman:** — No. I'm talking crop insurance and, Mr. Chairman, what is in the report is what I want to deal with, not about other things that are not in this report.

**Mr. Chairman:** — What's that? Well finish up, and then I'll make a comment.

**Mr. Weiman:** — It seems to me that you want to talk about a case of leprosy over the whole body as opposed to one little wart.

**Mr. Chairman:** — Well . . .

**Mr. Katzman:** — Mr. Chairman, just a minute. Could I ask the auditor — sorry, the comptroller — once again: the comments made by the auditor, have they been looked after or not? I mean, you're not even allowing us to deal with the issue that's raised here first.

**Mr. Chairman:** — Okay. I'll deal with that one. I just thought we might save ourselves some time since there are other issues that I think we should be raising, apart from what the Provincial Auditor . . . But perhaps the Provincial Auditor will comment with respect to . . . And I'm not sure what the question of the member was. What did you ask the Provincial Auditor?

**Mr. Katzman:** — Well, if I can get the comptroller's opinion. Mr. Comptroller, what is the position of 2.22 now?

**Mr. Kraus:** — Well this issue was resolved. Do you want some of the detail behind it or . . .

**Mr. Katzman:** — No, that's what my question was.

**Mr. Kraus:** — It was resolved.

**Mr. Katzman:** — Now we're into another issue, Mr. Chairman.

**A Member:** — Indeed we are.

**Mr. Katzman:** — Indeed we are.

**Mr. Chairman:** — The mandate of the committee, I remind the members, is broader than the mandate of the Provincial Auditor. The mandate of this committee includes inquiring into the efficiency, effectiveness and economy with which expenditures are made.

The role of the Provincial Auditor doesn't go that far, and in my view — thank you very much — in my view this was a mess.

**Mr. Katzman:** — No, no. The department, you may be saying, is.

**Mr. Chairman:** — No, this crop insurance corporation was a mess.

**Mr. Katzman:** — But you're not talking about item 2.22.

**Mr. Chairman:** — No, I'm not. I'm talking about other issues that are not raised by the Provincial Auditor and are not within his mandate but are within ours.

**Mr. Katzman:** — I'm not arguing with you. I'm saying that let's deal with 2.22 first. Then we can deal with the other broad base that you want to start talking about.

**Mr. Chairman:** — Okay. I had kind of assumed that 2.22 . . .

**Mr. Katzman:** — . . . is cured, from what we were told.

**Mr. Chairman:** — That's right. That was the assumption as to my comments . . .

**Mr. Katzman:** — All right. My second comment is, Mr. Chairman, we are now into what I think is a fundamental decision here, and for the first time I may even move a motion that we don't call this thing here. And I am setting a precedent that I don't like to set. But it goes to Crown corporations, and they argue the policies and the procedures. And that's really what I think Mr. Chairman wants to argue here — not the financial things.

So it goes to Crown, I believe, is where it should be dealt with, not here, on the other issues.

**Mr. Chairman:** — Is this a Crown corporation?

**Mr. Katzman:** — Yes.

**Mr. Chairman:** — Is this a Crown corporation?

**Mr. Benson:** — It's a treasury board Crown.

**Mr. Katzman:** — Hold it. It's been called Crown corporations when I was there. Could we put this on delay and have the Clerk check, please, with upstairs, if it's ever been called a Crown corps.

**Mr. James:** — I'll do that.

**Mr. Chairman:** — Why don't you do it right now. Is there someone . . .

**Mr. Katzman:** — That's a fundamental decision to the arguments here.

**Mr. Weiman:** — Well I would think that if you are giving a ministry without portfolio in charge of something, that tends to indicate that it would be a Crown, would it not? Otherwise you would have a ministry with portfolio.

**Mr. Katzman:** — No.

**Mr. Weiman:** — No?

**Mr. Chairman:** — A minister without portfolio is that — a minister without a department. That's all the word "portfolio" means in that context — a minister without a department.

**Mr. Katzman:** — It's been called Crown corporations?

**Mr. James:** — I don't know whether it's been called one, but it must be, because it is a Crown corporations.

**Mr. Katzman:** — Which it's been called a Crown corps while I've been there. And that's what I'm saying.

**Mr. Chairman:** — All right.

**Mr. Weiman:** — If it's not given a department, that means it's not a line department and it's . . .

**Mr. Katzman:** — No, no, that's a different issue, Duane. I'm saying it belongs upstairs with Crown.

**Mr. Engel:** — I could make a point that there'll likely be a bigger problem than a smaller one, as far as this point being resolved. I think the problems that Ned was talking about in crop insurance, if I can just make a specific example . . . We're not under the year under review.

The changes came last year in the middle of the year when I had insurance, and somebody decided to change my insurance for me in the mid-stream. And that created a lot of questions about what's covered, what isn't covered; what's five bushels — or is it a five-bushel cut-off or a five-bushel deductible? And that whole bottle of wax created a big problem. But that's not under the year under review. That is this year coming up, Ned. And I don't know how I can justify arguing with these guys saying that this one should be covered or be called when the auditor doesn't even mention it. But I bet you we don't have an election and we're here before April next year; we'll be looking at that one because, like Ned says, it's been a big problem.

**Mr. Katzman:** — It'll be up in Crown corporations this year.

**Mr. Kraus:** — I just want to clarify something.

**Mr. Chairman:** — I'm sorry but Crown corporations never gets around to doing anything.

**Mr. Katzman:** — They were at it last week and this week. They're at it this morning.

**Mr. Kraus:** — Obviously a body can be a corporation and be a treasury board corporation or a CIC corporation. And the next three . . . well we're talking about crop insurance, forest products, and housing. Crop insurance, although it may have appeared before the Crown Corporations Committee, to the best of my knowledge — and I haven't got my books here so now I'm wondering — but to the best of my knowledge would be like Sask Housing. It's a treasury board Crown. That doesn't mean, I suppose, it couldn't be called a Crown corporation.

**Mr. Katzman:** — Sask Housing is Crown.

**Mr. Kraus:** — It's treasury board? Right.

**Mr. Katzman:** — Sask Housing is called; Sask Forest Products is called to a Crown corporation.



**Mr. Kraus:** — Are they?

**Mr. Katzman:** — Yes.

**Mr. Kraus:** — Well, housing corporation though, technically, is a treasury board Crown, as is crop insurance. But Forest Products is clearly in CIC, and we don't have anything to do with it, although I guess these corporations could all be called up.

**Mr. Engel:** — They are now. All Saskatchewan does with the crop insurance is administer the program, pay the administrative costs. The federal government are the ones that match my premium. If I pay a \$4,000 premium, that \$4,000 is matched by the federal government, and then the province pays the administration costs and the people that are running the insurance programs.

**Mr. Katzman:** — To 90 per cent. You're not totally correct. The province does pay some . . . (inaudible) . . . because of . . . (inaudible) . . . deficit. So it depends on the issue.

**Mr. Engel:** — Well that is new this year, that those added benefits that the province decided to hook on to crop insurance rather than make general benefits — they tied it onto that wagon. But has one created other problems in drought areas?

**Mr. Katzman:** — . . . (inaudible) . . . get ready for 9:30.

**Mr. Chairman:** — . . . (inaudible) . . .

**Mr. Engel:** — I don't know, Mr. Chairman. I was just thinking out loud here. But if you feel that something else is more opportune for us to call . . . If we're confined to this one case here.

**Mr. Chairman:** — No, I don't . . . We're not confined to the one case, but you are confined to the year under review ending March 31, 1985.

**Mr. Engel:** — And before this administration decided to hang some political kudos onto crop insurance, there wasn't too much problem with crop insurance. Crop insurance has been running reasonably smooth.

**Mr. Katzman:** — Let's move along — 2.23, Sask Forest.

**Mr. Chairman:** — 2.23, Saskatchewan Forest Products.

**Mr. Weiman:** — I would just like a clarification on this. My reading of it states that basically it's procedural and perhaps a function of security at the same time.

**Mr. Engel:** — Well they're coming anyhow. We've already agreed to call them, so I don't think let's take a lot of time.

**Mr. Weiman:** — Am I right, Mr. Lutz, on that one, in terms of access to . . .

**Mr. Lutz:** — It's an internal systems problem, Mr. Weiman. They haven't put in place all of the system steps they should have in place to protect assets, guard revenue.

**Mr. Katzman:** — New question. Has it been resolved, Mr. Comptroller?

**Mr. Kraus:** — This is a corporation I can't address because it's a Crown.

**Mr. Katzman:** — Mr. Auditor, do you know if it's been resolved?

**Mr. Chairman:** — Let's not get on the business of following up. We can ask them when they're here.

**Mr. Katzman:** — Fair game.

**Mr. Chairman:** — Saskatchewan Housing Corporation.

**Mr. Katzman:** — Well without arguing a long one, I think these people have to come in because they've had a problem with their control systems before. And it's an ongoing problem, I think.

**Mr. Chairman:** — All right. Let's not spend a lot of time on it then. We're actually making progress this morning. We're going to shock ourselves.

Gentlemen, I propose that we take a 15-minute seventh inning stretch here before 9:30.

**Mr. Katzman:** — Mr. Chairman, I would like to argue with you and suggest that we only have a few pages to go and we take our stretch prior to page 77 — at page 77.

**Mr. Chairman:** — We aren't going to get a stretch. We can do it after. If it's only going to take five minutes, I'll take five minutes when we're done. I don't think the municipal boys will take that long.

Okay — 15-minute break, gentlemen.

**Mr. Katzman:** — So you don't want to finish these and then take the break and then do municipal?

**Mr. Chairman:** — I would rather not. I don't want to impose my will on this thing. I would rather not. The folks are coming in at 9:30. We should be courteous and deal with them properly at the time.

**Mr. Katzman:** — Okay. I thought we could finish first.

#### **Public Hearing: Municipal Employees Superannuation Commission (continued)**

**Mr. Chairman:** — I call the meeting to order. Now, I think no lengthy introduction is needed, gentlemen. We are picking up where we left off three weeks ago, and I'll leave it to you, gentlemen.

**Mr. Benson:** — I would just like to introduce a member of my staff. This is Al Collins.

**Mr. Chairman:** — Oh yes. I didn't see you there behind Mr. Muller. Welcome.

**Mr. Katzman:** — Well it's a compliment that you are so tiny you can't be seen.

**A Member:** — That's right.

**A Member:** — Either that or Mr. Muller blocks out a fair . . .

**Mr. Chairman:** — As I say, no lengthy introduction is needed, gentlemen. I'll let you report to the committee.

**Mr. Jonsson:** — I believe the comptroller will be leading off, Mr. Chairman.

**Mr. Kraus:** — I will just make a couple remarks and then let Gary Benson present the material.

I think we have a solution here that does two things: one, that it meets the requirements of the Provincial Auditor and maybe goes a little bit beyond what the auditor might need legally; because we were picking up obviously from the committee that there was information that they felt should be presented in the financial statements that weren't necessarily required by law but maybe would make for better financial presentation, not only for the members of the legislature but for the people that fund the plan and for the members of the plan.

So with that in mind, that's the financial statements that have been put together to meet those needs, both the legislative needs and what you, as one of the users, are asking for.

**Mr. Chairman:** — All right. Mr. Katzman has a comment I think he wants to get in before Mr. Benson starts.

**Mr. Katzman:** — I would hope that in your presentation, Mr. Benson, you could go through all the steps of what we would see. And what I'm looking for is: does it show us the three systems of pensions that are involved in the reporting at the end? That's my only comment.

Because we have a savings plan, we have a formula plan, and we have a cash plan. We also use part of what I will call the cash plan where 17 per cent extra is being put in by both sides, which is used — one side uses theirs to give better benefits to those that weren't there before, and the other says, no, it's a saving plan for the employees.

So hopefully, when you're doing it, you'll be able to show all that.

**Mr. Benson:** — Okay. I'll leap into action here.

**Mr. Katzman:** — He's not quite as agile.

**Mr. Chairman:** — Yes, well this is going to be the start of an Irish jig, is it?

**Mr. Benson:** — I'll try to introduce the material in hopefully simple terms, and maybe then the committee can ask some questions if things aren't clear to them.

**Mr. Katzman:** — You need a mike turned, or can you get it around?

**Mr. Benson:** — Yes, I must have twisted that. What the financial statements, the format of the financial

statements, will look like is try to provide information on what we're calling four pots of money.

**Mr. Chairman:** — I didn't catch your first comment. Four what . . .

**Mr. Benson:** — Four segments of what is going on in the fund. The first segment . . .

**A Member:** — Yes, there is four pots. That's right.

**Mr. Benson:** — . . . is simply the annuity portion. And that's when an individual superannuates from the old money purchase plan. His contributions, plus the employer's contributions, with interest, is transferred over here. An annuity is purchased, or he can go outside and buy an annuity. But if he purchases an annuity from the fund, then that will show up there. And that's fairly straightforward, as is the money purchase plan. Its simply the contributions with interest.

Then we have the Devine . . . the defined benefit plan.

**A Member:** — All right, do we want to talk about a Freudian slip? You want to talk about a Freudian slip . . .

**Mr. Chairman:** — The witnesses are thankful they didn't do that, I think.

**Mr. Benson:** — And into that segment there's two portions that are flowing: 7 per cent provided by the employees and 7 per cent provided by the employer — the same.

**Mr. Katzman:** — 17 or 7?

**Mr. Benson:** — 7 per cent of wages.

**Mr. Katzman:** — Oh, sorry. Okay

**Mr. Benson:** — Now, then we've created another portion, and that's for the supplementary benefits.

**Mr. Katzman:** — Okay, that's what I was looking for. That's the one that's giving me all the trouble.

**Mr. Benson:** — And in reality, since the money purchase plan is dealing primarily with older people now, there are not forfeitures coming out of that plan any more. So what the supplementary benefit segment will be . . .

**Mr. Chairman:** — How do you mean no forfeitures? I'm sorry.

**Mr. Benson:** — Well up until recently, if an employee left the plan, the employees portion was forfeited to the plan. Since these people are getting older and nearing retirement, they aren't moving off into another plan. It's just, in effect, not what's happening. I think in 1983 there was \$53 in forfeitures, so it's immaterial.

**Mr. Katzman:** — Can you explain it, Ned, how is you and I aren't moving off our plan and they're not moving off theirs, the people that are on them.

**Mr. Chairman:** — No, if we retired we'd get it. We

wouldn't forfeit on it. We'd get the pension. Okay.

**Mr. Katzman:** — Right.

**Mr. Benson:** — So the way the model is set up is if the commission wants to award supplementary benefits to all superannuates, they would have to come out of this segment, okay. So what will be clear in the future is where is the money coming from to fund the supplementary benefits. And in reality it's going to come out of the actuarial surplus from the defined benefit plan.

**A Member:** — Okay.

**Mr. Weiman:** — Of course that arrow could go back up to . . . the supplementary benefit . . .

**Mr. Benson:** — . . . (inaudible) . . . there was an actuarial surplus in here, sure, it would be at the discretion of the commission to move those moneys around.

**A Member:** — Sure, okay.

**Mr. Benson:** — And the same rules would apply to the commission. I mean they can't award a supplementary benefit unless the fund as a whole has an actuarial surplus.

**Mr. Chairman:** — The elocution is great, but you're moving away from the mike and the . . . You're giving *Hansard* grey hairs. Just stay at the mike.

**A Member:** — Okay, maybe we can leave it at that and I can let . . .

**Mr. Katzman:** — Let me ask a question. We have our annuity, our defined pension plan, benefits plan, and we have the money purchased all showed on the wall. You are the employer, I am the employee. I put in my 7 per cent, into the defined benefits plan and what have we been told to this point, 17 per cent of what I put in and 17 per cent of what you put in are actually surplus to what was required today. Therefore, you take my 17 per cent and put it into a special saving plan or a special additional plan that I will get benefits from, and the 17 per cent that is overpaid by you is being used up to now to give extra benefits to people who didn't pay for them.

**Mr. Benson:** — In our opinion, and maybe the officials from . . . (inaudible) . . . will want to clarify that. Under the defined benefit plan the contract that you have is that if you make 7 per cent of your wage as contribution into the fund you'll get a pension.

**Mr. Katzman:** — Right.

**Mr. Benson:** — The amount the employer pays doesn't have to match, okay, and it's by way of contract where the employers . . . like for example, in the pension plan that the government has, the government doesn't match the employer's contribution right up front, the employee's contribution.

**Mr. Katzman:** — On the old plan?

**Mr. Benson:** — Yes, on the old plan. So there's no

matching. All you have of the contract is if you make these contributions for the period, 35 years namely, you're entitled to pension benefits that are defined by a formula.

**Mr. Katzman:** — Except that we said last week that both I and you are putting in 17 per cent more money than is required.

**Mr. Benson:** — Okay, but that's a matter of interpretation, and maybe you can ask that. Because the only other way to empower the commission to charge 7 per cent and have discretion as to any excess contributions flow directly into this fund right off the top, that would be the only way it would be clear as to who's paying for the employer or the employee for the supplementary benefits.

**Mr. Kraus:** — Do you want to give you example on that Gary, where you showed the 7, 5 and 2 idea.

**Mr. Benson:** — Okay, what may be an option right now would be say, the employee will always pay 7 per cent into this fund. So what's that discretion possibly is a split of the employer's contribution. And it's entirely possible that the commission could be given the discretion — as an example, to say 5 per cent is owing in for the current plan, and at the board's discretion we're going to flow 2 per cent of the employer's contribution into the supplementary benefit portion of the plan in order to pay those benefits.

**Mr. Engel:** — And that would be about the same amount as is going in now?

**Mr. Benson:** — Well right now nothing is going in. This would have to be by board minute to move moneys in. Like it's a board decision to grant supplementary benefits. So what they would have to do is move money in, in order to pay for it, and that would have to come out of actuarial surplus.

The only alternative would be — and really I'll just leave it because probably MESC (Municipal Employees Superannuation Commission) should address it — is to give MESC the authority to exercise some discretion in the flow of those funds. Okay? Because obviously the primary responsibility is to fund the defined benefit plan so it's actuarially sound. And then if they're given discretion to award additional benefits, make clear who's paying. Like if it's clear that the employer is paying for that, it could be clarified by billing the employer and saying, you're paying 5 for the current plan and 2, or whatever, 6 and 1 or 6.5 and 0.5 — whatever is prudent in the circumstances.

**Mr. Katzman:** — You missed one comment that I'll try to get you to answer, and then I'll stop. What you have missed is the last time we had them here, we were of the understanding that the money paid in now, the 7 percent, is actually more than is required by whoever does the actuary numbers. So what they are saying is they are putting an additional amount away for an additional . . . The employees get a little bit of a saving account, for lack of a better way of putting it, and the extra is actually going in for the extras on the bottom . . .

**Mr. Benson:** — And maybe, Larry, you want to talk to him. The 7 per cent that the employee is paying is for what he gets.

**Mr. Katzman:** — Okay.

**Mr. Benson:** — Okay. He's not paying extra. The only person paying extra is the employer.

**Mr. Katzman:** — Okay, fair game.

**Mr. Weiman:** — That's where I'm a little confused. If I could just get you to move aside so I can read those initials. In that there is a surplus . . .

**Mr. Benson:** — An actuarial surplus.

**Mr. Weiman:** — That's right. In that there's an actuarial surplus which will later flow into the supplementary benefits, or can flow into supplementary benefits, but in that there is a surplus, are not those people paying more than . . . paying a higher premium than benefits that they're receiving? Otherwise there would be no surplus.

**Mr. Benson:** — I can't comment on that, that would . . . somebody from maybe MESC could talk to that.

**Mr. Chairman:** — Switch the mike around.

**Mr. Aebig:** — Yes, when a person retires under the defined benefit plan, we make a calculation of his allowance and then we have to compare the commuted value of that allowance to the value of his contributions and interest. In some cases we find that there are not sufficient funds to pay for 50 per cent of his allowance, and if that happens the fund picks up the tab for that. In other words, he still gets the same pension without paying any additional contributions.

But in most cases, I would say about 95 per cent, the employee has indeed over-contributed, if you want to use that term. Primarily the reason for that is because of the high rate of interest that we credit to their accounts, being, well, 10 and one-half per cent on the average for the last five years. But nevertheless, when he does have these excess funds at retirement, he has the option of transferring them out to an RRSP or leaving them or transferring them to our annuity underwriting activity, and we will provide him with an additional annuity to augment his defined benefit.

**Mr. Chairman:** — Mr. Lutz has a comment, or a question.

**Mr. Lutz:** — Thank you, Mr. Chairman. Gary, you did say that the employee and the employer match contributions.

**Mr. Benson:** — That's the current.

**Mr. Lutz:** — That's right. You also did say that it's the employer who is paying in excess contributions.

**Mr. Benson:** — Well, that's the way the defined benefit plan works. You have a contract to pay 7 per cent of your wages and you get a pension.

**Mr. Lutz:** — But somebody over here asked what happened to the employee's excess contributions, and you said there weren't any. But if they're matching contributions, and if the employer is in excess of requirements, tell me why the employee is not in excess of requirements?

**Mr. Benson:** — Okay. It's my understanding of it. It's not because of the 6 or 7 per cent rule. It's really the 50 per cent rule on pension contribution that results in an excess.

**Mr. Engel:** — What do you mean by the 50 per cent rule?

**Mr. Aebig:** — As I mentioned, we determine whether or not the employee does have an excess contribution, and quite often it is found that he does. When that happens, we buy him an annuity with it or transfer it out. So he is getting the benefit of that overcontribution, whereas the employer is not. The employer's money becomes surplus to the plan.

**Mr. Katzman:** — . . . (inaudible) . . . was about 17 per cent.

**Mr. Aebig:** — Well it varied within the group, too. I don't want to complicate it, but yes, you're right. The total contributions required were, I believe, 165-point-some per cent. This was in the '83 evaluation. That changes, of course, from month to month and year to year, depending on salary negotiations and what not.

**Mr. Engel:** — I understand a . . . (inaudible) . . . benefit plan based on his wages, When a person serves 30 years and he retires, he gets 50 per cent of his wages. Is this what you're saying?

**Mr. Aebig:** — Well it's an integrated formula with the Canada Pension Plan, and it amounts to 2 per cent, times years of contributory service, times his average salary for his five highest years.

**Mr. Katzman:** — Same as yours, Al.

**Mr. Engel:** — Ours is four highest.

**Mr. Weiman:** — I want to come back to that one aspect though. You said that you found that many times that there has been excess charges in which the employee still receives benefit because you'll go out and get him an additional annuity. So he comes up ahead. He's basically getting what he paid for.

**Mr. Aebig:** — Right.

**Mr. Weiman:** — Okay. My question is: if it seems to be a rule of thumb that there is excess, why are you charging so much in the first place?

**Mr. Aebig:** — Well there's several reasons, one of which is the supplementing of pensions. The second reason is, of course, that it's very difficult to keep a fund neither overfunded or unfunded. You know, you're either one or the other. And I think all plans want to be in the position where they have a certain amount of cushion.

In our particular case now, if I might just take a minute to indicate, our 7 per cent is really integrated with the Canada Pension Plan, so it's really 7 per cent less CPP contributions. And the Canada Pension Plan is now scheduled to raise their contributions rates by 0.1 percent for each of the next five years and then 0.075 per cent for the next 20. That also applies to the employers. So we're losing double that.

As the CPP contribution rate goes up, our share of the 7 per cent goes down. And just making some rough calculations, I've determined that if the commission does not raise contribution rates in 10 years, and assuming the fund is losing 10 per cent interest on these moneys, we'd be out approximately \$25 million in 10 years. So that could very rapidly deplete that surplus.

Now I should also mention that my estimate is only my own. It's not an actuary's. I also used some assumptions that are high. I assumed that everybody was earning the YMPE (yearly maximum pensionable earnings) under the Canada Pension Plan which is, I believe, \$25,800 for 1986. And I realize, of course, that many of our members don't earn that much, so the 25 million could be closer to 18 or 19 million. But nevertheless it does indicate what happens if we don't keep tabs on the loss of revenue because of external forces. So we do want a cushion there.

**Mr. Weiman:** — Maybe I'm looking at this too simplistically. Maybe I'm missing something here. I probably am. If the employee is getting total value for the dollar he puts in, whether it's in a roundabout way, he gets his defined pension plan as well as an additional annuity if he paid in excess. In other words, he's gotten value for the dollar he's put in. And that leads me to believe, then, that the person who is subsidizing the supplementary benefit is not the employee, because the employee is getting par. He's getting value for the dollar he's putting in. That leads me to believe, then, that the employer is the person who is subsidizing, basically, that supplementary benefit.

**Mr. Aebig:** — That's correct, yes.

**Mr. Weiman:** — Okay. Now I would go a step further on that. If the supplementary benefit is being paid for by the employer, which in turn is going to flow back to employees under the annuity program or under the money purchase program, or whatever, should there not be some equitability there where both share the cost, as opposed to the employer footing the bill for the supplementary benefits? Have I confused myself and you at the same time?

**Mr. Aebig:** — Well I think that question would be better asked of the superintendent of pensions who drafts the legislation which governs all pension plans of our kind within the province. And we simply have to follow The Pension Benefits Act legislation. So that probably is a question that he should answer.

**Mr. Weiman:** — You see, because in this sense the employer, in the bulk of the instances, is the Government of Saskatchewan.

**Mr. Aebig:** — No.

**Mr. Katzman:** — This is municipalities.

**Mr. Weiman:** — Well okay, but indirectly because . . .

**Mr. Chairman:** — Let me get a comment from Mr. Lutz, then Mr. Weiman can get back in here.

**Mr. Lutz:** — Mr. Chairman, I would like to ask: when the employees contribute this 7 per cent, do they know when they enrol in this plan that that is in excess of the required amount they have to contribute to realize the designated pension at the end of their working life? Do they know that?

**Mr. Aebig:** — Well I think they realize that we make this 50 per cent test to determine whether or not the 50 per cent of the cost of their pension is more or less than the value of their contributions. And we do tell them this when they retire, and that's the only time we really know whether that really is there.

**Mr. Lutz:** — So then when they retire and they get this whatever this thing is called — is that a big surprise for them? Or do they know it all their working lives that there's going to be this other little pot of money at the end of the rainbow when they retire?

**Mr. Aebig:** — Well we really can't tell . . . We can't make the determination till the final contribution is received and all the interest is allocated.

**Mr. Lutz:** — You don't tell them at the beginning of their employment, then, that they're paying too much into the pension fund and some day you'll get some back?

**Mr. Aebig:** — We really don't know that's the case until we make the calculations.

**Mr. Lutz:** — How much is down in the SB (supplementary benefits) pot?

**Mr. Aebig:** — What's that?

**Mr. Chairman:** — Supplementary benefits.

**Mr. Benson:** — Right now, none. The board would have to appropriate some of the defined benefit plan surplus. The actuarial value of that is what? — two million, about? Around \$2 million in terms of all of the awards so far to date.

**Mr. Weiman:** — Well if there's nothing in the supplementary benefits right now, what is in that surplus pot?

**Mr. Aebig:** — Well up until now we've had just one giant surplus. It consisted of many things. What we've been talking about now is just one of the things. There's been forfeitures on refunds on an annual basis. Just the employer's share that is forfeited to the plan from people who terminate employment and withdraw their own funds, amounts to about 630 to \$640,000 a year. That alone would be more than enough to supplement the pensions we've granted thus far.

**Mr. Katzman:** — One more time — what was that amount?

**Mr. Aebig:** — About 630 to \$640,000 per year by way of employer contributions and interest forfeited to the plan as a result of people withdrawing their money.

**A Member:** — Thank you. That's the key line.

**A Member:** — That still didn't really tell me how much is in that surplus. You told me it comes from various areas and all that, and it's confusing me.

**Mr. Aebig:** — Well a real surplus is the actuarial surplus that was arrived at in December of 1983 by our actuary, and we're scheduled to have another study done at the end of this year. But at that time our actuarial evaluation showed, on a very conservative basis, a surplus of \$9.3 million.

**A Member:** — . . . (inaudible) . . . rejected the pay-outs of the people that were in the plan at the time.

**Mr. Weiman:** — I guess what it really comes down to, too, is that we finally — and I would hope also the auditor — we will finally find out the dispositions of all these moneys, where before we were confused as to where they were coming from and where they were going. Am I correct on that?

**Mr. Aebig:** — Yes, there was a difference of opinion as to whether we had one fund with several operations or several funds, if you like. It's a matter of interpretation, really.

**Mr. Weiman:** — Well that's not what I asked. This will satisfy our question, not on how many funds you have, but the disposition of moneys. Am I correct on that?

**Mr. Aebig:** — Well I would think so.

**Mr. Benson:** — The reason why we have raised the option of how the money should flow is the only issue that we need direction on. If the committee would like to see the employer's portion or the excess, in the opinion of the commission — the excess portion that is going to fund the supplementary benefits — if it should be going in there directly, rather than flow through the one segment and end up being a surplus and appropriated over. Because it then becomes cloudy as to who's paying for it.

**A Member:** — I see.

**Mr. Engel:** — You need one more arrow on there out of the defined benefit plan, and that is a flow that would have the employees going to an annuity on his retirement.

**Mr. Benson:** — Oh yes, that's just for the excess contributions.

**Mr. Engel:** — Well that's the same amount that was going down . . .

**A Member:** — No.

**Mr. Chairman:** — Order here. I think we're making it absolutely impossible for Helen. We're all talking at once. Allen, finish up, and then I . . . you, I think, got in ahead of one of the government members, but go ahead and finish off.

**Mr. Engel:** — My question was that there is an arrow that is going down from the accumulated surplus . . . I'm sure you use a different word than accumulated but . . .

**Mr. Benson:** — Actuarial.

**Mr. Engel:** — . . . actuarial surplus, that's going down into that fund that's used to pay special benefits. There's a similar amount then, if according to the . . . that 7 per cent is being contributed by the employee and 7 per cent by the employer, so that accumulated surplus, or whatever it is, there's the same amount of money going into annuities or other withdrawals.

**Mr. Benson:** — I think that's getting confused here. The 34 per cent pertains to the excess total contribution that would be required to keep the fund viable. Now the individual excess contribution comes in from applying the 50 per cent rule, okay? And it's not a direct correlation, okay? And that's what I think the committee members have been a little confused over.

**Mr. Katzman:** — I'm trying to help the member from Assiniboia a little with his question, because he wasn't here the day, I think, we did this step by step. That's why he's missing one part.

What is decided is . . . You have a fund of money. Out of the present fund of money you need about 166 per cent of what's there to pay out the requirements. So we have 34 per cent left over. Five years from now you might be in the position you only have 3 or 4 per cent left over, and you need 195 or 196 per cent to pay the benefits under the defined benefit plan. Therefore you have an agreement that says 7 per cent from both sides.

The only real money you could put in the SB (supplementary benefits) account would be the \$164,000, which I call the fall-in money, where: a person pulls out, he takes his money; and what the departments put in or the different towns . . . employers, is left behind, that could without much argument go to the SB account.

What is happening to this point, of course, it's all in one account. And instead of putting it into the SB account, that money is used to make the fund look in better shape. Because you don't give it back to the employers; you just give the employee back.

So if you were to put any argument in, you would say, first of all the 164,000 could go to the special benefit plan. I'm not saying that's what should be done; I'm saying that's one possibility. Everything else must continue to go in the 7 and 7, in the basic account. When you do an actuary study to see if your account is fluid or not, is when you know if you have surplus funds or not. At that time you need a board order to say, yes, we're going to be surplus; we look good for 10 years; yes, we can put a little extra in the SB account to give special benefits to other people.

Now the question of Mr. Lutz, who said to you: does an employee who starts paying in realize he may be at this time paying in more than is required by the actuary? Mr. Lutz, my comment to you would be, strictly because of being chairman of the pension plan in Saskatoon when I was there, most employees don't realize what a pension plan is until they hit about 45 to 50, and they start thinking about it. Some think earlier, but most don't, and that's an unfortunate circumstance.

But I've got this chart that you've passed out, and I'm looking at it and I'm seeing, I think in this chart and diagrams, what you will be showing us is: how much was put in by employee, how much was put in by employer, interest on the fund, earnings and contributions. You will then go down, have your surpluses and your deductions.

I think you're on target on this long form that I have before me, and on the short form — which is the other, this up and down one — you're going to for the first time tell me how much has gone in from employee, from the employer, how it has come out. The only time you can tell me if I have a surplus of 34, 24 or 10 or 5, will be when you do an actuary survey every three years, I think it is, by law. And only at that time, other than the 164, can you make a decision to put anything into the SB account.

**Mr. Benson:** — Well, actually the actuary at any one time can give you advice as to whether you can put more money in.

**Mr. Katzman:** — Okay. If I was to make a recommendation to you from what I have seen to this point, I think what the comptrollers and you people have seemed to have worked out looks like it may work, and I would ask the auditor for his opinion. And if it is correct, then God bless you for doing your job as quickly as you did, and for trying. And I compliment you on it.

The only thing I would add to it is, only at this time the only money I would suggest that you transfer to the SB account would be the fall-in money. And a policy could be developed to say, yes, the fall-in money, when these people quit and take their share out, the portion of it left behind in the company could be, by a decision of the employer, be used for special benefits rather than staying in the basic plan. But at no time do you want the basic plan to be in trouble.

And I believe that you have a legitimate right to say, yes, normally we give the employee back his money, so we'll give the employer back his. But the employer said, no, no, no, no, no, don't give it back to me; I'd rather see you give it to the SB account to give special benefits.

And that to me, legally, is proper. And if you report as you indicate here, I would suggest that you do not put in any of the other funds like 34 percent, as it's shown now, until you do the assistance of an actuary, because you have to be very careful, because as you say, CPP is going to start blowing the numbers unless you're going to have to start to jump to 8 per cent for both sides, is what may happen.

**Mr. Benson:** — By clarification then, what I believe you're saying, Mr. Katzman, is that the only money flowing into supplementary benefits would be by board

minute out of the actuarial surplus out of any of those segments and not directly . . .

**Mr. Katzman:** — Two places. Actuary surplus, but could be coming out of the regular fall-in. When somebody quits and he leaves, he takes his share out; the employer's share stays.

**Mr. Benson:** — But that's forfeited to the plan.

**Mr. Katzman:** — It's forfeited?

**Mr. Benson:** — And it would show up as actuarial surplus, because if he forfeited it and the plan was in an actuarial deficit position, you wouldn't want that going to supplementary benefits.

**Mr. Katzman:** — Correct, correct.

**Mr. Benson:** — Okay, so it would only come then out of actuarial surplus. out of the departmental plan, and not directly.

**Mr. Katzman:** — Correct. And usually it's the employer that's been putting the portion that's in there, and therefore I feel the employer is prepared to give that. I'm not taking . . . because I agree with you on your 50 per cent rule, that it is very fair and just to the employee. When I take in a pension plan with my employer, I believe I am putting in 50 per cent of the money; he is putting in 50 per cent. If what happens is that I end up getting . . . I put in more than required and I can get a little annuity, fair game.

There is one unfairness here, and I assume we have all accepted it. The liability is only picked up by the employer, is what normally happens, if there is a . . .

**Mr. Benson:** — Yes. Normally, in any defined benefit plan, the employee agrees to pay 7 per cent and get his pension benefit, and the employer pays whatever he has to pay to make . . .

**Mr. Katzman:** — To make it work.

**Mr. Benson:** — To pay the pension benefit. In this particular case the employer is funding it as he goes by paying 7 per cent, but he wouldn't have to be. It could be 7 and 0 and then the employers pay the cash flow. That's currently the way the government operates its defined benefit plan.

**Mr. Katzman:** — Well, not totally any more.

**Mr. Benson:** — It's trying to make up the actuarial . . .

**Mr. Katzman:** — It's now putting in 54 or 48 million extra last year to pay part of the \$2 billion deficit that's there.

**Mr. Engel:** — Are all plans the same, that if a person transfers employment that he only takes with him the proportion that he pays in, he doesn't get the accumulated benefit?

**Mr. Katzman:** — Except if he is over 45 or worked 10 years, then his money is locked in with that employer

until he becomes pension age. That's an Act we passed in the House.

**Mr. Engel:** — That's what I was wondering.

**Mr. Aebig:** — We do have reciprocal transfer agreements, though I'm not sure that's what you were alluding to. But if you change employers, we do have reciprocal agreements.

**Mr. Engel:** — In some cases the person will take with him more than just the amount he's . . .

**Mr. Aebig:** — In those cases we transfer all of the employee and the employer's funds. All of them.

**Mr. Engel:** — That's what I was thinking. I was questioning . . .

**Mr. Katzman:** — But only within government can we do that.

**Mr. Aebig:** — Well, and within many other public plans across Canada.

**A Member:** — It's sort of a portability clause.

**Mr. Engel:** — I think that portability thing has been discussed by committees of all parties that that person working, and if you transfer one of your positions to either government or to another province or whatever, should be able to take the accumulated benefits with him, rather than just half of it. Because he's really only got a half a pension plan if he decides, because of circumstances or whatever, to move. So that isn't going to last for ever where you're going to have an accumulated surplus there because once it's not the Devine benefit plan any more but under a Blakeney benefit plan or whatever, they'll likely get the whole works, rather than just half.

**Mr. Benson:** — You can't blame the comptroller for . . . (inaudible) . . .

**Mr. Engel:** — Adding a little plug in.

**Mr. Katzman:** — You've made one mistake in your whole scenario. You are correct in what you say, but right now you take with you only if you go to another defined benefit plan or another pension plan which was in a joint agreement.

**Mr. Engel:** — I think he expressed it better . . . I'm sorry, I forgot your name.

**A Member:** — Aebig.

**Mr. Engel:** — He expressed it saying that if you transfer to a position where there's a reciprocal agreement they get . . .

**Mr. Katzman:** — You don't take it all with you. Say you go to "John's Manure Making Spreader Company," you would only get your half out because they're not part of the agreement. There has been no . . . There is discussion among governments that when you do that your plan should be frozen and stay here, so that you'll have to get a

pension from the manure spreading plant as well as from the government, so you protect that other 50 per cent There is discussion there.

**Mr. Engel:** — That could affect the future of that special benefits fund.

**Mr. Katzman:** — I think they're well on their way along the cure. I would like the auditor's comments.

**Mr. Chairman:** — The Provincial Auditor's impatiently waiting to get in here. Go ahead, Mr. Lutz.

**Mr. Lutz:** — Thank you, Mr. Chairman. At the outset of this discussion I believe Mr. Kraus made the comment that he thought these things would meet our requirements. I would like to go on the record, Gerry: we don't have any requirements in relation to this thing. You people prepared the financial statements; we merely audit them.

Now I am advised by Mr. Atkinson that this format, we believe, will get for the commission a clear opinion if, together with these, we get the proper accompanying note disclosures. And I believe these disclosures have been agreed to very recently. So yes, Mr. Chairman, I think we are not discontented with this.

**A Member:** — Mr. Chairman, the only comment I should make is that . . .

**Mr. Kraus:** — . . . (inaudible) . . . when I said that they would be his requirements, what I was referring to was that they had to also meet the legislative requirements . . . (inaudible) . . .

**Mr. Chairman:** — That's what you were saying, in effect.

**Mr. Kraus:** — Yes, audits against and . . . And in addition we want to provide as much information as this committee was asking for. We think this is what this is going to do for you.

**Mr. Chairman:** — With respect to the supplementary benefits, then, and the excess, you are saying, or we are saying, that only by a board minute this money flow from the defined benefits plan to the supplementary benefits plan?

**A Member:** — That's right.

**Mr. Chairman:** — All right. Who sits on the board then?

**Mr. Aebig:** — The board is comprised of nine members. The chairman is appointed by Lieutenant Governor in Council, which is Mr. Parkinson; you met him at the last meeting.

**Mr. Chairman:** — Right.

**Mr. Aebig:** — Then we have two members named by the Minister of Rural Development, one representing policemen and firefighters, and one representing urban employees. Then there are . . .

**Mr. Katzman:** — Can I stop you there? These associations



recommend to the Lieutenant Governor . . .

**Mr. Aebig:** — Yes. Yes, they do. And the other six members are appointed or named by their various associations such as SSTA (Saskatchewan School Trustees Association), the Rural Municipal Administrators' Association, SUMA (Saskatchewan Urban Municipalities Association), SARM (Saskatchewan Association of Rural Municipalities), the association of community colleges and the school business officials' association of Saskatchewan.

**Mr. Chairman:** — Okay, Mr. Aebig, you've satisfied my concern; and that is, if the board's going to make the decision, the board must be representative of all interested groups. And I guess they certainly made an attempt to do that if . . .

**Mr. Katzman:** — Mr. Chairman, I believe we are satisfied with what's been done? I would like to make a motion . . .

**Mr. Chairman:** — You're going to have to write it. Have we got a form?

**Mr. Katzman:** — I'll make a suggestion first then: that due to the fact of the way we've treated this issue with a special report to the House, we should reconsider that same thing, thanking them for correcting it as quickly as they have.

**Mr. Chairman:** — I don't think that necessarily requires doing that.

**Mr. Katzman:** — Well it requires us to bring a report to the House again — today's committee report for, say, tomorrow. That's the problem. But I think it's only proper.

**Mr. Chairman:** — I'm not hung up on it, one way or the other.

**Mr. Weiman:** — I would think you could allude to it when you make your report at the end of the . . .

**Mr. Chairman:** — Well my inclination is to . . .

**Mr. Weiman:** — Well you made a report to the House.

**Mr. Katzman:** — Well my thinking is the reverse, Mr. Chairman. We have made a special case with this. It has now been cured, and we should make it a simple case that the cure has been remedied. It may be a good example that, not only does this committee kick, it also compliments when you do it.

**Mr. Chairman:** — Well, I'm certainly prepared to do the bidding of the committee. I would have thought it might have been more appropriate to do that when we file our final report.

**Mr. Katzman:** — It gets lost. We made a special issue out of them one time; we should return . . . It's like a newspaper — when they make a mistake, they have to print it on the same page where they made the mistake, to correct it.

**Mr. Chairman:** — Well yes, that's a little different though.

**Mr. Katzman:** — Well you know what I'm saying.

**Mr. Chairman:** — I don't know. How do the rest of you guys feel? I would wait until the end and do it, but I'm not hung up on it.

**Mr. Lutz:** — Mr. Chairman, I would not like my comments to have any bearing on what I'm hearing here. But I would, myself, as we always do, not bat an eye till I've signed the audit report on these revised financial statements — so I can see them.

**Mr. Chairman:** — The man's from Missouri, in effect.

**A Member:** — That's what I call a strong mule — he kicks well.

**Mr. Chairman:** — Okay, do I take then that that is Duane and mine . . . I think I saw Allen's head nodding. I think Lloyd's maintaining a diplomatic immunity here, neutrality here.

**Mr. Katzman:** — Just, for some reason, if we don't get around to doing a final report . . .

**Mr. Chairman:** — If, for any reason, an election should truncate the session, is what you're saying.

**Mr. Katzman:** — Right. I would like to thank the deputy minister and the officials.

**Mr. Chairman:** — And the comptroller's office who, I think, participated in the salvage operation.

**Mr. Katzman:** — And the comptroller's office. It looks like we finally got a problem under control, and my compliments to you.

**Mr. Chairman:** — Okay. Thank you very much, gentlemen. Now we better get pedalling here, lads. Well set your books back up again because we've got a good half hour's work, I'll tell you.

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

**Mr. Lutz:** — At the last meeting a question was asked about the timing of the movement of the public accounts. I have some very brief schedule information relative to that subject, which perhaps the Clerk would pass around. This is the last three years . . . (inaudible interjection) . . . Can do.

**Mr. Chairman:** — Yes, he's provided the requisite copies. We'll have it . . .

**Mr. Lutz:** — Mr. Chairman, I would further ask the indulgence of the committee. I wish to go on record relative to my problem with the estimates, the inclusion of my person-years position in those estimates. I have some documents relative to that as well, which I would like to table with this committee.

**Mr. Chairman:** — I hadn't intended to deal with that this morning. I'm trying to get through this agenda this

morning.

**Mr. Lutz:** — Mr. Chairman, I feel that I have to go on record, because if something occurs that stops this committee from pursuing its deliberations, I will never have gone on record and never have voiced my objection to how these things are included in the book.

**Mr. Chairman:** — I wasn't meaning . . .

**A Member:** — Neither would you sleep well.

**Mr. Lutz:** — Oh, yes, I would.

**Mr. Chairman:** — I wasn't meaning to discourage you. I was just saying that I think this would be useful to get this information, and we can perhaps sleep on it over the next week or so. Do you have some additional comments you want to make, Mr. Lutz, besides . . .

**Mr. Lutz:** — Well, Mr. Chairman, two meetings ago I asked for a resolution of the committee which was not forthcoming, and I believe in the subsequent meeting Mr. Katzman did make the comment that he'd been talking to some people in the administration, and those people had agreed that irrespective of what person-years they did show in the blue book, it didn't really matter. I could employ the number of people I required. Now, Mr. Katzman, is that correct? Is that what you said?

**Mr. Katzman:** — No, it isn't.

**Mr. Lutz:** — Could we review the bidding then, sir, because I'm not really sure how it went.

**Mr. Katzman:** — The comment went along this line, Mr. Lutz. Similar. Even though they give you a dollar and cents budget, some departments, even though they have a number in the bracket beside the employment years, have used more employees but have stayed within the dollars.

**Mr. Lutz:** — So what your comment was, the treasury board will review and pass on my dollar allotment of money that I may spend, and at this point they don't really care how many people I have to employ to do that work. Is that what it was?

**Mr. Katzman:** — No. What I have been informed by members of treasury board is that occasionally departments do not stay within the number in column but do stay within the numbers of dollars, and they have not got their hands severely slapped for that.

**Mr. Lutz:** — Mr. Chairman, Mr. Katzman, I don't recall this conversation in that vein, but that's fine. In my particular . . .

**Mr. Katzman:** — I'm trying to paraphrase because last time it wasn't on the record. This time it is. So I'm being very selective in my wording.

**Mr. Lutz:** — That is my problem, Mr. Katzman; since it's not on the record, of course, I have trouble recalling. My particular vote, I can't overspend it, because that's all I have.

**Mr. Katzman:** — Correct. And if you stay within that money, other departments have been not slapped if they ended up using 70 bodies instead of 68.

**Mr. Lutz:** — Mr. Chairman, I am not a department. This is the old perception thing going again.

**Mr. Katzman:** — Yes, you are not a department. I said other departments; I did not refer to you being a department.

**Mr. Lutz:** — Okay, fine.

**Mr. Katzman:** — You are responsible to the Legislative Assembly and, through the Speaker, to us. The same as, in my opinion — and Mr. Engel I suggest you listen very carefully to what I'm about to say — the same as the Ombudsman is responsible to the Speaker and through to the House, the same as the Legislative Clerk is responsible through the Speaker to the House, the same as the Clerk is responsible through the Speaker to the House, because you're all servants of the House.

**Mr. Chairman:** — Those who care, is what you're saying.

**Mr. Katzman:** — I intentionally added those because of an argument going on elsewhere.

**Mr. Chairman:** — Well, you're right. There is one going on elsewhere. Go ahead, Mr. Lutz.

**Mr. Lutz:** — Mr. Chairman, and Mr. Katzman, I appreciate what you've just told me, Mr. Katzman, and I thank you. Now I will read what the people from treasury board division or budget — whatever they call these people now — and they say:

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. Inherent in that control is an approval of the number of positions that the Provincial Auditor is to receive to carry out his duties.

Now, I will repeat what I have said before, by that very Act — that line — they are telling me they know more about it than I do. That's the first assumption I'm going to place on that interpretation.

Now, the documents I have just handed over, I would refer you to page 2 of four or five pages, and this thing is described as "Agencies of Government whose staff members are appointed by PSC (Public Service Commission) and whose . . ."

**A Member:** — What page?

**Mr. Lutz:** — I am looking at page . . . example 2 ". . . and whose person years are not disclosed in the estimates." All right. Here are numerous cases where the staff members of these agencies are appointed according to the PSC rules and the person-years are not disclosed. The first example I give you are those who are appointed by the Public Service Commission and the person-years are

disclosed. I will go to example 3.

**Mr. Katzman:** — Hold it just a minute. Hang on just a minute. Question: page 1, you say these people disclose; page 2, do not. Example 2, sorry.

**Mr. Lutz:** — Example 2: Persons who are appointed under the Public Service Commission and the person-years are not disclosed in the blue book *Estimates*. My problem with this entire thing is that I would like my position-years to be removed from the *Estimates* book, simply because I'm not a creature of the administration. They are not responsible for my positions. Why should they claim to be?

**Mr. Katzman:** — I'll go home and think about it.

**Mr. Lutz:** — Thank you, Mr. Chairman, for your time and indulgence. Let's get on with the rest.

**Mr. Chairman:** — Thank you for your comments. File both of these documents as public accounts documents, whatever the numbers are. I've forgotten.

**Mr. Katzman:** — I should ask if you had that discussion with treasury board?

**Mr. Lutz:** — Pardon me?

**Mr. Katzman:** — Have you made a second application to treasury board on that issue?

**Mr. Lutz:** — Well, no, we haven't. We were hoping to get committee support for such a thing. Now if I could get committee support which said: Provincial Auditor, you need not pay attention to the number of people-years you put in the blue book . . .

**Mr. Chairman:** — That would not be a very happy solution. To state the proposition and to refute it, it's not a very happy proposition. We'll perhaps pick this up whenever we meet.

Mr. Benson has tabled another document which was requested by the committee, having to do with pensions, obviously. Again I propose that we pick this up at a future meeting. I really do have my heart set on getting finished with the agenda after seven hours of working on it.

**A Member:** — All right; 2.25.

**Mr. Chairman:** — Okay. This is filed as whatever number it is, 2.25.

**Mr. Katzman:** — A question to the controller. Have we got it under control?

**Mr. Kraus:** — Which item is that?

**Mr. Katzman:** — 2.25. We met with them last year, and therefore we knew it would show up again this year, but it would be the following year that they'd get it cured.

**Mr. Benson:** — It's a small agency and there is always going to be concerns with internal control. They've tried to make some changes to comply with the auditor. From

what we understand of it, it's the best they can do in the circumstances. Now whether that's going to satisfy the auditor or not . . .

**Mr. Katzman:** — Mr. Auditor. I mean, we don't know till you do the audit, do we?

**Mr. Lutz:** — Mr. Chairman, Mr. Katzman, I won't know till I see the financial statements.

**Mr. Katzman:** — Mr. Chairman, I'm prepared to suggest we don't call these people. We had them here last year. We think they tried to cure it, but we will only know if they did or not when the auditor sees their report next year.

**Mr. Weiman:** — We're not sending any more pigs on Air Canada, are we? Wasn't that an issue?

**A Member:** — No.

**A Member:** — Sure it was.

**Mr. Lutz:** — I think as long as they don't smoke, it's okay.

**Mr. Chairman:** — I note that that's recorded on the . . . With that firmly entrenched in the *Hansard*, anyone feel the need to call the Pork Producers Marketing Board?

**Mr. Katzman:** — No.

**Mr. Chairman:** — Satisfied, Allen? Okay.

Power. Apparently we need . . . Got another problem here with run-down batteries in their calculators. They've missed by 3.1 million.

**Mr. Katzman:** — Which they recovered. Which it says they discovered themselves, by the way.

**Mr. Chairman:** — Which they discovered themselves. Now the item 2.26(2). I was going to ask . . .

**Mr. Katzman:** — Question to the comptroller.

**Mr. Chairman:** — That's what I was going to ask. Yes.

**Mr. Kraus:** — This is one of those . . . (inaudible) . . . issues we can't speak to because Sask Power is not the treasury board Crown.

**Mr. Katzman:** — Could I ask that you check with Sask Power to see if it's been resolved, and report next week?

**Mr. Kraus:** — We could do that, yes.

**Mr. Katzman:** — Then we'll make our decision.

**Mr. Chairman:** — That's not always . . . (inaudible) . . .

**A Member:** — Is that for item (2) or for item . . .

**Mr. Katzman:** — Item 2.26(2).

**Mr. Chairman:** — I think we want your opinion. I don't want the opinion of the SPC officials.

**Mr. Katzman:** — Well he'll talk to them and get an idea.

**A Member:** — It's pretty difficult for us to . . .

**Mr. Chairman:** — That's why I don't think Mr. Katzman's solution is going to work. I know what's going to happen if I ask for their opinion.

**Mr. Katzman:** — No, well, Mr. Chairman, seriously, no. No. The third paragraph says one person does this, this, and this. If they have now two people doing it, they've solved the problem.

**Mr. Kraus:** — I could ask the question specifically: have they in fact . . .

**Mr. Katzman:** — Split the duty here.

**A Member:** — . . . split the duties.

**Mr. Chairman:** — All right. All right. I guess you'd have . . . (inaudible interjection) . . . Pardon me?

**Mr. Engel:** — Do we have any mandate . . . (inaudible) . . .

**Mr. Katzman:** — No, no. Because he doesn't do it.

**Mr. Engel:** — . . . (inaudible) . . . or response back from this kind of question? Has the auditor got any correspondence back yet?

**Mr. Chairman:** — Have you had any response to this? What did they say?

**Mr. Wendel:** — They've stated that additional management staff is being added to the area to provide for segregation of duties with the approval process. And their bank reconciliation will be completed on a monthly basis.

**Mr. Engel:** — As far as bringing Sask Power here talking about studies they make for a future generation, generation 2000 and so on, I think I could do that upstairs in Crown corps.

**Mr. Chairman:** — Okay.

**Mr. Katzman:** — It was only the one issue, one person handling both steps. Okay, we don't need them.

**Mr. Chairman:** — Thank you for your assistance with the chairmanship of the committee — 2.27(1).

**Mr. Katzman:** — Do we have a letter on 2.27, Mr. Comptroller? Do we have anything . . . Have these people got two people separating instead of the same person on it again?

**Mr. Kraus:** — You mean re Sask Research Council?

**Mr. Katzman:** — Yes.

**Mr. Kraus:** — Well they have instituted additional procedures to segregate their duties.

**Mr. Katzman:** — Are you satisfied?

**Mr. Kraus:** — We are satisfied to this extent, that they seem to be dividing their duties to the extent they can with the staff they have. You have to keep in mind that the auditor may report situations that he doesn't feel the segregation is adequate, but in very small businesses they may be doing the best they can. That's the only qualifier I put on this kind of thing, that there is a point at which you cannot add more staff, or at least it's decided more staff won't be added, but they have definitely taken additional steps to divide the duties up. I always qualify that with saying we have to see whether the auditor would find that acceptable. But it appears to be a reasonable solution at this point in time.

**Mr. Chairman:** — You think they're doing the best they can, given the small staff they have?

**Mr. Kraus:** — Well yes, the small head office staff they would have, that's right. It looks reasonable. The auditor is always within his right to have a different opinion, but it looks reasonable from our perspective.

**Mr. Chairman:** — With respect . . . I'm going on to the next one, unless someone has some comments.

**Mr. Engel:** — Well, there's under funding there, part (2) . . .

**Mr. Chairman:** — Yes, I wanted to ask the question about (1)(a)(b). Officials had not . . .

**Mr. Engel:** — The procedures aspect, I'll go along with them saying that if they can divide the role up among various members, but what about the second aspect he raises under funding that so much was appropriated by the legislature and only 75,000 less was paid?

**Mr. Chairman:** — You're just a little ahead of me, Allen. I wanted to ask a question on (1)(b).

**Mr. Kraus:** — On the (b) item, they had advised us that they were going to hire one additional accounting staff as well to accommodate some of the increases they're experiencing in their operating activity. So they feel that that, as well, will be of some assistance in doing the job accurately and on time. I think they've been having some timeliness problems as well.

**Mr. Chairman:** — Okay. So they responded positively to that?

**Mr. Kraus:** — Yes, that sounds quite positive.

**Mr. Chairman:** — All right. Okay, then we are on to sub-item (2).

**Mr. Benson:** — That part (a) is the one that I think the Clerk is going to address. It's the . . .

**Mr. Chairman:** — That's right. Where's Cal; is he around? Well you'll have to name someone then to get together with the Clerk and review the letter. You'll have to name someone to sign it.

**Mr. James:** — Maybe you and Mr. Katzman could do it.

**Mr. Chairman:** — All right. Mr. Katzman and I will attempt to find a quiet moment . . . Oh, will he? Oh, we'll wait until he's back then.

Now, the Saskatchewan Research Council overdrew their account in the modest sum of \$203,000 more than they should have.

**Mr. Kraus:** — They had their line of credit re-established on January 2, 1985, or should I say the Minister of Finance increased the maximum and approved a maximum of 1.2 million as of January 2, 1985.

**Mr. Chairman:** — But the problem is not . . . That's not the problem. The problem is, someone's not keeping track of it, I gather. I assume they're not doing this intentionally.

**Mr. Benson:** — They advise us they're going to be more careful in the future. We talked in general terms about this particular problem. There's no hammer.

**Mr. Chairman:** — Pardon?

**Mr. Benson:** — There's no real hammer on them unless we can get the banks to make sure that they don't do it.

**Mr. Chairman:** — It's not always a happy solution. The way the banks will do it is start bouncing the cheques. That's not always a great solution with the Research Council.

**Mr. Kraus:** — The Minister of Finance has also . . . Or at least the Department of Finance is sending a letter out to all the lending institutions telling them that they're not supposed to be lending money or extending lines of credit unless they're approved. Now again, we can't be sure the banks will adhere to that.

**Mr. Chairman:** — You're sure they won't?

**Mr. Kraus:** — You can't be sure that they'll follow it.

**Mr. Chairman:** — You can't be sure they will?

**Mr. Kraus:** — No, you can't.

**Mr. Engel:** — How often do they have to report to you, or do you have any communication with them?

**Mr. Benson:** — We don't have a monitoring system in place.

**Mr. Engel:** — There's no monitoring like you would have with line departments?

**Mr. Benson:** — Well, line departments generally don't have bank accounts. The comptroller is the only one they trust the bank account to, generally.

**Mr. Lutz:** — Mr. Chairman, management is obligated to put in place systems to catch these sort of things before they happen.

**Mr. Katzman:** — Are they trying?

**Mr. Lutz:** — I don't know.

**Mr. Chairman:** — The conversation sounds a little vague.

**Mr. Kraus:** — Again, now this wouldn't be our responsibility to follow up on this. It would be with the Department of Finance, but you would have to ask them whether, in fact, they intend to put anything in place where they would check regularly with agencies to determine whether they're exceeding their limits.

**Mr. Engel:** — Is Saskatchewan Research Council's mandate similar to that, say, of PAMI (Prairie Agriculture Machinery Institute), other than that PAMI is . . .

**Mr. Chairman:** — More specialized.

**Mr. Engel:** — . . . a group that does research? I mean, do they operate on the same funding principle?

**Mr. Kraus:** — Well let's put it . . . They are subject to treasury board policy, if that's what you're asking. I mean, they aren't autonomous by any means, and most of their operating moneys, as far as I know — I'm sure they get money from other places too, but I believe almost — well the majority of their moneys are coming from the province of Saskatchewan.

**Mr. Engel:** — Do they not do a lot of contract work?

**A Member:** — Yes.

**Mr. Engel:** — You see, when they're running on their line of credit, I believe it's because they're doing contract work and the contracts are out there and they just haven't gotten their money yet. But things are maybe changing a lot for you. But I would say more than half of their work was contract work in the past. I'm not sure what it is now.

**Mr. Katzman:** — I can't tell you that, but I do know they do work for Sask Potash, and they were doing work for several other groups.

**Mr. Engel:** — Oh, even SED Systems.

**Mr. Katzman:** — Yes. So I mean that Mr. Engel is probably correct.

**Mr. Engel:** — The research council has done project research and . . . (inaudible) . . . and all the rest of the things like that, but there must be a reason why the Minister of Finance decided that they could raise their maximum to 1.2 million with specific letters to the lenders saying, don't exceed that. I'm wondering . . . You see, the total moneys they got from the provincial government last year was — the year under review — was 4.5 million, and they ran a deficit of 700,000, just by year end, depending on when their money was coming through. It's possible that the pay-outs from the province even were slow; I'm not sure what the problem was. But I'd hate to curtail research, is what I'm saying here.

I wonder if we have time and the session gets drawn out until August, if we shouldn't put these on the list and call and have a little chat with them.

**Mr. Chairman:** — I'd be prepared to do that, but a low priority.

**Mr. Engel:** — A very low priority. I mean it isn't a big thing, but I don't think we should be . . .

**Mr. Chairman:** — I would ask the Clerk to make a note of two questions here: one is that I think we want to question the Department of Finance — they're coming anyway with respect to the overall monitoring of these lines of credit.

The blind trust system doesn't seem to be perfect, although perhaps it's the best we can do. But let's ask them; let's ask them those questions. Also I think we'll put Saskatchewan Research Council on and we will ask them directly. And I think that's appropriate since their people don't pretend to have a satisfactory solution to this.

**Mr. Engel:** — Well, if we'd have gone to see, we could have saved some time. It suggests here that a significant portion — does the auditor have that number off the top of his head, what percentage they do? Maybe they do . . . (inaudible) . . . to the customer.

**Mr. Lutz:** — Oh no. Mr. Chairman, I couldn't tell you right now without looking at their financials. And I think they are tabled separately in the House, I believe; is that not right, Mr. Kraus? They're not in this blue book.

**Mr. Kraus:** — No, they're not.

**Mr. Engel:** — But when you say "significant portion," do you mean half, or more than half, or easy less than half?

**Mr. Lutz:** — You think it's close to . . . Six million sticks in your mind, Mr. Wendel. This is Mr. Wendel's mind now, not mine.

**Mr. Chairman:** — This is Mr. Wendel's mind, not Mr. Lutz's mind. All right, the Saskatchewan Sheep and Wool Marketing Commission.

**Mr. Katzman:** — I'm not prepared to call the wool commission. They've got the same problem that was faced a couple of years ago. It's pretty impossible to be sure that every livestock dealer is taking the check-off. I mean, it's just impossible.

**Mr. Chairman:** — So we have an honour system, do we?

**Mr. Katzman:** — You have to, the same as you have for the beef and everything else. It's usually a small lot that may cause the problem. The big boys all do it, the stockyards all do it, but there might be a little sale somewhere that you don't catch.

**A Member:** — If you swap your steers or dead sheep . . . sheep and swap them for a bunch of hogs and you'd never catch them.

**Mr. Katzman:** — That's right.

**Mr. Kraus:** — And the problem is that the farmers are selling through livestock dealers and auction houses as

well, and those are the ones that are tough to control. But we know that as far as the auction houses go, the commission has asked the branch inspectors of the Department of Agriculture to ensure all producers selling through auction houses now complete livestock . . . (inaudible) . . .

**Mr. Katzman:** — They do. They do.

**Mr. Kraus:** — So they're picking that part up. But there's a point at which the farm gate, or through some of these smaller dealers, it's difficult.

**Mr. Katzman:** — Probably the Asquith bull sale, the sheep sale in Asquith, where they have their annual sale, and half the stock goes back, not for slaughter, but actually goes for . . . is production animal. And I don't see . . . They may not be collecting at that one. That's probably one that would show up very quick. But then, it's like a farm gate sale.

I'm not prepared to call them, Ned. I think for the little bit that there's . . . It'll cost them more to come here and go back than what's involved.

**Mr. Chairman:** — Saskatchewan Telecommunications. Do we have a management letter on this?

**Mr. Katzman:** — 2.29 — what's happening on that?

**Mr. Kraus:** — Well again, I'm not in a position to speak on another Crown corporation. Perhaps the auditor read something on this. It seems to me I recall, though, nevertheless, that on this item they may have taken steps to correct this, but that's just . . .

**Mr. Chairman:** — Mr. Wendel is looking through his material there.

**Mr. Engel:** — Last paragraph under 1. You know, if you have a mechanically signed cheque and there's no evidence that the person who had the custody of the signature plate had approved the use of the signature . . .

**Mr. Lutz:** — Mr. Chairman, I don't think we can tell you right now that they have fixed it. But the response we got to the management letter — they concur with our findings, they agree with us, which I think would infer that they are probably in the process or have fixed it. Once they agree, you know, I think it's a foregone conclusion that it will improve.

**Mr. Katzman:** — Let's go to 2.3 then.

**Mr. Chairman:** — Well what about 2.29(2)?

**Mr. Lutz:** — They also agreed with that.

**Mr. Chairman:** — I see. Okay. I wasn't sure if your comments covered both. Okay, 2.3. Holy Christopher!

**Mr. Katzman:** — Mr. Chairman, without being facetious, I don't think we need them. Part of the problem there was their change-over year, as well as I think if the management letters are there, they probably have tried to cure it. Am I correct?

**Mr. Engel:** — You like to tell others when they're not correct. This is not a change-over year. This is a new hatch, a new batch. You know, this party that's so anti-Crown corporations, there's evidence of one other one they've created.

**Mr. Katzman:** — No, it isn't.

**Mr. Engel:** — So that's a brand-new corporation.

**Mr. Katzman:** — No. For . . . Watch my language. It is the Saskatchewan Water Supply Board became the Saskatchewan Water Crown.

**A Member:** — Right.

**Mr. Katzman:** — It originally functioned out of Watrous, Saskatchewan, with most of its function in my constituency. It has now taken over a portion of agriculture with it and called itself a Crown rather than just a water . . . I mean, instead of a water agent board, it's now a Crown. It's the same thing. It makes it easier to deal, that's all.

**Mr. Engel:** — If you read . . . You defeated your own argument because they now have:

A Board of Directors of the corporation . . . shall manage the affairs and business of the corporation.

**A Member:** — That's correct.

**Mr. Engel:** — Is this happening, or do they know how to . . . They want to set up Crown corporations. Do they know how to manage them? I think I'm making a political point here, Mr. Chairman . . .

**Mr. Katzman:** — I think you're attempting to, but you're not making it.

**Mr. Chairman:** — The item 2.30(1) states that there is no evidence that the board has, in fact, established the policies which the corporation is following.

**Mr. Katzman:** — You haven't changed superannuation . . . (inaudible) . . .

**Mr. Chairman:** — No, I'm 2.30(1). Page 70.

**A Member:** — Saskatchewan Water Corporation.

**Mr. Katzman:** — Two three one.

**A Member:** — Teachers' . . .

**Mr. Chairman:** — No. Saskatchewan Water Corporation. Page 70. (1)

**Mr. Katzman:** — Whoa! Page 70?

**Mr. Chairman:** — Seven zero. Yes.

**Mr. Katzman:** — Okay.

**Mr. Chairman:** — It's 70, yes. It continues on to page 71.

**Mr. Katzman:** — Okay, I'm with you. Sorry.

**Mr. Chairman:** — Right. Okay. It says, "Accordingly, it is the Board's responsibility to establish all policies . . ." etc. The last sentence of the next paragraph says, "However, my representatives were not provided with any evidence to indicate that the Board had formally approved the program . . ."

**Mr. Katzman:** — Do you know what the auditor's report . . . Do you have any letters, management letters, please?

**Mr. Wendel:** — We have received a reply now from the minister in charge.

**Mr. Katzman:** — And?

**Mr. Wendel:** — The board of directors had indicated to management that all policies of substance must receive consideration and approval of the board of directors. So they have now directed management to bring those policies to them.

**Mr. Katzman:** — So they're correcting it.

**Mr. Wendel:** — Yes.

**Mr. Lutz:** — And if there is indication in the minutes of board meetings that decisions taken by management become board decisions, then the management system has improved and they've complied.

**Mr. Katzman:** — Good enough.

**Mr. Chairman:** — Okay. Section 2.30(2) states that:

Section 21 would appear to provide an obligation on the government to inform the Legislative Assembly in a clear manner before the voting of funds as to the use to be made of the funds . . .

This was not done.

**Mr. Katzman:** — Has this been cured, Mr. Lutz, in your management letter?

**Mr. Lutz:** — The next paragraph states, "I note that the 1985-86 estimates include separate sub-votes which identify the purposes . . ." etc.

**Mr. Chairman:** — I haven't got that far. All right.

**Mr. Lutz:** — Sorry, Mr. Chairman. On page 72 in the second paragraph at the top of 72, they did in fact react to this in the preparation of the '85-86 estimates.

**Mr. Chairman:** — As now there's another crowd here who are borrowing their money, running overdrafts.

**Mr. Katzman:** — Do we have a letter on that? Have they cured it?

**Mr. Engel:** — Deficits all over the place, Mr. Chairman.

**Mr. Chairman:** — They're sprouting up like thistles in a

dry summer.

**Mr. Katzman:** — You guys want to talk about hidden deficits? You ain't got all day long for me to tell you some of the cranky things you guys did.

**Mr. Chairman:** — Order. Out of order.

**Mr. Lutz:** — Mr. Chairman, I'm informed that they are acquiring an order in council to, I suppose, retroactively approve this loan. I don't know. They're going to get an order in council authorizing the borrowing of this money by way of bank overdraft.

**Mr. Katzman:** — Well it's better than the 640,000 the NDP did in agriculture and they left everybody else to clean up their mess. I mean, it's only 230.

**Mr. Chairman:** — They said they were going to — no one knows whether or not — has that actually been done?

**Mr. Lutz:** — Mr. Chairman, we will certainly review this situation next time around.

**Mr. Chairman:** — Okay. Any other reason to call Water Corporation, gentlemen?

**Mr. Chairman:** — Teachers' superannuation — problems with respect to investment of funds. Have we got any management letters, Mr. Kraus?

**Mr. Kraus:** — In this case there were no procedures for balancing and reconciling the investment records to their general ledger control accounts. Some of Mr. Benson's staff went over to the commission and worked with them to develop the procedures that would have achieved the — or overcome the problems that have been identified. These changes were ultimately reviewed with staff from the Provincial Auditor's office, and to the best of our understanding all the concerns have been eliminated now.

**Mr. Katzman:** — Good enough. The Western Development Museum. What's the case to report on that one?

**Mr. Chairman:** — It's been around for more than one year.

**Mr. Katzman:** — Well, no. They've cleaned up considerably.

**Mr. Benson:** — It's been a perennial problem on the grants. The federal government recently came out with a system where they could report all the grants that they were awarding. And we've discussed this with the provincial audit staff, and it looks as though we're going to have some record now that will be satisfactory to them to verify the grants from the federal government.

The other aspect is the charitable donations that are made in cash, and there's really nothing you can do about those.

**Mr. Katzman:** — No, that's right.

**Mr. Kraus:** — But the committee directed the Comptroller to the review the matter . . . Well, it didn't proceed quite as quickly as we might have liked to. At least we've got to the point where the federal government is agreeing to provide this list of grants that they're making to the museum, so that should go a long way towards resolving the problem we feel.

**Mr. Katzman:** — Let's leave it for another year.

**Mr. Chairman:** — Have you any idea when they're going to get around to providing this, Mr. Kraus.

**Mr. Kraus:** — Well I've been advised that the museum was to be receiving their first report shortly. Now the material I've got here is probably six weeks old, and I don't know whether the museum has received the report or not from the federal government.

**Mr. Chairman:** — Okay. Any questions on this?

**Mr. Katzman:** — 2.33.

**A Member:** — . . . (inaudible) . . .

**Mr. Chairman:** — Well I'm not so sure. I want to tick off sub-items (2) and sub-items (3). The cash register at the Saskatoon cafe operations. Have you got a management letter on this or anything, gentlemen?

**Mr. Wendel:** — They advised they're going to get a cash register with a tape.

**Mr. Lutz:** — So some visual record of what they're pumping through the thing.

**Mr. Katzman:** — Are you serious? This is one case where I think we should stay with history.

**Mr. Lutz:** — Could they not take it off the till and put it out on the floor as an antique and get a new cash register with a visual record of what they're taking in.

**Mr. Katzman:** — They take in so little money, though.

**Mr. Benson:** — They already have the machines though.

**Mr. Katzman:** — They've replaced that antique; okay, such a beautiful piece.

**Mr. Lutz:** — Mr. Chairman, and Mr. Katzman, I don't know if we can say they take in so little money, because as long as there's no record of it anywhere you don't know how much they're taking in.

**Mr. Chairman:** — Item 2.3 then, gentlemen. I'm sorry, sub-item (3) — purchase of goods.

**Mr. Katzman:** — Have they cleaned that up?

**Mr. Kraus:** — Well this is a situation where they do not have a large administrative staff. They're doing the best they can. I'm not sure that this criticism can go away. Mr. Lutz may continue to raise it, and I'm not sure they can really can do anything practical about it.



**Mr. Lutz:** — I think you're right, Mr. Kraus, there comes a time when you are required to report these things on a systems review, and at the same time you sort of recognize that they don't have enough people to do all these good things that are supposed to be done in a good management system, agreed. Maybe some day we'll drop it. Who knows? What do you think? I didn't say we would, but, you know, I think we have to consider the fact that if they don't have enough people to do all of the duties . . .

**Mr. Wendel:** — We must point out the risk.

**Mr. Lutz:** — We still must point out the risk.

**Mr. Katzman:** — Okay, 2.33?

**Mr. Chairman:** — Yes.

**Mr. Katzman:** — The member from Assiniboia and I are part of Board of Internal Economy, and we are both aware that a motion was passed in the Board of Internal Economy to say that what is being done is acceptable from now on. The auditor asked us to make a decision; we made a decision. It's on the minutes that this is allowable that way.

**Mr. Chairman:** — That's accurate, is it?

**Mr. Engel:** — I'm not sure that that minute is going to change the legislation. You know, according to the auditor, he said the legislation should be amended to provide for this practice.

**Mr. Katzman:** — I think there's several changes that have to be made in the legislation, and I think we're just waiting to do them all in one bundle, in due course.

**Mr. Chairman:** — This is cheap talk, since this is a very small item in my life, but I think the whole . . . I think all of the procedures will have to be reviewed. There's some developing problems with the system.

**Mr. Engel:** — Well, the Board of Internal Economy on members' travel basically is that a member that lives 300 miles from the capital versus a member that lives 100 miles away has different costs. And rather than stooping to the situation where on my — 4,000 or 5,000 or 6, whatever the number is — thousand dollars worth of travel allowed, that is the member's to use at his own discretion to serve his constituent. And if he doesn't do a good job of serving his constituent, the constituents will take care of that situation, or he won't bother running again.

But whatever the case may be, they felt that that is part of his remuneration package, I think, is what the decision . . .

**Mr. Chairman:** — That's it exactly. Therein lies the problem. I don't want to make a federal case out of this if I'm the only one who feels it, but therein lies the problem exactly. This is viewed as remuneration.

**Mr. Katzman:** — No, that's incorrect. We've found, in the discussion with our members, there was a considerable lot of members that were into their pockets way over what the expense allowance . . . The issue is how you collect it.

if you're allowed to collect it near the beginning of the year and take most of it out, or if you can only take it out so much per month, or if you say I drove X amount of miles — boom, boom, boom. The members have said no. The members say: take it when he wants it by his own guilt and conscience.

So it's not that he's getting more money than he's supposed to, Mr. Chairman. What it is about is how he draws it out. That's the issue.

**Mr. Engel:** — Well that's exactly what I said. They consider that that money that's covering him for his travel expense would be considered, rather than payment for 26 gallons of gas and this much of this and this much of that, or an air fare or bus fare, or whatever he does or how he gets there, that they would consider it as part of the total package. And he has to do his global budgeting out of there rather than a line-by-line submission of his bills.

**Mr. Katzman:** — It's done the same as it was prior to change of government, prior to . . .

**Mr. Chairman:** — I'm not suggesting there's been any change.

**Mr. Katzman:** — No, no. And prior to Board of Internal Economy.

**Mr. Chairman:** — Yes, I recognize all of those points.

**Mr. Weiman:** — What also complicates that is the set-up in which it's outlined in the first place. It's a very complicated formula. So many trips, times so much per kilometre, times the square kilometreage of your constituency. It's just a very complicated formula to start with. And how do you keep a line by line account of all of that?

**Mr. Engel:** — You're just making the point that I just . . . (inaudible) . . . by saying that it's difficult for a member to say that . . . Okay, I went to Coronach last night. It's a 160-mile trip. And that trip cost me so much dollars. Now if I had flown down it would have cost me a little more, or maybe a little less, or whatever. And then you bring all these bills in and satisfy Mr. Lutz, saying that I have last month \$1,200 worth of expenditures. Somebody else decides that. Like Katzman said, that I had a lot of expenses last year: I ran way behind; I'm doing this amount. In fact, I think one of the members of the committee suggested that he use it to buy a car. You know, that expense . . . (inaudible) . . . I don't read that into the legislation. But I'm saying that they decided to let the member take it out at his own discretion.

**Mr. Katzman:** — You can wear out a car every two years for the far-away members. You know, like Lloydminster is a long distance. That's a lot of miles when you do.

**Mr. Engel:** — I know a guy that's about 250 miles further from here than Lloydminster.

**Mr. Katzman:** — Yes, and he can go . . . Freddie's the same way. He's got a lot of miles. But they also have the unique situation that we don't. They're allowed free airplane into all their ridings, into all the portion of their

ridings, that the southern, other than those two, are not allowed. We get it in our mileage.

**Mr. Weiman:** — I think Mr. Katzman identified it properly. I think, not only is this a bugaboo, but I think it's got to be solved within internal economy. There's so many that are tied into that whole package. It's crazy.

**Mr. Chairman:** — I agree that it's part of a larger problem. I'm going to say this, and then I'm going to be quiet on the subject. I think the system with respect to the payment of travel expenses, with respect to the payment of constituency office expenses, and with respect to the payment of secretarial allowance, has got to be reformed.

**A Member:** — And telephones.

**Mr. Chairman:** — And telephones. I say to you, gentlemen, we're going to be a very embarrassed lot one of these days if we don't do something and clean that mess up. I have spoken to people across the country. I haven't run into any system which is operated as exclusively on an honour system as ours. I think the honour system is one that is a problem begging for a place to happen.

**Mr. Katzman:** — I will make one more comment and be quiet. I suggest that if you remember in my throne speech, the three former members who know the system very well could probably loan some suggestions to the next House on how to cure a lot of the problems. And because they would not be beneficiaries, they could look at it with an outside eye, but knowledge of how the system worked Mr. Cowley, myself, and Mr. McMillan, who have learned the system fairly well, all three of us.

**Mr. Chairman:** — I'm recalling the comments made earlier which are not on the record, so I won't repeat them. I don't intend to pursue it.

**Mr. Lutz:** — Perhaps, Mr. Chairman, I should speak to this briefly. I don't perceive any directive, decision, or whatever, by the Board of Internal Economy overriding legislation. I think I want to say that up front. Nothing the board says can change the Act.

**Mr. Katzman:** — But we say there's four or five more problems, and let's deal with them all at once. And for now we'll allow the procedure to go.

**Mr. Lutz:** — Secondly, Mr. Chairman, I don't think there should be that great a problem for those members who need this funds in advance. They can always treat it as an advance and have a settlement at the end of their sessional year. And thirdly, I think if Mr. Kraus's people said I would like to get paid for my next trip now before I render the goods, render the services, or render anything, there would probably be a lot of trouble in Mr. Kraus's shop.

So I think, up front, this is probably going to come up again if the matter of the legislation is not addressed. I think that's what I'm trying to tell you here. Make it legal; put it in law; no problem.

**Mr. Chairman:** — I think it's part of a larger problem.

**Mr. Katzman:** — There's more issues than just one, Mr. Lutz. That's the problem, and they should all be dealt with simultaneously.

**Mr. Chairman:** — The special warrants, nothing under it. Let us quickly, gentlemen, decide what we're going to do, I assume, 9 o'clock next Thursday morning. What do we want to call then? We know . . .

**A Member:** — Well, what start are you assuming?

**Mr. Chairman:** — Pardon me?

**Mr. Engel:** — What time are you assuming?

**Mr. Chairman:** — 9 o'clock. I think we're finished with these 7:30 decisions. This is nonsense.

**Mr. Katzman:** — . . . starting with Finance and that's because we have so many questions of Finance. And we should prioritize all the rest.

**Mr. Engel:** — Is there a problem with that? You know, if we call one of the other line departments that have a problem in connection with Finance and we've already had Finance here, we have to bring Finance back. I'm wondering if we want Finance first, in case some other questions arise when we're dealing with some of the other issues we had that we'd want to ask Finance.

**Mr. Weiman:** — In other words, like we did last year — put Finance at the end.

**Mr. Engel:** — Not necessarily right to the end, but I have the problem that you call a specific area of concern, and they say well, no, that the problem, that's the direction we get from Finance is that. And we haven't got a chance to ask Finance then.

**Mr. Chairman:** — I suppose it depends which side they're looking . . .

**Mr. Engel:** — Now that's just a personal . . .

**Mr. Katzman:** — I'm just going by the book. The one thing we've nailed more than anybody is that we want to talk to Finance on. They seem to be our top priority.

**Mr. Engel:** — Well, Finance problems are related because of other departments. We're going to talk to Finance because of what this one says that Finance or that one says . . . I'm not sure we should go that route.

**Mr. Katzman:** — Mr. Chairman, a question . . .

**Mr. Engel:** — Mr. Speaker, can you and the vice-chairman go together with the Clerk and arrange a little priority according to what we've flagged and . . .

**Mr. Katzman:** — We're going to have to change that. It's going to have to be the chairman and myself. I've just been informed Mr. Glauser won't be back until Monday.

**Mr. Engel:** — Well we don't call anybody until Thursday, so even . . .

**Mr. Chairman:** — I guess it depends which side of the looking-glass you're standing on. I, for my part, would call Finance first, Allen. We might knock a bunch of these problems over the head. They might shorten up the discussions if we call them first. We can always recall them at the end if there are some unresolved problems. We can call them twice.

**Mr. Engel:** — If the members agree to that. The next meeting is Finance, 9 o'clock.

**Mr. Chairman:** — Finance, and then we'll strike our agenda.

The committee adjourned at 11:10 a.m.