

Public Hearing: Department of Finance

Mr. Chairman: — I would like to call the meeting to order. We have with us Morley Meiklejohn, the assistant deputy minister, and some others whom I know, and some others whom I don't. I will get you to introduce your staff, Mr. Meiklejohn.

Mr. Meiklejohn: — On my right is Dennis Polowyk, who is the assistant director of the cash and debt management branch. And on my left is Mr. Dan Baldwin, who is the manager of corporate services in the investment and financial services division. And sitting next to Dennis is Barry Peterson, our real estate and mortgage manager. On the left end of the table is Keith Mackrill, who is director of administrative services for the Department of Finance. Sitting on the other side of Barry is Bob Blackwell, who is senior analyst with the treasury board division.

Mr. Engel: — I didn't catch the last gentleman's position — senior analyst with who?

Mr. Meiklejohn: — Treasury board division.

Mr. Chairman: — It was Gary Peterson?

Mr. Meiklejohn: — Barry.

Mr. Chairman: — Well gentlemen, you got a fair amount of press . . . You've got a fair amount of ink this year in the Provincial Auditor's report, some seven pages. I want to begin this morning by going over the items raised by the Provincial Auditor.

Mr. Glauser: — Mr. Chairman, I think you should be advising them of the protocol in this.

Mr. Chairman: — Thank you for reminding me, Mr. Glauser. Gentlemen, we advise everyone that proceedings before the committee enjoy an absolute privilege; thus, comments which are made here cannot be the subject of libel, or criminal action for that matter. I'm not obvious how that would happen, but nevertheless that's the rule. On the other hand, it's taken down verbatim and is readily available for use elsewhere by the press, and so on.

Okay, you obviously have a copy of the Provincial Auditor's report, gentlemen.

Mr. Katzman: — Mr. Chairman, before you go further.

Mr. Chairman: — Yes.

Mr. Katzman: — If I may take — and as you go down could we also get the report of, I guess, the auditor and the comptroller on each of these items, if they have been fixed, as we go through them rather than before we . . .

A Member: — It would save a lot of time.

Mr. Katzman: — The item 1, have we got a resolve of that? Then if not, we'll go into the questioning. It will make it a little more . . .

Mr. Chairman: — All right. Gentlemen, item no. (1) on page 23 indicates that the financial statements were submitted to the treasury board on December 20, '85. As at the date these comments were dictated, the financial statements had not received format approval.

I'm not sure, Mr. Lutz . . . The last sentence then says:

Should my report on the 1985 financial statements contain a reservation of opinion, I will provide details of any reservation in my 1986 annual report.

I'm not sure if, in fact, there was a reservation of opinion.

Mr. Lutz: — Mr. Chairman, I'm advising the legislature that according to legislation I must provide details of any reservations which I issue. I'm further advising you that because I had not finalized this particular one at the date of this writing, any subsequent reservation on the '85 would have to come out in my '86 report, is what I'm telling you here.

Mr. Chairman: — I see. Gentlemen, what was the problem with getting the financial statements? I guess getting the format approval is a likely one, to use the auditor's language; what was the problem with that this year?

Mr. Katzman: — Well strictly because I'm a little personally sensitive because I'm not sure what the rules are here, could Mr. Auditor tell me what you mean by your comment. Do you always approve a format each year? I don't understand where the problem is here.

Mr. Lutz: — Mr. Chairman, Mr. Katzman, the treasury board approves the format.

Mr. Katzman: — Okay. And then you comment on that after?

Mr. Lutz: — Well, yes. Once the format is approved and the financial statements have been audited, then I will tender my auditor's report.

Mr. Katzman: — And all that statement says is it was because they weren't . . . when you did your work on the 20th of December, you couldn't make a comment because you didn't have them yet.

Mr. Lutz: — Or gotten them back from treasury board. So the treasury board can occasion changes in a set of financial statements. And if that were to occur, then whatever proposed financial or auditor's report I had thought to put on those may change.

Mr. Katzman: — So therefore this is more a requirement of the legislation than it is a problem, if I read this correctly.

Mr. Lutz: — No. I don't believe you're reading it quite correctly, Mr. Katzman. The financial statements are prepared; they're submitted to us for audit; we audit them; we prepare an appropriate auditor's report to go on

those statements; then they're sent to treasury board for approval. Now if treasury board doesn't make changes in those statements or require changes, then the status quo will remain the same and they will go out.

If treasury board makes changes in those financial statements, or causes them to be made, then we may have to do a little more work before we can attach our auditor's report. But if they don't come back from treasury board, we don't go anywhere with them.

Mr. Katzman: — Okay. I think what I'm trying to say is basically we have a time delay. That's the only problem that you're indicating here. You couldn't comment because you haven't got them back to comment.

Mr. Lutz: — That's right.

Mr. Katzman: — So other than that, there is no problem except a timing problem. I'm trying to make sure we're talking . . . It's a timing problem.

Mr. Lutz: — Yes. I think that's right, plus the fact that you don't have in your hands a set of financial statements with an auditor's report attached.

Mr. Katzman: — Fair game.

Mr. Kraus: — Well, Mr. Chairman, the point is that the financial statements were sent back to Mr. Lutz probably very shortly after this report was finalized, the report of Mr. Lutz was finalized. So then, of course, he did go ahead and issue an unqualified opinion, and there wasn't the reservation of opinion. So he won't be providing details of any reservation in his '86 annual report because, of course, there aren't any.

Mr. Chairman: — I assume, when you say format approval, you're talking about the form in which the financial statements would appear. Am I right or wrong?

Mr. Kraus: — That's the terminology that's used in the treasury board policy that governs this exercise. But you're talking about format also meaning exactly what some of the . . . how some of the assets or liabilities might be valued as well.

Those are the issues that we discuss year in and year out, I guess. There's nothing particular unusual about the '84-85 statements. There's always some discussion, I would think, to broaden it a little bit, between the auditor who prepares the financial statements and management, I guess, in many organizations. And there's always some discussion as to what asset, an asset, some particular asset might be valued at, for example, and that's what we're talking here about as much.

Mr. Chairman: — There was an unusual delay in getting them back this year, though, was there not?

Mr. Kraus: — Well, if I could . . . I'm going to just continue speaking to that. While the ideal . . . I don't think anybody will disagree that we would like to table in December, for the most part. Certainly over the many years, over 11 years, I believe, it's only been three times, or maybe four at the most, and maybe only three — I can't recall now —

that they've been tabled in December and not in the spring.

So while there's an ideal to shoot for, it hasn't been reached for the most part in the last 11 years.

Mr. Chairman: — Granted that the fall from grace took place some time ago, what is the problem with getting them back in time to prepare them in December? I've asked the same question. I'm concerned more with what we do from here on than what we've done here.

Mr. Weiman: — Well could I make a suggestion.

Mr. Chairman: — We'll let Mr. Kraus answer the question, then I'll let you in.

Mr. Kraus: — Well would have to happen primarily is that we would have to agree earlier on some of these issues. I guess I could give you one. Normally they're not discussed, but I think this one is fairly straightforward. And an example would be: it became apparent that we should be accounting for our debt in Canadian dollars. Okay. We hadn't for years. We borrowed in U.S. dollars; we record them in U.S. dollars. But, I think, the CICA (Canadian Institute of Chartered Accountants) came out and was fairly clear about a year and a half ago, which triggered this thing, and it said you should be converting it to U.S. . . . I'm sorry, to Canadian dollars. So that was something that was debated for a while as to whether we should or shouldn't.

Mr. Katzman: — So it's shown in American dollars?

Mr. Kraus: — No, it's now shown in Canadian dollars.

Mr. Katzman: — It used to be shown in American dollars, in what you borrowed in?

Mr. Kraus: — Yes. In what we borrowed in, except for yen and things like that. But the U.S. dollars were reported as Canadian dollars, and that goes back many, many years. The exchange has become a bit of a problem, so this adjustment took place. But it took some time to resolve that.

Mr. Chairman: — What other issues were there that took so long to finalize? I don't want to get dug in on this except it would be so much more convenient for members of the committee if we had these reports earlier.

Mr. Katzman: — Mr. Chairman, I would like to pick up on that. As was said a moment ago, three, maybe four out of the last 11 years we got them early. Fair game. Let's deal with that.

But on the report, I think basically my concern was, what was our auditor's problem? We now know the auditor's problem. We were given an example of the kind of problem that was inside. We've been told for the next report the auditor is giving it a clear statement. What more can we say?

Mr. Chairman: — That may be your problem. My problem is the timely preparation of the financial statements so that we can have these *Public Accounts* in

December. I gather this a part of the problem. All right, I promised to let you in.

Mr. Weiman: — The comptroller had given you one example, and there are probably many examples. I don't know whether we should be concerning ourselves with trying to anticipate or understand delays or motives on this. I would throw out one other little example, and it may be a mundane one, but just by the fact that in December a new person was put in place as the Minister of Finance. And what I'm saying is it would take . . . I would think that he would appreciate some time to get to know his portfolio and everything that comes into play with it.

But at the same token I have to agree with Mr. Katzman, the concern of this item 2.7 is not the concern of what happened in the interim in that process, but whether or not there was a complete transmittal of the information as the auditor had indicated — his statement up to treasury board, following the format, and getting back to him. And from what I'm hearing is that transmittal has now come full circle and that the auditor is satisfied with it, and in his '86 report he will not even include any reservations. So I think it's done with.

Mr. Chairman: — Well, we're not in any sense restricted to raising questions . . .

Mr. Weiman: — No, I'm not saying that.

Mr. Chairman: — . . . by the Provincial Auditor. I admit I was going somewhat further afield than perhaps the Provincial Auditor did. But I gathered part of the reason why these *Public Accounts* aren't prepared earlier was the failure to get treasury board approval of the format of the financial statements, if I can use that language.

Mr. Glauser: — I wonder if I could add something?

Mr. Chairman: — All right.

Mr. Glauser: — I think if you look back over the year 1985, I think it was a year with quite some upheaval in the CICA and the structure in reporting, and I think there were considerable volumes written in 1985 that was the result of several years of looking at government reporting and financial statements. This seems to be what intervened here in the . . . And just as Mr. Kraus has said about reporting U.S. dollars in Canadian and giving a more realistic view of financial statements, that, I think would be a considerable decision to make, because the numbers are large.

Mr. Chairman: — Except I don't think the decision was made. I don't think the statements have been changed to comply with the CICA.

Mr. Glauser: — Well I would like to know if that was part of the situation that came into play at that time.

Mr. Kraus: — Yes, they were changed.

Mr. Chairman: — Were they changed?

Mr. Kraus: — Oh, yes.

Mr. Chairman: — Before I recognize Mr. Engel, what changes were made?

Mr. Kraus: — That particular change meant that the debt . . . These were borrowings made on behalf of Crown corporations where the government is acting as an intermediary, so we have both the liability payable to the debenture holders or whatever, and also we show it as a loan recoverable from SPC, SGI, or whatever. In both sides of the equation it had to be added to rather substantially because of the exchange rate, so it didn't have any effect on the net accumulated deficit of the province. It simply added to the assets and liabilities of the province. And that adjustment will have to be made each and every year now based on the exchange rates.

Mr. Engel: — That rate is a second question I was going to make a note of. I didn't even bring a pen down. But the first question I was going to ask about — the format that's required by treasury board. Does that have anything to do with the second point Mr. Kraus said he's raising here as far as disclosing fully the revenues, expenditures and financial position of a government?

Will the format that's used in — I'm trying to use the same kind of language that you used instead of a farmer — but the format you used when you display the treasury board's financial statements, will that reflect on what the auditor is saying in (2), when it was talking about disclosing the revenues and expenditures, is that part of the dialogue that's taken on the treasury board's ruling on it?

Mr. Kraus: — Yes, it would, in part, because after all they do approve or have a lot of financial statements passed through treasury board for various government agencies and departments. And it's not always just a matter of what they're valuing their assets and liabilities at, it's how they disclose them — the format then, if you will — just how they display them, and from time to time agencies have had to change the look of their financial statements to satisfy treasury board. And that, I guess, is the situation with the government financial statements, is that in essence it's a policy of the treasury board as to what the financial statements will in fact look like. Whether it's a government or an agency.

Mr. Engel: — Mhmm. Now when you're displaying them in Canadian funds instead of American, you said that specifically either dealt with Crowns and Crown agencies rather than the Consolidated Fund.

Mr. Kraus: — Well that debt and that asset is recorded on our Consolidated Fund. I think the distinction I'm trying to make is that the debt that we have for the province itself was already stated in Canadian funds. It was only the debt that we're borrowing for these large Crowns that was in U.S. funds, and therefore when we adjusted the debt, we also were able to adjust an asset, because we'd just turn around and give the money then to Sask Power or whatever the case may be.

Mr. Engel: — Now how will that reflect on the province's Consolidated Fund?

Mr. Kraus: — Well what it does is, it increases the assets, it increases the liabilities, but it increases them in an equal amount.

Mr. Engel: — Well others argue, and I'm wondering if you'd clear me on this: if I borrowed some money in the States to buy a piece of property . . . And was that property in a Crown or in a Crown agency evaluated in Canadian funds or American funds, as far as the asset aspect of it is concerned? You see, if you're changing the ledger side of it that shows the liability from American funds to Canadian, that's going to show a larger liability. But if you change the asset aspect of it — most of the Crowns are in a fluid position where their assets would reflect a greater change than the liability, wouldn't it?

Mr. Kraus: — Well the thing is, though, that the borrowings are really being done on behalf of, let's say, SPC. And the assets are in SPC's books or whatever the purpose is, whatever the borrowing's for, that's in the SPC financial statements. All we're really acting as — and I guess Mr. Meiklejohn could speak to this better than I can — is just as a middleman, because I think the government can get a better rate when it goes out and borrows than if these agencies go and borrow on their own.

So we're simply borrowing the money to get the better rate. It's in the name of the province; it's debt in the name of the province, say for \$50 million. But at the same time, all we do then is say, well, it was really for SPC. So we give them the \$50 million and show that as a . . .

Mr. Engel: — So that amount is the same?

Mr. Kraus: — Yes. Right. And if we adjust the debt . . .

Mr. Engel: — If you had used 100 million, I could relate to it better because it would be 130 million, approximately, instead of at 100. So both would be at 130.

Mr. Kraus: — Right.

Mr. Engel: — Okay. I've got kind of a thick head.

Mr. Chairman: -Well I won't belabour the point. Suffice it to say it took five days to get treasury board approval in 1983, five days in 1984, and almost three months in 1985, with the result that we didn't get these reports, we did not get the *Public Accounts* . . . (inaudible) . . .

Mr. Engel: — Well I didn't have that date-line in front of me. I was just wondering, is there an explanation why it took that much longer prior and, you know, why the delay was this year compared to the prior three years.

Mr. Katzman: — Well I'm assuming . . .

Mr. Engel: — No, I'm not asking you, Ralph. If I want to ask you a question, we could do that anywhere. But we have these people here now . . . (inaudible interjection) . . .

Mr. Chairman: — Order, order, order!

Mr. Katzman: — . . . (inaudible) . . . Mr. Engel, to ask a supplementary on your question to make sure we get it

clarified properly.

Mr. Engel: — Well could I have it explained in the way I'm asking it?

Mr. Chairman: — I think Mr. Engel has the right to have the witnesses answer the question.

Mr. Katzman: — . . . (inaudible) . . . that I would like, Mr. Engel . . .

Mr. Engel: — You can after they're through answering my question. Okay, Mr. Chairman?

Mr. Katzman: — You got out of bed too early this morning. You're still grumpy.

Mr. Chairman: — I think Mr. Engel has a right to have his questions answered.

Mr. Kraus: — Mr. Chairman, and Mr. Engel, had those financial statements been . . . a format had been agreed to on January 5th or February 5th or, I guess, even March 5th, it wouldn't have made a lot of difference in this sense that they have to be tabled in the House and they can't be tabled till the House is in session. And therefore they were tabled, technically, within the time frames required by legislation.

Mr. Chairman: — What's the time frame required by legislation?

Mr. Katzman: — I'm going by memory. Isn't it 90 days . . . Six months, 90 days, and then 14 sitting days.

Mr. Chairman: — What is it?

Mr. Kraus: — We have to look that up.

Mr. Chairman: — After the commencement of what?

Mr. Katzman: — Fourteenth day, 15th day, sorry, you're right. The 15th day they've got to be tabled on.

Mr. Engel: — Does the article not have a requirement on that, that you see the pressuring part is that he couldn't report the details in this report if he doesn't get them in time, and this is what we're trying to solve.

Mr. Katzman: — This is the first time they had a major switching and that's what delayed things. And then once you're past December, the House isn't sitting and they can't table them until we get back in the House, so that's why it would take longer for them to seen.

Mr. Chairman: — They could provide them to them, and did, one year.

Mr. Katzman: — Yes, they did, I think, not last year or the year before.

Mr. Chairman: — No, the year before. So if they were ready earlier, they could have been supplied earlier, and we could do some preparatory work on it. Any other questions on 2.7(1), in effect, which I guess is where we were?

A Member: — No.

Mr. Engel: — They're going to give us some information . . .

Mr. Chairman: — Oh, you have an unanswered question, I'm sorry.

Mr. Kraus: — In terms of the tabling requirements, there isn't a specific number of days, so really in that sense there's no . . .

Mr. Katzman: — Because of The Tabling of Documents Act?

Mr. Kraus: — I don't think it applies in this particular case.

Mr. Benson: — But normally it's 90 days after the year end.

A Member: — And that's the 14th — 15 sitting days.

A Member: — Right.

Mr. Kraus: — And it doesn't apply in this case.

Mr. Engel: — Is this 90 days after the year end?

Mr. Benson: — Well that's normally what applies to other financial statements, it's usually 90 days after year end.

A Member: — And the 15th . . .

Mr. Benson: — Or within 15 days of the next available . . .

Mr. Katzman: — Now 90 days — then the 15 days . . .

A Member: — Start to count.

Mr. Engel: — But the year end is the end of April.

Mr. Katzman: — Well Al, for example, say we adjourn in June, okay.

Mr. Engel: — No, that has nothing to do with it; it's the year end of the Department of Finance.

Mr. Katzman: — If you pick a department, say that the year ended June, just for the point of argument, three months would make it September . . .

Mr. Engel: — Which department year ended June. We're talking Finance and their year end is April.

Mr. Chairman: — There's no department with a year end in June.

Mr. Katzman: — Okay, let's use . . .

Mr. Engel: — And 90 days on April is May, June, July.

Mr. Katzman: — Okay, let's take July. So July 1 is when the 90 days is over. They really may not have to table them until the 15th sitting day, and the 15th sitting day

may not come till March, the next year. Which happened many, many years — we used to only sit 14 days in the fall — so that we didn't get the document until the 15th day, which may come next March, and that was quite normal for it to happen that way. Am I correct, Mr. . . .

Mr. Chairman: — You are, by and large, correct. The 15th day normally comes sometime in December because we've had fall sessions which have lasted longer than three weeks. But the practice has also developed of passing and tabling of documents after you excuse all the departments from complying with it.

Mr. Katzman: — Except this year, did we have 15 days in the fall?

Mr. Engel: — No, we passed the tabling of documents thing in the spring to give them more time.

Mr. Katzman: — We didn't have 15 this spring though Al; this fall one we did.

Mr. Engel: — No, but if the days continued, they're counted. If you sit 10 days in fall, by day five the 15 days are up . . .

Mr. Katzman: — That's right. But just . . .

Mr. Engel: — . . . and that's when we passed that Bill to give an extension of the time.

Mr. Katzman: — That may be correct.

Mr. Kraus: — I just want to reconfirm, though, that The Tabling of Documents Act doesn't apply to the *Public Accounts* document itself.

Mr. Chairman: — That's right.

Mr. Kraus: — No, it's as soon as practical, really.

Mr. Chairman: — We are a bit . . . I, perhaps, got the discussion off the topic. Unless there's something more on 2.7(2). We will go on to 2.7(2). I guess the Provincial Auditor's comments are summarized in the last paragraph, which actually appears on page 25:

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

Mr. Katzman: — Can you explain those last three lines.

Mr. Chairman: — Mr. Lutz, if I could direct that question to you.

Mr. Katzman: — The last three words actually, four words.

Mr. Chairman: — He wants to know what you meant when you used the phrase, "economic substance of

transactions.”

Mr. Katzman: — I can read that in many different things.

Mr. Wendel: — What specifically, Mr. Katzman, in that paragraph?

Mr. Katzman: — The last four words.

Mr. Wendel: — “. . . the economic substance of transactions”?

Mr. Katzman: — Yes, what does that mean?

Mr. Wendel: — I think what that means to accountants is: if you account for the substance of the transaction, not its legal form. So let’s take the case of the Grain Car Corporation as an instance.

Mr. Katzman: — Okay.

Mr. Wendel: — Those assets, if you’re accounting for the economic substance of the transaction . . .

Mr. Katzman: — That’s the boxcars.

Mr. Wendel: — Right. Those assets, using the Consolidated Fund, financial different principles would be valued at a dollar, okay? They’re presently being carried at \$50 million. So the economic substance of the transaction is, there is no asset. It can only be paid back out of future appropriations. So that’s what we’re talking about there.

Mr. Katzman: — So what you say, for example, the books show we have \$50 million worth of grain cars.

Mr. Wendel: — They show we have a \$50 million loan from the Grain Car Corporation. That’s what they show.

Mr. Katzman: — To who?

Mr. Lutz: — To the Consolidated Fund.

Mr. Katzman: — To the Consolidated Fund. And . . .

Mr. Wendel: — The only way the Grain Car Corporation could pay back the Consolidated Fund is to get an appropriation . . . (inaudible) . . .

Mr. Katzman: — Because the Consolidated Fund gave the \$50 million so they could pay for their assets.

Mr. Wendel: — Right.

Mr. Lutz: — So we have to make a payment to the Grain Car Corporation so the Grain Car Corporation could pay us interest. We’ve got to make another payment to them out of the same fund if they want to pay us back the principal.

Mr. Katzman: — You’re changing pockets.

Mr. Lutz: — Right.

Mr. Katzman: — Okay. Well that’s what I assumed. Okay

now, when I’m changing all my pockets . . . instead of changing pockets, what would you recommend I say?

Mr. Wendel: — Well I think what we’re recommending is: you put all the pockets together, and those type of transactions would fall out, and you would then have the revenues and expenditures and financial position of the province.

Mr. Katzman: — So what you are saying is, if all Crowns . . . We’re back to part of the same one we had again. All the debts, all the equities, anything that we have guaranteed, or any asset that we hold, should be included.

Mr. Wendel: — Right.

Mr. Katzman: — Now let me . . . and please do not misread, politicians, what I’m trying to say. Hospitals, for an example, are paid for — a percentage of them, in some cases the whole, some pay for part — by the government. Okay? Schools are paid for, proportioned, by the government. Are you saying you take those in, or just the real stuff that we sort of . . . like the Legislative Building and the Tommy Douglas building. I’m trying to understand what you’re saying, what goes in the numbers.

Mr. Wendel: — I think what you take in are the ones that are responsible to the Executive Council.

A Member: — A school would not be an asset of the government.

Mr. Wendel: — That would only be a liability, the school boards.

Mr. Katzman: — Yes, schools are liabilities because we owe them . . .

Mr. Wendel: — No, they’re not a liability or an asset to the government.

A Member: — They’re separately elected boards responsible to . . . (inaudible) . . .

Mr. Katzman: — Sorry. No, no. We agree to build a school . . . (inaudible) . . . and we agree to pay them so much money a year for five years till it’s paid for. Now does that show up in our debt?

Mr. Wendel: — That would be a commitment, yes.

Mr. Katzman: — Okay, but we have no asset with no commitment.

Mr. Wendel: — No, that’s a percentage.

Mr. Katzman: — That’s exactly what I wanted to understand. And the same with a hospital — we have a commitment but we have no asset.

Mr. Wendel: — In the case of some hospitals. Some hospitals, they are responsible to Executive Council.

Mr. Katzman: — Could you give me an example?

Mr. Wendel: — The Plains Health Centre. South Saskatchewan Hospital which includes the Plains, the Wascana, and the Pasqua. Those are all responsible to Executive Council.

Mr. Katzman: — So what you're telling me, that the auditors of Canada are saying that the Government of Saskatchewan should include those hospitals in their balance sheet.

Mr. Wendel: — Should include those things that are politically accountable.

Mr. Katzman: — Well you named some hospitals.

Mr. Wendel: — Right, and those . . . (inaudible) . . . And other hospitals are not. As I've said . . . (inaudible) . . .

Mr. Katzman: — Okay, correct. Fair game.

Mr. Wendel: — But the Saskatoon University Hospital is, because that's the way the law's set up. Those are accountable through cabinet to the legislature.

Mr. Katzman: — I want to make this clear in my mind. What you are saying to us is, the auditors from Canada in their recommendations have said something like a school, where we give them money but we have no asset, should still show on our liabilities because we owe them for five more years of building or something. Okay? No asset but on our liabilities.

Hospitals, like you named, we pay for them and they should show as an asset, which is quite different, drastically different I think, than has ever been shown before. But it's being recommended by the auditor's people. That's what I read here. Hospitals that we give money to, like the schools, a grant we have no responsibility for, we have no asset. So we have the two kinds of hospitals. One kind is like the Tommy Douglas building and one type is like a school. We give out the money but we have no asset. Because that's new, for governments to show that. And I understand in the industry, the industry is saying: why is a hospital now shown as an asset in the government, for assets? And what you're telling me is the accountants are saying that's the way it should be done.

Mr. Wendel: — I think what the accountants are saying is those things that are politically accountable, should be put together — whether it be a hospital, a Crown corporation, or a board or a commission. If they're politically accountable to cabinet and they have assets and liabilities being administered by cabinet, they should be put together.

Mr. Weiman: — It's a matter of jurisdiction. The school board in the city of Saskatoon, whether it's the Catholic school board or the public school board, it's their jurisdictions that are accountable to their school. However, something like KIAAS, Kelsey, which is accountable to us through, as you were saying . . . No, I understand what you're saying.

Mr. Lutz: — That is the economic substance of the thing.

Mr. Weiman: — Yes. I understand what you mean.

Mr. Katzman: — Mr. Chairman, you may be wondering where I'm coming from, but this has become a major discussion out in the street today. And what I'm understanding is, it is coming about because of recommendations of the Provincial Auditor and the auditors association of Canada sort of saying we should do these things so we have a meaningful statement. Am I reading all that right?

Mr. Kraus: — I just want to clarify a wee bit that first, the people that are making these — in general terms; they aren't being that specific yet — but are making these recommendations, are the CICA. Okay? That's the Canadian Institute of Chartered Accountants. So they're making those recommendations in general.

If I could, Mr. Lutz, I'll say that the only other group that have come out with some, let's say, fairly specific direction, or at least have been trying to do some of the same things that the CICA have done, is this report that Mr. Dye wrote, along with the Comptroller General, I guess, from the United States, where he also has come out with something. He issued this report that shows the model he would think there should be.

Mr. Chairman: — You're referring to this document, Mr. Kraus?

Mr. Kraus: — Yes. After that, I don't know if it's fair to say that the auditors in general have a specific position. Do they, Willard?

Mr. Lutz: — Yes, they do. Mr. Chairman, last year P.E.I. did this, Alberta did it to a degree, not possibly as far as we're proposing here, and B.C. has done this. It's not an absolutely new concept. It is the economic substance they are trying to disclose by putting these things together. And it is being done now, in addition to what Mr. Dye has just done as a sort of pilot project.

Mr. Katzman: — I think the point that I'm trying to make, Mr. Chairman, is I'm hoping that politicians, if it starts to be done, of course, politicians will say, hey, what in the world are hospitals having a value in the balance sheets for now? And if the government accepts Mr. Lutz's argument, we, as politicians in this room, had better realize that that's the second part of what the public is going to say. So we say to Mr. Meiklejohn's people, yes, we agree with the auditor that these things should show up in this auditing recommendation, we had better realize that . . . Give me one of those hospitals again.

Mr. Lutz: — The Plains Health Centre.

Mr. Katzman: — The Plains then will show up as a government asset on the books. And people aren't used to seeing a hospital on the assets. And I think that we politicians better understand what we're into and not go off the deep end. Because, I mean, if we don't want to accept that, we better not accept it in this room either.

Mr. Kraus: — Mr. Chairman, I'll just say again, as I said the other day when we discussed this, is that the auditors

don't set standards, and they agree to that. They may push for change, but they don't set standards. The accounting body, the Canadian Institute of Chartered Accountants, has been the standard setters. And what they are currently undertaking is to deal with this entity issue that we're talking about — how big the entity should be and who should be in it — and they're trying to establish more specifically what criteria governments would use to determine what's in and what's out. And to some extent I would think — I can't speak for governments — but I would expect some of them are simply waiting to see what the specifics are going to be before they simply leap ahead and begin to do this without knowing what specific direction they should be heading in. This is just a general direction. We all can understand that, but just exactly what should be in and out is a matter of some debate.

Mr. Lutz: — Mr. Chairman, the Government of Alberta and the Government of B.C. and the Government of P.E.I. did this last year. They took the conscious decision to put together some document of whatever form, and they have done this. Now, Mr. Katzman, to your question on a hospital: how excited do you get when the Plains Hospital tables their own financial statements in the House with the hospital showing as an asset? Now this happens now; whether it goes into this piece of paper or this piece of paper is not that much different, really — at least I don't see it as such.

Mr. Katzman: — Well that's right on. One of the hospitals is arguing strenuously with the government if we're going to report their hospitals as an asset of the government. They're screaming blue murder on the streets today because they don't understand it. So we better make sure the government's saying, well, look it, the government hasn't said we're doing it, but this committee is . . . sorry, through the auditor we're recommending it be done, and what I'm telling the politicians in this committee is that we better realize what we're talking about.

Mr. Chairman: — There will be some fuss.

Mr. Katzman: — And, you know, if we're going to do this as a Public Accounts Committee, then we're saying, okay — the same as we did with the municipal pension that's an acceptable financial way to do things. And I'm suggesting that, if we're going to agree to it, then we all agree that that's what we want, and we say to the government, please continue, as we do in our report. Or if we say, no, we're divided, we have to give a commitment here. We can't just leave this hanging.

Mr. Glauser: — Well in the B.C., in that situation, they started this . . . This goes back to 1983, I believe, where they set up the Crown corporation and took all the assets of the government and put them under an umbrella. Now they reached out — and this is only the tip of the iceberg as far as I see it — they reached out right down into the Crown corporations and everything was brought into the ball, and so this is only the beginning. To say that . . . Like, okay, what about the Sturdy Stone Building in Saskatoon, for instance? What about the jail up in Saskatoon, the one in Prince Albert? You know, what about all the rest of these entities?

A Member: — If I could . . .

Mr. Chairman: — I'm sorry, we've got a speaking order here. Mr. Weiman's next.

Mr. Weiman: — Well, no, I think it begs an answer, first of all. So if Mr. Kraus . . .

Mr. Kraus: — I wanted to say that one of the comments made by one of the members, a few weeks ago or last week when we discussed this, is that they'd like something that was simple and understandable. I don't think that's possible in any event because I think you have to be somewhat of a technical type to understand accounting before you can read any financial statements.

What I have seen where this thing is leading is that it could result in confusion rather than clarification because the jurisdictions to the West, with all due respect, have two or three financial statements, one of which is a summary statement as they're suggesting here, but the deficit or surplus they talk about each year doesn't come from that summary statement but from some statement of their appropriated moneys.

And so you get a series of numbers that you can deal with, and then what is the annual deficit for the year or the annual surplus depends on what statement you look at. And I think it could just lead to confusion. I'm not saying I'm against some of these things or anything like that, I'm just saying that it can become more complicated, not less. And I've got . . .

Alberta is a good example, where I notice that the deficit they were talking about in the newspaper was not the one that you would read on their larger set of financial statements. It was what I would call an operating deficit, that would be simply the moneys from the expenditures and revenues appropriated by the legislature, but yet they have another, grander set of financial statements that I guess tell you something else, but you have to know what they mean and you have to know, as opposed to these other numbers. So you could find yourself with two or three sets of financial statements to deal with, which won't make it easier.

Mr. Weiman: — In terms of talking about these hospitals and assets and things like that, it's the opposite that worries me, too, if I heard it right. When you indicated that only those assets that are politically accountable — I think that was the term you used — and then we were talking about school divisions, where they're accountable to their jurisdiction. So a school is not an asset of the government. Am I following you right?

Mr. Lutz: — Right.

Mr. Weiman: — Which can open up another hornet's nest on this, because I can recall back in Saskatoon about six years ago when the public school board wanted to sell their building down town and the government of the time said, no, I'm sorry, you can't, it really belongs to us because we funded you 90 per cent of it.

And that can cause all kinds of problems because you have school divisions who do get 90 per cent of funding for capital expenditures, and then five years down the

line, or 10 years down the line when the enrolments drop and the school board wants to close it down and sell it or whatever, then you come into that hornet's nest of whose asset is it? Is it the school board's asset which you'd indicated, or is it the government's asset? You said, no, it's not because they're not politically accountable. You could cause all kinds of mayhem in this province.

Mr. Katzman: — Riverside Collegiate . . .

Mr. Weiman: — That's what it was, yes. And you can cause all kinds of problems in this province. So I would like to comment by stating that I'm appreciative that the auditor had indicated that it was a recommendation, as opposed to either a grave concern or a reservation, and the question I would like to pose is that the comptroller has indicated on page 24, the second paragraph from the bottom, that they are trying to find a way of indicating a most appropriate method to present the financial statements, and that would be my question. Is that still ongoing?

Mr. Kraus: — Well it certainly . . . Obviously when he says that we were started on August 2, 1984, there's been a major pause. We had made some progress and then we stopped, and the reason is that . . . there's two major reasons. One, we feel that we have to get more specific direction as to what's in and what's out of this thing from the CICA, and they have a group of people doing it. As you know, Mr. Lutz is part of that group.

Number two, it's just recent that Mr. Dye has come out with his report, and it has a slightly different slant than what the CICA has been saying. Although it's complimentary — they do compliment one another — it's slightly different.

I can say, I guess, that we are continuing to study this thing, but I think that we would have difficulty making final recommendations ourselves until we see what the CICA is going to say finally about it.

I can say, I guess, that we are continuing to study this thing, but I think that we would have difficulty making final recommendations ourselves until we see what the CICA (Canadian Institute of Chartered Accountants) is going to say finally about it.

Mr. Engel: — Mr. Chairman, thank you. When I look at the auditor's report here, that he'd like the financial statements to show clearly and fully the revenues, expenditures, and financial position of the government, and then I look at "How far down is the bottom line?" of government deficits, this little booklet here . . . According to Mr. Dye, the reported 1982-83 federal deficit of 24.7 billion was understated by 5.3 billion. That's a 17 per cent overstatement of Canada's position.

And rather than what the government is trying to say here, that our deficit is understated because we don't include the schools and the hospitals, I think what I hear and what I see here is that maybe, if the financial position would clearly show or disclose what they're looking for, that we'd be showing a larger deficit.

And I'm wondering, and I'd like to hear from either the

auditor or from Mr. Kraus or even from the Finance people here, what kind of a summary statement . . . I appreciate what Mr. Kraus has been saying about Alberta's two-tiered or two kind of financial statements. What are we looking at or what are we talking about here? How are expenditures shown on one hand . . . or revenue shown on one hand and expenditures funnelled out some other way?

I've been marking this book. I could take a long time reading all of them, but when they're talking about the actual budgetary deficit, "It is called 'budgetary' because it excludes so-called 'non-budgetary' outflows such as loans, investments and advances for special purposes' . . ."

A Member: — Which one are you alluding to? Would you tell me the page?

Mr. Engel: — I'm in page 9 and 10 of this little book, *Government Deficits: How far down is the bottom line?*, and I'm relating that to fully disclosing. And I'm wondering, is there a way that a sharp bunch of guys like these six or seven or dozens that they have in their department sitting here, is there a way — and how do I put this nicely? — of reporting investments and advances? It's called here budgetary outflows. That really don't show up in the picture. Is there something happening that's developed and evolved and grown like topsy that's kind of out of control, and is there a way of tightening this thing up and showing a financial statement that reflects it, Mr. Lutz?

Mr. Lutz: — Mr. Chairman, if you look at that document we handed out last week, the pilot project done by the Auditor General of Canada, yes, there is.

Mr. Engel: — I think you told us we were going to get that, and one copy was given and somebody was going to try and get more. We didn't get those yet, as members.

Mr. Lutz: — I sent a swarm of them down to your Clerk.

Mr. Chairman: — They were distributed in the House.

Mr. Engel: — I was kind of waiting for that. I remember the last meeting . . .

Mr. Lutz: — The point I was trying to make, Mr. Engel, is that if the will is there, it can be done. And it's not going to happen overnight. Nobody proposed that it should, but it can be done.

Mr. Kraus: — I agree it can be done, Mr. Lutz. But when you say the will, I guess it's a matter of what's . . . There isn't necessarily a right and a wrong here, and one has to determine just what should be presented. I give you an example. We gave you a list of unfunded liabilities for superannuation plans last year. What we should have done — we didn't do it; I wish we had have — is said a part of this unfunded liability is really a part that's going to have to be paid for by the general taxpayers from general revenues. But there's another part that's attributable to Crown corporations like SPC or SGI or SaskTel, and at least that part can be funded by the users of the services of those Crowns.

So when you start to combine these things, you've got to realize that there are two different streams of payers. I mean, I don't consider myself to be the same when I'm paying Sask Power as to oppose to when I'm paying my tax bill. I think it's slightly different that way.

So some of the stuff, some of those liabilities — I shouldn't say stuff — liabilities are not all attributable to the general taxpayer. I use the superannuation as an example because we didn't distinguish on the bottom line that some of that is the responsibility of self-sufficient Crowns as opposed to the . . .

Mr. Chairman: — I'm sorry. I wasn't cutting you off. I was recognizing some hands.

Mr. Glauser: — Well I have a question on that. You say that it was CICA that brought forward these recommendations, but I'm wondering if it wasn't at the instigation of Dye. Because was it not he — and these figures that are in this little book here, that \$5 billion — is this not something he attributed to the moneys, the outflow to Crown corporations? Is that not what it is?

Mr. Kraus: — Well the CICA began this as a result of a number of things, and it goes back to some of those early reviews of the federal government's spending by . . . There was a Lambert commission and whole series of studies, and eventually the accounting profession began to realize that there weren't accounting standards that ensured consistent, uniform reporting across Canada so that you could account for all of the governments activities and that they'd report in a standard fashion, and that's what led to this standard setting.

Ken Dye has some in as auditor. I don't know how long he's been the auditor — three or four years, or five years perhaps — and he has felt that perhaps there's something deficient in the financial statements of the Government of Canada. And if I can say this, I guess I will: I don't think that he feels that the CICA perhaps has gone far enough or has necessarily gone in the correct direction, and so he has developed something himself that I think he sees is complementary to what the CICA is doing.

And in simple terms, the CICA recommendations have not, at any time, contemplated recognizing physical assets, the buildings and so on, on the balance sheet. Ken Dye is saying, or recommending rather, that they should be.

Mr. Glauser: — Well is not that five point something billion, is that not what he's taking into consideration under the Crowns, where he says the deficit — and taking that in?

Mr. Kraus: — Well what he would probably be saying there, without knowing specifically what it's about, is that there are some of these Crown corporations who, I suppose he's saying, are ultimately the responsibility of the government if everything collapses, and therefore that deficits in those Crowns should be added to the deficits of the government proper, so that you know the true extent of the deficit.

Mr. Glauser: — Yes, that's where he's picking up that

figure. Is it not?

Mr. Kraus: — I would have to assume so, partly.

Mr. Lutz: — I don't know how he put these together, but that will be part of it, yes. The key to it is the political accountability aspect which should override, I think, all other aspects when you consider putting these things together. If it's politically accountable to a minister to cabinet, it's difficult to rationalize why it shouldn't be considered part of government. I can't get around that one, Mr. Glauser, it's there.

Mr. Glauser: — Well I can accept . . .

Mr. Lutz: — Now I have to also maybe continue, along with Mr. Kraus . . . This committee of CICA which is studying this matter is known as the public sector accounting and auditing committee; and as Mr. Kraus says, I personally am on that committee. But you people should also know that he spent three years on there before I did, so probably some of this trouble is his.

Mr. Weiman: — I just want to pick up on a concern of Mr. Engel's. And I can appreciate his concern, and that has to do with understating deficits. Am I using your term correctly, Mr. Engel?

A Member: — He didn't hear you.

Mr. Weiman: — Yes, he heard me; he nodded. I don't know if there's a real true resolution to this. It's almost like six of one and half a dozen of the other. And I don't intend to want to belabour or to drag the puck on this. But there are some things that have come to mind on this, and that is that with this whole aspect of politically accountable what is an asset and what is a liability — if anything, I sometimes wonder if it's the opposite, rather than worrying about understating a deficit.

Now I will draw it out a little bit further. I want to go back to the schools again. The funding for capital expenditures of schools is politically accountable to the Minister of Education. In this term it's Mrs. Smith. And that has to show up in the budget: how much money did we send to Saskatoon, Regina, etc., etc., to build new schools. Am I correct on that part? So it shows up as a liability. But yet our hands are . . .

A Member: — It's a grant.

Mr. Weiman: — Yes, as a liability. Well at any rate, it's still money flowing out. But at the same token we cannot count these schools as assets. You know, there's no offsetting. Stop me wherever. I just want to get that clarified.

Mr. Wendel: — I think, if you retain the right to that asset, you would show it as an asset.

Mr. Weiman: — But we didn't.

Mr. Wendel: — Oh I don't know if you did or didn't. Now if you say you did, well then you should show it as an asset. But if you didn't . . .

Mr. Weiman: — But my point is that there are times in government, no matter what governments, where cash is flowing out and there is nothing that accounts for it as being an asset to show on our books. I mean, that's just the nature of the game; that happens. So I don't see this great sort of nefarious plot of understating a deficit, because there are times and procedures in government where you are sending money out and you're not showing anything as a return.

You know, I could throw . . . I'm sorry, go ahead, Mr. Lutz.

Mr. Lutz: — Mr. Chairman, Mr. Weiman, I think what you're talking about here is a conscious decision by an administration, as an instrument of social policy, to make grants to schools for construction. That's quite normal. Now annually you go into the House and you vote in your appropriation, 50 million, 100 million, grants to schools. Now that, I don't think, infers that when you have made your grant you own that school. I think it's: as an instrument of social policy, you said, we will assist the citizens to build a school. And I don't think anywhere in that planning program is there inference that, when you have done your two years or three years or whatever grants it took to build that school, the government should own that school.

And I don't really have a problem with . . .

Mr. Weiman: — I don't either. But what I'm saying, in terms of — and I'm not an accountant by any means but in terms of an overall balance, one going out and one coming in, when you show a budget, whether the budget is balanced, surplus or deficit, that does not take that into account that you may have spent millions, hundreds of millions, on these socially acceptable programs through grants or whatever. It still shows up as an expenditure on the side of government, but you have nothing offsetting to show it as an asset. And that's the only thing I want to get at, not should it be. Because I quite agree with you, Mr. Lutz, in certain terms they should not be.

Mr. Lutz: — That's right.

Mr. Weiman: — You know, to go on further, how do you put a value on a highway? I mean, you spend hundreds of millions of dollars on highways and then you say, well how much is that stretch of highway worth? I mean, who are you going to sell a highway to? I mean, there is no value to it other than what is socially needed. How do you put a value on a bridge? So I think, you know, those kinds of things are going to be with us always.

Mr. Lutz: — Which to me does not mean that that should be a reason for not trying to do something better.

Mr. Weiman: — Of course not. But my point is: how do you evaluate it? Impossible, it's impossible.

Mr. Engel: — I suppose I have a question, and government members might think it's facetious, but it really isn't.

Mr. Lutz, if the reports, the documents, would clearly and fully reveal the revenues, expenditures, and financial positions of the government, would you go out on a limb

like Dye did in this line here and say, did we understate it by 17 per cent or 20 per cent, or where would you say would be a ballpark number? How far are we missing the mark by with our present statements?

Mr. Lutz: — Mr. Chairman, Mr. Engel, until somebody in the administration puts these things, these entities, together, I wouldn't even comment. But if they did indeed put up a statement like that and put them together, I would endeavour to audit them and I would render an opinion on them, of course. But I don't know.

We just think that if there is more provincial transactions being run through boards, agencies, commissions, Crown corporations, than there is through the Consolidated Fund, then I am not convinced that the Consolidated Fund represents the financial transactions of the government. That's really what we're saying here.

Mr. Engel: — Yes, this is what concerns me right now. I've watched, and I've been to public accounts meetings, and I watched the operation and the overheads and the fancy TVs and stuff they used at the one I was at in Ottawa and then last year in Charlottetown. And they try and put on quite an impressive show. But I think that our auditing people in Saskatchewan need to be complimented on the kind of reports you do and what you do.

But there surely must be a way of knowing, when you're looking at all the books and looking at the various departments, there must be a way of saying, is it worth going after these fellows here saying, let's come up with some financial statements that reveal it? How far are we missing the mark by? Are we out by 10 per cent or 15 or, if we'd really reveal it, what are we looking at? Because his numbers here clearly indicate that the federal government's reporting is in error by 17 per cent.

Mr. Weiman: — You can't tell whether the child's a boy or a girl until it's born. That's what he said.

Mr. Chairman: — Order.

Mr. Lutz: — Mr. Chairman, Mr. Engel, if it were the wish of this committee, I'm quite sure that my people would be prepared to approach such a project and put something together and show you what it looks like.

Mr. Engel: — I think that would be useful because then we'd know where it's at. What kind of a financial statement . . . I'm sure these people are operating according to the legislative guide-lines as far as what's the requisite — this is what needs to be included and this is what doesn't. Do we need some legislative changes to get that presented or to get a different or gross picture presented, or is the authority there to do this? Where do we start? — I suppose, is the question I directed at Mr. Lutz. Where do we start to clear the unfairity for trade, the numbers that you'd like to see to do summary statements?

Mr. Lutz: — I'm not aware of any legislative prohibition to doing such a thing. If it were the wish of this committee that we attempt and put together this kind of a document, we would certainly be willing to put together this kind of document.

Mr. Chairman: — It would be very useful. Sorry, Mr. Glauser's next. I'm going to get order here.

Mr. Glauser: — I think you're putting the cart before the horse.

A Member: — What goes in the documents?

Mr. Glauser: — Okay. And the reason I say this is that as a result of this last budget there was a corporation set up, real estate corporation, which is designed to make probably the first steps to taking into government the assets of the government.

Now it would seem to me that once that you accomplish this, then that makes Mr. Lutz's job much more simple than what he would have to do now to accomplish what you're talking about. And I wouldn't mind getting some comment from either Mr. Kraus or Mr. Meiklejohn on that statement.

Mr. Kraus: — Well if I could just in general terms say that there's been some concern — and you won't hear this publicly, and I'll probably be the only one that will say it — by the CICA . . .

Mr. Katzman: — Hold it, hold it. Do you want these mikes turned off?

Mr. Kraus: — Well it wouldn't be a bad idea, I suppose, if I could, thank you.

Mr. Lutz: — Mr. Chairman, I would like to suggest that if my comments are going to go on the tape, verbatim, there is no reason why Mr. Kraus's shouldn't.

Mr. Kraus: — I was going to be speaking about . . . I was going to be giving you some opinions that I know exist, by some accounting people, and I shouldn't really be talking on their behalf, but just to put a perspective on it.

Mr. Katzman: — Well don't name them then.

Mr. Kraus: — Well I won't name them, okay.

Mr. Chairman: — With Mr. Lutz, in one sense, I think it's not good practice to be going off the record any more than it's absolutely essential. Sometimes it is because you must discuss individuals and you must name names. But I think we should try to limit that practice as much as we can.

Mr. Engel: — If we want to bring this decision to a head and have some documentation that I can go back and look at it and formulate some resource, it would be good to have the opinion, as you see it. Like the chairman said, you're not liable as far as this committee is concerned, or put you in a bad light if you don't name who it is.

Mr. Kraus: — Well the only thing is that there is some concern that auditors would be setting standards. And this is what I said before, that normally what happens is that you have a standard-setting group and then you have someone that audits against those standards. And the danger is when auditors are presenting this material that they, in fact, begin to set standards and then audit against them.

I'm not saying that criticism is being levelled in any way, shape or form locally here, but I know there have been some concerns about Mr. Dye's study. And although officially you wouldn't hear that, unofficially there is discussion like that.

After all, it cost them several million dollars to do that — and it might be money well spent, who knows? — but certainly there is concern that the auditors are almost setting standards against which they're going to audit. And one would say, hey, the CICA is the one that should be setting these standards. Let them decide, or let them determine what the direction or the specifics of the recommendations. And then, if the preparers of financial statements don't adhere to those recommendations, then the auditor can say they are not and report in whatever fashion they wish to. But I think that's the proper way to go.

Mr. Chairman: — I think . . . Before I recognize Mr. Glauser, I'm sorry, Mr. Katzman — we have spent a long time on this. But, in my view, this is perhaps the most important single issue to come before the committee this year. So I want to spend some time on it. I have some of my own comments but I'm going to save them to the last.

Mr. Katzman: — Mr. Chairman, I liked your comment that you came in in the middle with, so I'm going to refer to it first.

I think that's probably going to be a major issue, this particular topic we're discussing. I think, before I went out of the room and made a phone call to check something, I had the feeling you were saying that the members — correct me immediately if I'm wrong — the members of the committee are saying, yes, it looks like a good idea to put an agreed-upon list of debts and assets together, just to know the true debt of a government.

In that discussion it seems to say that, yes, certain hospitals would be in; certain hospitals wouldn't be in. Because we have them, from what the information I've received to this point. Okay.

Then, I guess Mr. Engel's comment was that the auditor put a list to see if this 17 per cent is right or wrong. Now I have some problems when I move from what Mr. Engel says, because I don't know what list that the auditor will work off yet. And depending on what's on that list, it will change things drastically or not drastically.

Now what Mr. Kraus says here, once we have a list that goes on, then we're all working from the same set of apples. If Mr. Lutz draws something at this time, we don't know — somebody hasn't told him, other than himself — what he should throw in the bundle and what the mix should be.

What I'm saying is: now that we have this property management Crown, it seems to be going to do this now, put all these things in. And I assume the comptrollers and everybody and his dog is involved with saying what should be in and what shouldn't be in, and they're working on this formula now. I'm saying, hold it. Should we not wait until the formula is made to say what goes

into the pile before we can say which way it goes? And that's my concern with your asking Mr. Lutz to do something. I'm not opposed to the idea that you're selling, Mr. Engel. I think we're just . . .

Nobody has decided what goes in the mix yet, and I think you and I would agree that the highway wouldn't be in the mix. As Mr. Weiman has suggested, it shouldn't be in the mix. But a hospital that is an asset of the government — and he defined some earlier that were — could be in the mix or couldn't be. We have to make that decision.

Example: technical collegiate in Saskatoon Riverside, which is the old Saskatoon Tech — when they wanted to dispose of it, they were told they couldn't because it's government. So what they did, they disposed of the school board building, which they could legally sell, and the school board moved into the school because they couldn't sell it in Saskatoon. So I'm afraid I'm not sure if I'm going to compare apples and apples, or apples, oranges, pears and bananas; and I'm a little nervous about doing a comparison until I know what I'm doing.

Mr. Lutz seems to want to answer something.

Mr. Lutz: — Not really, Mr. Katzman. I believe your concern is very real and very serious, and I would like to address it, if I could.

What we would probably do if we endeavour to do this would be to comply with the objectives as stated by CICA, namely, including all those related to activities of government agencies and enterprises — which would go right back to the political accountability criteria.

Having said that, if we did that, we would certainly attach to any such produced document a list of those agencies which had been included. There may even be odd cases where something would be left out for good and valid reason, and that would also be disclosed. We're not trying to sneak in a secret little thing here. We're trying to look at the possibility of putting a bunch of numbers together and see what it would look like. The political accountability is the first rule.

Now this school thing in Saskatoon, I think, is not a problem; because we never bought it from them — we, being government. I have trouble with that one. But hospitals, if we own them and there's a minister in charge, yes, I can't see anything wrong with that.

Mr. Katzman: — Let me take that school one, because that will give you an example of my confusion here. We paid for the school before I was out of diapers.

Mr. Lutz: — We paid for many schools, yes.

Mr. Katzman: — And then the school ceased to exist because of the changes of the community. So when the school board went to sell it, they said, hold it. I've never heard of that before. It's the first time I ever, ever heard that for some reason they couldn't sell it. Now they could give it to the city for a dollar or we could take it for a dollar, but we couldn't sell it to the general public. And I don't understand the confusion.

Okay, that told me that that must mean we have the right to claim it back for a buck because we paid 90 per cent of it. Now I don't know if we just sign a waiver, we don't want it and they can sell it legally, or not. But that's what I don't know what you put in this mix, and that scares me.

But what I would suggest — and I make this suggestion looking at the clock, Mr. Chairman. I don't want to make a decision on this today.

Mr. Chairman: — No, I had the suggestion . . .

Mr. Katzman: — That we should lay out our ideas on the table, some of us, and go do some research before we meet next week.

Mr. Chairman: — I agree. I had the following suggestion for the committee. Mr. Kraus made a comment which I agree with. He said that the Provincial Auditor should not be setting standards; that's quite true. That's not the role of the Provincial Auditor; that is the role of the legislature of Saskatchewan. They had delegated that responsibility to make a recommendation to this committee; so in a sense the ball lies in his court.

I was going to suggest that all of us find an opportunity to read this document which is highly readable, and this document which is also readable, but not quite as highly readable — get both of those read.

Mr. Weiman: — Does that mean we have to read it at the top of the building?

Mr. Chairman: — That means you've got to read it at the top of the building. I expect everybody up on that building tomorrow morning, reading.

Get both of those read in the meantime, purely as a working document and not something that anyone's committed to. Or I suppose you can go to disclose it at this point in time, although that's awfully hard to actually enforce.

Mr. Katzman: — To do what?

Mr. Chairman: — I was going to suggest that . . .

Mr. Katzman: — I missed that word.

Mr. Chairman: — It was something we weren't even going to disclose . . . is have Mr. Lutz prepare a mock-up of such a statement with no figures in. I can understand something better that I can see.

Mr. Engel: — Thank you for that suggestion. I believe one of these is a summary document.

Mr. Chairman: — Yes, it is. There's a longer . . .

Mr. Engel: — There's one on the Americans and one on the Canadians and this summary one.

Mr. Chairman: — Yes.

Mr. Engel: — Can I get some information from the auditors? Does somebody want to give us all the

information on these.

Mr. Chairman: — Can I just finish . . . I didn't finish my comments. I'll put Mr. Engel on, then I'll get you in a minute. It strikes me it might be useful to have the Provincial Auditor to prepare a form of such statements with no figures in, which we could discuss, pull apart, attack, congratulate him on, whatever we thought was appropriate. It would give us some basis for the discussion. I think it is generally agreed by everyone, including Mr. Kraus . . .

Mr. Glauser: — Don't put words in anybody's mouth.

Mr. Chairman: — Well I think it is generally agreed that some form of summary . . . We could do a better job of summarizing the information to put it in a more understandable fashion. There's no agreement, however, on what form the summary might take. So I was going to make that suggestion: that purely as a means of focusing the discussion, we ask Mr. Lutz to put, together with Mr. Kraus, perhaps, a form which could serve as the basis for the discussion, nothing more than that.

Mr. Katzman: — Take the word "perhaps Mr. Kraus" out and put in "Mr. Kraus."

Mr. Chairman: — All right. Take the word "perhaps" out. I'm obviously thinking as I'm going along and this is not something I spent all night drafting a precisely worded comment here. I'm thinking as I'm going along.

Mr. Kraus: — There won't be any numbers in the financial papers.

Mr. Chairman: — No, no numbers. The numbers would not be reliable if you tried to do it in one week. But the format . . . This is really in a sense what we're getting, is a format. The format would give us some focus for discussion. So that's my suggestion to the committee.

Mr. Meiklejohn: — Mr. Chairman, my only concern at this point in time is that we don't really, in discussing this subject here today and in the detail and in the manner in which it's being discussed, we haven't had really anybody here to represent treasury board with regard to their feelings on this whole subject and what's going on at this point in time and the studies that have gone on and the things that they might have in mind. And so I would like to suggest that if this topic could be handled again, that we could have somebody, possibly the secretary of the treasury board, be a part of this discussion and assist the committee in any way with regard to the question before it.

Mr. Chairman: — That's probably a reasonable suggestion.

Mr. Glauser: — That's exactly where I was going to head with my questioning here. And I certainly disagree with you, Mr. Chairman, in that we sort of bring together a rather meaningless document before this committee from Mr. Lutz. It would be absolutely meaningless to put them to the extent of having to go at something like this. I think it's an utter waste of time until we have heard from someone from treasury board . . .

Mr. Chairman: — I have no objection to that.

Mr. Glauser: — . . . and until we understand a little more fully what the CICA is saying. I mean, this is rather nefarious in here when it says, for the purpose of disclosing fully the revenues, expenditures, and financial position of the government.

Mr. Chairman: — I don't know that I'd say it's nefarious. It may be a bit brief.

Mr. Glauser: — Well there's no content.

Mr. Chairman: — Were you being nefarious, Mr. Lutz, when you made those comments?

Mr. Lutz: — If it's the wish of the committee, Mr. Chairman . . .

Mr. Chairman: — You'll be nefarious.

Mr. Katzman: — Mr. Chairman, I'm going to suggest . . .

Mr. Chairman: — Could I interrupt for a moment? I want to tell the members of the committee something. I would like to adjourn this discussion of Finance at 10 to 11, and I'd like to spend 10 minutes dealing with our agenda for subsequent meetings. So if I can get agreement on that, I'll recognize Mr. Katzman again.

Mr. Katzman: — You won't need agreement on that, because I was going to suggest that this committee stop right now.

Mr. Chairman: — Or we could stop right now and deal with the agenda.

A Member: — Yes.

Mr. Chairman: — All right.

Mr. Katzman: — And that this committee stop now; make no recommendations to Mr. Lutz or anybody to do anything, except to Mr. Meiklejohn: please have somebody at the next meeting that's capable to speak on this type of thing, who has more knowledge than . . . You say you need another person here. I mean, I'm not cutting off debate, but I think there's . . .

Mr. Chairman: — May I make another suggestion: we ask the Clerk to contact CICA to see if they have anyone who could . . . Perhaps you people feel you could do that. What I was wanting was, at the discussion, to have the CICA present. And perhaps that's you, Mr. Lutz. Perhaps you feel you represent the views of the CICA; I don't know.

Mr. Lutz: — Mr. Chairman, I don't think I would go quite that far.

Mr. Chairman: — I'm not sure it would be appropriate.

Mr. Lutz: — I think I can safely say that CICA would be delighted if they were given the chance to send one of their persons out here to address this committee and give

them a resume of what has gone on over this committee over four or five years. I can certainly try to get the director of research, or somebody, from CICA to come out and address you if it is the wish of the committee.

Now I will also tell you that on our committee which is trying to do this stuff is the deputy minister of Finance for Alberta. And when Alberta did their consolidation — if I can use that term for putting this — he was very proud of it. He sits on our committee and he spent pretty well half of a morning explaining to us how great this was. And he was a creature of the administration. So, Mr. Glauser, I don't believe "nefarious" is really the word. We're not trying to run a Sandy past you; we're just trying to get something done here.

Mr. Chairman: — I wasn't sure "nefarious" was a very happy choice of language either. I would like to see you do that.

Mr. Lutz: — Do you wish to have somebody from CICA here?

Mr. Chairman: — I think the answer's yes. I think it'd be useful. I think, if I can just say my piece . . .

Mr. Katzman: — If we're going to do that, Ned, we'd better book a little more time. Because if a man's travelling in from somewhere, we certainly . . .

Mr. Engel: — I was just going to ask, where is this person coming from?

Mr. Lutz: — From Toronto. It would just be from CICA office in Toronto.

Mr. Katzman: — We want to give him enough time so we don't short . . .

Mr. Chairman: — I agree.

Mr. Engel: — Earlier should we first hear from and go through with somebody from our own treasury board, so we're at least boned up and know what the province's plans are and what direction they're going in and what they think they're recording. And if we can get that kind of information down pat before we bring in some expert to . . .

Mr. Chairman: — I wasn't necessarily suggesting that we bring them in next week. The thought had just occurred to me that . . . See, I think, if I can say my piece . . . I was patiently listening and absorbing, I think, some of what was said earlier. If I could just read section 65 of The Department of Finance Act:

The public accounts prepared pursuant to subsection (1) are to show clearly and fully:

(a) the revenues and expenditures of the Government of Saskatchewan; and

(b) the state of the consolidated fund and of any trusts and special funds managed by the minister;

That is our legislative responsibility. I think what Mr. Lutz

is saying is that with all due respect to all concerned — and I don't think anyone is casting aspersions on the work anyone has done here — there may be room for some improvement.

I note in this document put out by the CICA, one paragraph reads:

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

That is the bottom line. I'll recognize you in a moment, Mr. Kraus. That is the bottom line.

What we want to do with these statements is prepare information so that elected representatives who are not experts and who should not be experts . . . It's not the role of the elected representative to be a financial expert; it's the role of the elected representative to interpret the will of the public on these issues. We want to prepare financial statements so that elected representatives and the public can understand the financial position of the government as well as possible.

I think the CICA . . . Setting aside professional jealousy for the moment, I think the CICA has made an honest effort to: (a) provide a better mechanism; and (b) introduce some uniformity in Canada so that an overall financial picture can be prepared.

I recognize the comments made by Mr. Weiman and Mr. Kraus, and that is that there are going to be some problems, sometimes some difficult problems, to be wrestled with in any change in financial statements. But that, gentlemen, is what leadership is all about. Hard decisions come with the territory, and we should be prepared to at least tackle them. We may not be able to make them, but we should be prepared to tackle them and try and answer some of those questions.

These statements should be seen as an organic thing; they will change from year to year. Nothing that we're going to do has been found on the side of Mount Sinai and is cast in stone. We'll change them from time to time as changes appear appropriate.

The other thing I might say is: I think this is an excellent year to make any changes we're going to, because I suspect there's going to be an election intervene before we ever get any changed financial statements, with the earliest any new statements would be available being the year after an election.

Mr. Weiman: — That's redundant then.

Mr. Chairman: — That's an excellent time . . . Well it's an excellent time to get . . .

Mr. Weiman: — It's absolutely redundant to say that, it's an excellent time to make changes but I don't see changes happening because an election is coming up.

Mr. Chairman: — We'll make the decisions now but we wouldn't get the reports till after the election. And that would, I think, then mean that nobody is going to be uptight about what it's going to do before an election, because nobody's going to see them before an election. And after the election we're not going to be quite so partisan, gentlemen. And we'll be far more . . . (inaudible interjection) . . . Yes, Mr. Weiman will be quite neutral by that time.

Mr. Engel: — If I could just make one comment on it. That's how the Board of Internal Economy came about. You know, the recommendation is made that this is the way we go, and after the next government we had it. And if there wouldn't have been an election between . . . Governments are afraid to change.

Mr. Chairman: — I would like to tackle this problem and see if we can deal with it. Inevitably in the legislative system the government caucus is going . . . Inevitably the committee doesn't make a decision as — 13, is it now? — 9, 10, whatever number we've got . . .

A Member: — Ten.

Mr. Chairman: — Ten independent people. Inevitably government caucus will want to discuss it and so on. But this is the year to tackle this problem, it seems to me, and I think we owe it to those who pay our salary, the taxpayers, to make an honest effort to do that, because I think it would improve the administration of government.

Having said all that, I've got a sea of hands here — Mr. Kraus and Mr. Weiman and Mr. Katzman.

Mr. Kraus: — I'd just like to go on record as — I think your remarks did address this — but I want to go on record as saying that the province does report all its revenues and expenditures in a manner similar to 1957. It's more the form, rather than whether they're reported, that I think is the issue, because there are agencies and Crowns and so on that are reporting revenues and expenditures.

Mr. Chairman: — Yes, it is. I in no sense intended to cast any aspersions on anybody who was involved, or any government. They haven't changed within living memory. It's just that Mr. Lutz is saying, and I think correctly, that we could prepare summaries which might assist elected representatives in doing the jobs we're elected to do.

Mr. Weiman's next, then Mr. Katzman.

Mr. Weiman: — Well before I make a comment, I first of all want clarification of next week. Who are we all inviting? Are we going with a summary or not? And then I'll make my comments.

Mr. Chairman: — Okay. let me say what I think we're going to do next week. There's going to be some preliminary contact made before next week with the CICA, just in a preliminary way, by the Clerk or the auditor — perhaps the Clerk, I think, is the appropriate one — to find out if they'd come, what the terms would be, and so on and so forth. Just make a call, so we'll know next week, if we do invite them, what we're looking at in

terms of cost and so on . . . (inaudible interjection) . . . let me finish. Then you can go.

So all we will do between now and next Thursday is ask the Clerk to make an inquiry with respect to the CICA to see what's available at what cost, who's available at what cost.

Next week I think we'd resume the discussion with the secretary of the treasury board and present witnesses, obviously — or whoever Mr. Meiklejohn feels appropriate — and we would make any decision next week about whether or not we have anybody from CICA here next week. But we would know who's available and at what cost.

So having said that: Mr. Weiman.

Mr. Weiman: — Okay. So as I understand it, you — I say you, because I haven't had a say on this — you have decided that we are not going to have this summary . . .

Mr. Chairman: — No, no such thing. I'm just trying to lay out a proposal, my proposal for proceeding.

Mr. Weiman: — Oh, okay. Then I would go on record on a couple of things. I would first of all say, no summary at this time.

Mr. Chairman: — I think that's agreed.

Mr. Weiman: — Okay. No preliminary inquiry to CICA . . .

Mr. Chairman: — I missed that comment.

Mr. Weiman: — No preliminary inquiry to CICA. And the reason I say that is it's almost like we're deciding to pick out a dress and we don't know if we're going to the dance yet. Like until we've heard from treasury board and the officials next week, we don't even know if we're going to that dance yet. We haven't gotten to that stage yet.

Mr. Chairman: — Can I respond to that now?

Mr. Weiman: — Well, sure.

Mr. Chairman: — It seems to me that next week we may decide we don't want to buy a dress.

Mr. Weiman: — That's right.

Mr. Chairman: — But it would be useful to know what dresses are available at what cost.

Mr. Weiman: — I just want to make sure that this is on record that the chairman's choice of clothing is a dress; I prefer a suit. I just want to get that on record. At any rate, continue.

Mr. Chairman: — Anyway, that's all I was asking the Clerk to do, is to bring some information to us, not to make any decision.

Mr. Lutz: — Mr. Chairman, before we adjourn, I will be going to the next committee meeting Sunday noon. I can

very vaguely inquire of the people what it might cost. I suspect we can get them here at no dollars to us. There will be no commitments involved, just . . .

Mr. Weiman: — I want the opportunity also, with tongue in cheek, to thank the officials for their input and clarification this morning.

Mr. Chairman: — Yes. I know, gentlemen, you've had a hard morning, got badly battered up. This meeting is not adjourned. Mr. Katzman.

Mr. Katzman: — I'm totally of the opposite opinion. I would like the fellow here next week. If the chairman and the vice-chairman can agree that we should get him here for next Thursday — I'll leave that to the chairman and vice-chairman, if we can have this fellow here. Then I would also agree that we should maybe go start at 8 instead of 9, because of somebody's coming in.

Mr. Chairman: — That's my concern about bringing him next Thursday is we may . . . If we're going to bring someone from Toronto, at anyone's expense, whether it's the CICA's — and then the CICA might want to pick it up rather than the taxpayer — we ought to have the whole morning set aside for the gentleman.

Mr. Katzman: — And my concern is, I would like to hear him. At the same time I would like Finance's people to be here to hear him and then I don't mind talking about . . . We can sit all next meeting. If we're going to go with him, fine. If we're not going with him next week, then we'll just do our people and try to get to theirs later. It's a complex issue where I would like Finance people to hear him as well as the rebuttal.

Mr. Chairman: — That's a different suggestion. This is an interesting one and that is that we, present witnesses being included, and the committee, hear him next week — he or she. I'm not necessarily assuming it's a male.

Mr. Katzman: — I think Mr. Kraus said it was a male.

Mr. Chairman: — He's got someone in mind, I guess, which it sounded too, I guess it was a male. I'm not being a chauvinist.

That's a different suggestion. We hear that, all of us: treasury board and committee — Finance, rather, the exchequer and the committee hear that individual first and then we proceed from there on.

Mr. Katzman: — And only under the condition that the chairman and the assistant vice-chairman agree to bring him in. If they say no, we can't bring him in or we can't make arrangements, you two make that decision. And if you jointly make it together, I'll live with it.

But I'd like to hear this person as quickly as possible so I could make up my mind after hearing treasury board people as well, are we wasting our time going down this path, or is too early to go down this path, or should we be going down it now. I'm not sure if the time is now to go down it or we're a year in advance; we're away ahead of the charge. Or maybe there's so much work going on now that the government can say, wait three months and we

can give you a lot of these answers to a lot of these things so we back off and wait like three months.

Mr. Chairman: — Like nailing jelly to the wall. All right.

Mr. Katzman: — Yes.

Mr. Glauser: — How many people in the CICA would be familiar with the Alberta scenario, with the B.C. scenario, and would be perhaps available? That's another question.

Mr. Lutz: — Four or five, I would think, Mr. Glauser. The committee has got three researchers plus sort of an overseer researcher. There is a director of research. About six people are familiar with what's going on. Five or six.

Mr. Engel: — Katzman sounds like he wants to get this done before the election.

Mr. Lutz: — For that matter, if the members wanted to hear about Alberta's, we could certainly invite the DM of Finance from Alberta. Al O'Brien, I'm sure, would be quite happy to come down to talk to us.

Mr. Katzman: — Will he give us both views, both sides of the argument?

Mr. Lutz: — I would think so.

Mr. Katzman: — Because I assume there's two sides going on within the CICA.

Mr. Lutz: — Oh, there always is, Mr. Katzman. That's right. There always is.

Mr. Chairman: — May I summarize the motion as follows, which I think is taking place here:

That the chairman and the vice-chairman by unanimous agreement be authorized to invite a representative or representatives from the CICA to the next meeting of May 15th '86, or a subsequent meeting if they can't be here on May 15th, after consulting with Mr. Lutz and Mr. Kraus as to appropriate people to invite.

Is that your motion, stated in a garbled fashion?

Mr. Glauser: — I'm not sure . . . Do you need a motion?

Mr. Chairman: — If we're going to pay travel expenses . . . (inaudible interjection) . . . If we can stick the CICA with it, we'll obviously do it. Cal's a banker and I'm one-quarter Scotch. I'm half Scottish but . . .

A Member: — That means you're not three-quarters full, either.

Mr. Chairman: — No, I'm not three-quarters full. And be authorized to pay all reasonable costs that we can't unload on CICA.

A Member: — If their time constraints are such, it may be easier for us to go there.

Mr. Chairman: — Well hardly when the House is sitting.

There might be some merit in that if the House weren't sitting, but that's difficult in a sitting. That's the motion. Moved then by the member from Rosthern, seconded by the member from Regina Centre. I like the idea, without discussing it with any of my colleagues. Question. All in favour? Opposed? Passed almost unanimously.

Agreed

Mr. Weiman: — Well I have a little difficulty with that motion. Please read that motion again.

A Member: — Well we still have to agree on it.

Mr. Chairman: — You have a veto on it, and your vice-chairman didn't vote against it. So you're not . . .

Mr. Weiman: — No, no. I just want you to read that to me again.

Mr. Chairman: — All right.

Moved by the member from Rosthern, seconded by the member from Regina Centre, that the chairman and the vice-chairman by unanimous agreement . . .

Mr. Weiman: — By whose unanimous agreement — the two of those?

Mr. Chairman: — The two of them.

. . . by unanimous agreement between the vice-chairman and the chairman be authorized to invite a representative or representatives from CICA to come to the meeting of May 15, '86 of this committee, or a subsequent meeting if it can't be arranged to be here on May 15th, to discuss the general area of financial statements and CICA's position on that; and that the chairman and the vice-chairman by unanimous agreement be authorized to pay such travelling and other expenses as are necessary.

Mr. Weiman: — Does that not make the motion void if in the motion itself it states "by unanimous agreement of the chairman and the vice-chairman" and the vice-chairman votes against it?

Mr. Chairman: — Oh, he's a man of some flexibility of mind. He may change his mind.

Mr. Weiman: — No, I'm just asking that point. Does that not make the motion void?

Mr. Katzman: — No, because they may decide, between the time they find out what the costs are, that yes, we'll bring him in next week.

Mr. Glauser: — It may have nothing to do with costs.

Mr. Katzman: — That's right.

Mr. Chairman: — I thank the officials; you're on tap next week, gentlemen, at 9 o'clock.

Mr. Katzman: — Is it going to be 8 or 9?

Mr. Chairman: — The hour may be changed, depending on the agenda; that's true. I will not do that again by unanimous consent between the vice-chairman and the chairman. Nine o'clock unless you're notified.

The committee adjourned at 11 a.m.