

STANDING COMMITTEE ON PUBLIC ACCOUNTS
September 10, 1987

Mr. Chairman: — I will call us to order. We do have sufficient members. You were provided yesterday by our assistant clerk a bit of a resume of what the agenda would be. I just want to make a couple of comments which I hope will be helpful in sort of the procedure of the Committee as we get into the questioning of the various departments and things of that nature.

I am going to attempt, as a chairman, to make sure that everybody gets an opportunity to get into the questioning. I will be suggesting that we have some lead questioners when we begin to get into the departments. So the opposition can name a lead questioner and the government side can designate a lead questioner, and that will assure that for each committee meeting we are ready and prepared, and there are some people who are responsible in making sure that they are ready to get the ball rolling. I don't think we need to do that today; obviously we're going into the auditor's report, but we may soon start doing that.

But even with a lead questioner and whoever may have the floor, I'm going to try to allow for people to come in with supplementary questions on any particular subject. I will guard against breaking the flow of the questions that the questioner is asking and try to work it that way.

So I will ask Committee members to designate by a show of hand or a wink of the eye or something — oh, better not wink of the eye — by the show of hand, if you would like to get in when somebody else is doing some questioning, and I will put you down here and try to make sure that you have an opportunity. And hopefully that way we can move along quickly and make sure that all of the ground is covered, and anybody who has a question or a concern has an opportunity to get it in.

Anybody want to add on that? Does that sound satisfactory to you? Okay?

Mr. Muller: — Fair enough.

Mr. Chairman. — Okay, thank you. Let's move on then to the election of the vice-chairman. We elected a vice-chairman at the first meeting, but he has been moved to another committee — not nearly as important as this one, of course. So we now need a new vice-chairman, and normally that comes from the government caucus side, so I'm asking if you can nominate a vice-chairman.

Mr. Saxinger: — I nominate Lloyd Muller.

Mr. Chairman: — Mr. Muller has been nominated. Are there further nominations? We could have an election. Hearing none, Mr. Muller is therefore elected as the vice-chairman of the Public Accounts Committee.

Mr. Muller: — I don't know if I should accept that, on the longevity of the last one.

Mr. Chairman: — Ah, but you're a far better person.

Mr. Neudorf: — You must be a politician.

Mr. Chairman: — Okay. Next item is . . . members of the

committee are aware that the rule as to quorum was changed. The rule of the committee quorum was changed by agreement of both sides of the House, and the committees, as a result, were established. I am proposing — and I will not move this as the chairman, but I only bring it for the initiation of a discussion and someone may want to move it or something similar — that to expedite the proceedings of meetings, sometimes we may not have a quorum of 50 per cent plus one, as the new rule is, but we may have enough members here to begin the questioning of a department.

You also know that the rule is such that no resolution or decision can be taken by the committee unless there is a quorum. So I propose, if the committee will consider it, a piece of paper which I had Ms. Ronyk put together for me, that the committee authorizes the chairman, pursuant to rule 92, to hold meetings to conduct hearings and receive evidence when a quorum is not present, provided that a full quorum shall be required whenever a vote, resolution, or other decision is taken by the committee.

Any comments?

Mr. Muller: — That's on our regular sitting days, like when we start, you know, at 8 o'clock and there's not enough people here?

Mr. Chairman: — Oh, sure; oh, yes.

A Member: — Yes. I see no problem with that.

Mr. Chairman: — I would entertain a motion to that effect. Mr. Van Mulligen moves this motion. Do we need a seconder? No, we don't need a seconder. We don't need a seconder. Okay. Is that agreed then?

A Member: — Yes.

Agreed

Mr. Chairman: — Thank you.

Okay. We have this matter of unfinished business from the 1986 committee, and the last meeting on Tuesday you were handed out a summary of items which were designated by the last committee that would be pursued by the committee and the departments will be called forward.

I'm not quite sure how we should handle this, although we might ask our auditor to tell us whether any of those concerns which he had raised have been dealt with by the various departments, as a way of helping us make that decision.

Mr. Lutz: — Mr. Chairman, if certain items from the 1985 report have not been dealt with in '86, I would subsequently report those matters in my next succeeding year report. So without going through this report, I couldn't answer you on these things right now.

Mr. Chairman: — Okay.

Mr. Lutz: — And I certainly can't remember them all.

Mr. Chairman: — It's open for discussion. How do you wish to dispose of this matter?

Mr. Saxinger: — I have two items with which I am personally very interested to go into — the Saskatchewan Forest Products Corporation and the Department of Tourism and Small Business.

Mr. Chairman: — Forest Products. Tourism and Small Business. Okay. Those are two that Mr. Saxinger thinks might be of some interest. Are there any others?

Mr. Martin: — Yes. I'm interested in the Department of Advanced Education and Manpower, as well as Indian and Native Affairs Secretariat.

Mr. Chairman: — Okay.

Mr. Martin: — I was going to say Tourism and Small Business, but Mr. Saxinger's covered that, so . . .

Mr. Chairman: — He scooped you.

Mr. Martin: — Yes.

Mr. Chairman: — Anything else? Well I have . . . Mr. Van Mulligen.

Mr. Van Mulligen: — I don't have the previous report with me. All I have is the sheet which details unfinished business. But at a glance I would be curious to have any further explanation, if there is any, with respect to the Department of justice and the shortcomings noted by the auditor in his '85 report.

Mr. Chairman: — Okay. So you'd be interested in getting the department called for that year.

Mr. Van Mulligen: — Yes.

Mr. Chairman: — Okay.

Well as I look at it, members of the committee, there has been an expressed interest in us dealing with the 1986 unfinished business dealing with the Department of Advanced Education and Manpower, aspects reported by the auditor, Indian and Native Affairs Secretariat; the Department of Justice; Saskatchewan Forest Products Corporation, and the Department of Tourism and Small Business.

I'm advised that just listing them as we have done it is adequate. It will be in the minutes, and then when we go to the new report we will deal with this, along with that, and prioritize the ones we want to deal with first . . . Yes, Mr. Muller.

Mr. Muller: — I shouldn't cut in like that, I guess, but . . .

Mr. Chairman: — That's okay. We do that all the time.

Mr. Muller: — As we deal these, the old department will be brought up ahead of the new department.

Mr. Chairman: — I just assumed that would be the case, otherwise we're sort of putting the cart before the horse.

Mr. Muller: — I think probably, in all due respect to the two members that aren't here, we should leave this open in case they have something. And Mr. Martens and Mr. Lyons that are away in Washington . . .

Mr. Chairman: — That's fair enough.

Mr. Muller: — . . . may have some concerns with some of these other departments, so I think we should probably leave it open until they get back to see if they want to look at some of these that haven't been completed.

Mr. Chairman: — I agree with Mr. Muller. We will list the ones we have named. We still have time to designate the other ones if we wish, and certainly we're not going to shut the door on it.

All right. Thank you. We're moving along here. How about that? That's it.

Mr. Van Mulligen: — Still on unfinished business, or still outstanding on about page 4 of the document, unfinished 1986 business, indicates reports requested by the 1986 Public Accounts Committee still outstanding. And I wonder if it's appropriate at this time to briefly discuss that unfinished business.

Mr. Chairman: — I think it's quite appropriate. Go ahead.

Mr. Van Mulligen: — The first item, which is titled item 5, I wonder if I might, as a new member of the committee and of the legislature, might receive just a brief explanation from the Provincial Auditor as to what was intended by that requested report.

Mr. Lutz: — Thank you, Mr. Chairman, Mr. Van Mulligen. Actually this is going to get a little confusing here because we addressed this subject again in this year's report, page 11 of this year's report, and last year's report is kind of stale stuff. I'll comment this way.

Yesterday Mr. Kraus made reference in his discourse, or Tuesday, to CICA (Canadian Institute of Chartered Accountants) and public sector accounting and auditing committee, and other professional disclosures that these bodies are putting out.

I hold the view that the *Public Accounts* of the province as presently issued and constituted is not really a summary financial statement. There's numerous and many entities of the government which are not included in those statements, and this is one of the things we have been rather talking about for some years now.

I think Mr. Kraus and I may have a philosophical difference of opinion on what does constitute a summary financial statement, and certainly that's, you know, our privilege. What else can I say about this thing right now? Fred, you wish to add?

Mr. Wendel: — The last session, the deputy minister of Finance appeared before the committee, and he advised that the Department of Finance had hired a consultant to study this matter and to report back to the Department of Finance. And this item on page 11 of this year's report is

kind of a follow-up on item 5, page 4, and on the committee hearings last year. We're still awaiting the report.

Mr. Van Mulligen: — The terminology wasn't quite the same and I read page 11, and respect to the hearings the overall picture not provided, and I have some concerns about that.

Mr. Lutz: — Excuse me. I could tell you that last year, I believe it was, we presented to the committee a sample set of comprehensive financial statements which were, in fact, prepared by the Auditor General of Canada in conjunction with staff from the general accounting office in Washington where this is now becoming rather common. And I don't know whether the members still have a copy of that financial statement, but he did, in fact, prepare a . . . what was the term we used to describe this thing . . . summary financial statements, which included all entities of government and government-control led entities, whether they were Crown corporations, boards, agencies, commissions, or whatever, and that was presented to the committee. I don't think we have our copy with us either for that matter, but it was made available. Yes, Mr. Kraus.

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

Mr. Kraus: — You say that the issue is whether or not governments are accounting for all their activities on one financial statement. They've been accounting for their activities in a series of financial reports. They have their general revenue statement or their . . . In our case we have a Consolidated Fund, a Heritage Fund, and then we add that together and we have a combined fund. And that's been the fund in which the government has stated what its deficit or its surplus is for quite a few years now, I guess going back to the late '70s.

The thing is, though, the government has a lot of other activities — major Crown corporations that operate under the Crown Management Board, they have treasury board Crowns, they have . . . there's universities and hospitals that some would argue perhaps should be included as well.

Anyway, the point is there's a lot of activities being undertaken, and someone is . . . or what is recommended by certain parties is that your financial statements may be okay to a point, but perhaps there should be a summarization of all of this so someone can . . . everyone can get an understanding of the whole picture.

And at this time the CICA has been working on this problem since about '81. There have been other people working on it as well — as Mr. Lutz says, the Auditor General of Canada and someone from the U.S. As usual, there isn't a consensus yet as to how you would determine what's in and what's out.

And I suppose we might as well talk about it for just a few minutes. We had someone come in, or Finance hired someone from the university, and among other things, he looked at this, and there may be some information forthcoming from Finance as a result of that.

There was something else I wanted to say, but I can't remember now just what it was.

I guess the thing is it's . . . There are some provinces that have actually taken a stab at this, in particular Alberta and B.C. Some of us wonder whether they're going to find themselves off in a direction and they'll have to pull back and go another way. I don't know that that will happen, but the trouble isn't . . . It's not like the private sector where the CICA can set reporting standards and companies pretty well have to abide by those because they're in some of the laws of Canada, and soon, that they must follow generally accepted accounting principles. As you probably know, there's no such thing for government, and there is no one that force government as to how to account.

So while this institute can make recommendations, they can't force the issue. And so what could happen here is that over time, and I mean quite a few years, potentially, if a government like Canada and the province of Ontario made some significant changes, you might find some of the other jurisdictions following. That's just a personal opinion, but at this point I don't see that many of the provinces moving in this direction.

Mr. Lutz: — There's three now, I believe, Mr. Kraus. P.E.I. did it some four, five years ago, Alberta about three years ago, B.C., and as I say, Auditor General has done it, it's not that foreign to us any more, really.

My problem, which I delineate in the report, is that the government is active in so many different and varied organizations by form, function, and everything else. It's almost impossible to read the combined statements, as they're called, and decide where we stand because there's investments, there's loans there to, there's loans from. Unless you go get them all and put them all together, you'll never really know where you stand with those statements you're now putting out.

Mr. Van Mulligen: — Mr. Chairman, just before we get into a debate about the efficacy of a general purpose summary financial statement, the thing that strikes me is that the committee passed a motion requesting that the Department of Finance submit a report. It does not appear that we have any such report.

I, for one, would hold the view that even if the Department of Finance and the government, as such, has not agreed, or is not in a position to define the form for a general purpose summary financial statement, I hold the view that it might be appropriate for this committee to review the work of the Department of Finance in this respect so far.

As I perceive the role of the committee, it is to be a watch-dog for the Legislative Assembly because the Legislative Assembly ultimately has to approve of all finances in this province. The government is responsible to the Legislative Assembly, and I suppose through the public accounts, in some ways, to the Legislative Assembly, and I wonder, therefore, if it might not be appropriate for the Department of Finance to attend at this committee and to give us the benefit of their thinking so far on this particular point, and also to provide this

committee with an opportunity to provide input to the Department of Finance and their officials about what we think might be appropriate, and what we think is the kind of information that is relevant for decision makers. I don't know if a motion is necessary, or how one should bring this to a head, but . . .

Mr. Chairman: — . . . told that often the committee will just do things by agreement. Before I go to Mr. Martin, are you saying . . . are you suggesting that we should be calling the Department of Finance to the committee, and/or that it should also provide this report at that time?

Mr. Van Mulligen: — . . . hearing is that although there was a request, both from the auditor for a certain type of financial statement, and a request from the committee for a report, I now sense that the Department of Finance may take some time to sort out what form of reporting as requested may be appropriate. I'm saying that rather than wait until all the "t's" are crossed and the "i's" are dotted . . . whether it would be appropriate for the Department of Finance to attend at this committee to give us the benefit of their thinking on this point so far, and to provide committee members with an opportunity to provide input to the Department of Finance about what we think is the kind of information that we think we need, you know, and let them have the benefit of our discussions on that point as well.

Mr. Martin: — Well I have a couple of questions I'd like to ask Mr. Van Mulligen — Harry. Do we have to be that formal? I would think not. What he means by what's appropriate and what's irrelevant? And secondly, I'd like to get, again, a feeling from Mr. Kraus and Mr. Lutz as to: is there a substantial problem here in the former reporting of the Department of Finance, and if so, I mean has it changed substantially over the last 10, 15 years? Are we still using the same system we did back in the '60s?

Mr. Kraus: — The model, although it's changed a bit, isn't a lot different than 1957. That's when they changed to about the way they're accounting now. I think . . . I don't know if I mentioned that yesterday or the day before in the orientation, but it's . . . at that time they tried to bring everything back into what they called the Consolidated Fund. And they recognized they still had Crown corporations in those days, the liquor board and a few other items that you had to — if you wanted to know everything — you had to not only take the Consolidated Fund, you had to take these other financial statements and look at them.

I suppose what, if I could say, has made the matter a little more difficult is that governments have grown a lot since 1957 so they have a lot more Crowns and agencies, but still the principle is the same as far as the moneys that are appropriated by the legislature. They appear in either the Consolidated or the Heritage Fund which we've added combined those. And if you want to know about the others, you have to look at the other financial statements. That's the way it's been done for many, many years, and I guess it's been done that way in many of the other jurisdictions, too, for quite a few years.

Mr. Chairman: — Let Mr. Lutz see if he can help.

Mr. Lutz: — Mr. Chairman, Mr. Martin, nothing is static. The professional standards — CICA standards, what we call them; that's the national body — those two gentlemen are members. They are seldom static; they're changing all the time. As the body of knowledge gets larger, as conditions change, as governments become bigger, more complex, everything changes. And in the last two or three years PSAAC has — Public Sector Accounting and Auditing Committee, I'm sorry — CICA have put out numerous standards which have in fact changed our lives quite a bit, and they're going to change them some more, but I would point out some of the changes that have happened.

A few years ago, when a Crown corporation paid a dividend, that dividend went right into the Consolidated Fund, and for the government to spend it they had to vote it.

A Member: — What was "a few years ago?"

Mr. Lutz: — Oh, say seven or eight, six or seven, nine or ten — I reported on it some place back in here. I've done 21 reports, I think, or — no, I've only done about 16 reports. I was in the office 21 years, but I've done 16 reports and I can't remember them all. However, used to be that a dividend from a Crown corporation went into the Consolidated Fund. For the government to spend that money they had to present a budget and vote that money.

Now that dividend goes into Crown Management Board and the board of Crown management can determine how that money will be spent without ever submitting it to the parliamentary process on the floor of the House. And I objected to that at the time.

I'll use another example. Recently there's been a new Crown corporation formed called property management corporation. This year, Mr. Kraus, what will be the revenue from that corporation through a system of renting, leasing buildings to that corporation? In your public account statement, what will be your revenue? Will there be revenue? There will probably be lease revenue.

Mr. Kraus: — Lease revenue from . . .

Mr. Lutz: — From property management corporation.

Mr. Kraus: — If we get revenue from them, it would be in the form of a dividend.

Mr. Lutz: — But it might then go to the other place instead?

Mr. Kraus: — No, in the case of this place it's a treasury board Crown, so it would flow to Consolidated Fund.

Mr. Lutz: — Okay, fine. So I say to you that last year that Crown corporation was revenue and financial services or public works or whatever you want to call it. This year that stuff is all disappeared from your public accounts of the province and your combined fund because it's all gone away. And these are buildings that were all bought by the government over many years.

So I say to you: if you want to know where the government stands on just that segment, you've got to put the two together and eliminate the due-to's and the due-from's and you're back to what you had when you had a department, and then we have a comparable set of numbers from last year to this year.

Mr. Chairman: — Mr. Martin, did you have further questions after that?

Mr. Lutz: — I'm sorry, gentlemen. Did I do something bad here?

Mr. Chairman: — No, no, no, no. It's just an interesting choice of words.

Mr. Martin — I'm being facetious. So all right . . . I can't comment on it because I think I understand what you're saying but probably not enough to ask a question. But, Harry, you talked about appropriate and relevant, and in view, of what these two gentlemen have just said, does that make any difference to what you were saying earlier?

Mr. Van Mulligen: — Oh, it reinforces what I was saying earlier. I have a sense, as I've read the auditor's report on this subject, of a . . . well, perhaps the word is "shell game" of assets and liabilities and debts being moved around and reported in ways which do not necessarily lend themselves to a clear understanding by members of the legislature or the public of what the overall picture of the government is financially. And he points out the case of the Crown — or the Saskatchewan Property Management Corporation, and I think it's an excellent point, in this case, as to why there should be some comprehensive, clear, summary financial report so that it's clear for all to see what the government's position is. The discussion now, it just simply reinforces what I've said.

Mr. Martin — How far back do we go on these things? Are you talking about last year; is this what we're talking about?

Mr. Chairman: — Is it each year?

A Member: — So we just go back to 1985-86 then, is that what . . .?

Mr. Lutz: — Actually if we take this unfinished business which we're doing, I think it's '85. It's now two years old, so to speak — two and one-half years old.

Mr. Muller: — You know, being quite naive when it comes to financial statements and accounting, to listen to Mr. Kraus and Mr. Lutz, it's difficult for me to follow along.

But I understand, Mr. Kraus, that the way the Crown Management Corporation is set up that the money does flow into the Consolidated Fund rather than into the Crown Management Board . . .

Mr. Kraus: — Are you talking about property management board?

Mr. Muller: — . . . property management corporation.

Mr. Kraus: — Property management corporation charges the government departments so much money for leasing space and so on, and then at the end of the year if they in fact have a profit . . . of course it's so new we haven't seen whether this will actually happen. But if they have a profit and dividends were to be declared, they would come back to the Consolidated Fund because that is a treasury board Crown; it's not a Crown Management Board Crown as is SPC (Saskatchewan Power Corporation) or the potash corporation, or whatever.

Mr. Muller: — So the money . . . It would show up then as a profit or a loss?

Mr. Kraus: — Yes, it would. Any profits paid out of that corporation would come into the Consolidated Fund, yes.

Mr. Muller: — So the Public Accounts Committee would be able to scrutinize that?

Mr. Kraus: — Yes, and . . . I mean, I think the committee should be aware, of course, that you have all those financial statements provided to you in the legislature. I mean you can scrutinize property management corporation's financial statements as well.

Mr. Muller: — Any one of the members of the legislature can scrutinize them?

Mr. Kraus: — When they're . . . Yes, as they are tabled in the House, exactly.

Mr. Muller: — So does that solve your concerns with the property management corporation?

Mr. Van Mulligen: — What the comptroller is saying is that if you want to make the additional effort, you can always find out what's going on, as Mr. Lutz has done. I guess the question here is one of simplicity of presentation so that a very clear position is indicated. That is not now the case. To suggest things like: if they have a profit, how are we to know how they determine whether or not there will be a profit in any year; how are we to take into account their true position, their assets and liabilities, and to try to get some comprehensive summary statement of where the province's finances arrive. As I read this, and as I listen to the discussion, that is not now available.

I want to come back though to the start of the discussion. I had some sense that the Department of Finance is trying to grapple with the recommendation that Mr. Lutz has made, and is trying to grapple with the requests from the committee dated May 15, 1986.

And as I listen to the comptroller, there is some sympathy, or at least some need to recognize the CICA standards, and the Department of Finance is grappling with that. If that's the case, I'm suggesting that rather than Finance continue to work on this within their own bailiwick, that they may wish to involve this committee and to obtain input from this committee at this stage of the game. And I'd throw that out for discussion.

Mr. Chairman: — Mr. Lutz wanted to make a comment, and I'll let him do that.

Mr. Lutz: — I think my comment will come off of page 10 of my latest report. As a result of setting up the property management corporation by taking buildings that this government purchased over the years, fully paid for already, and transferring those buildings over to this property management corporation, they managed to show a reduction in their net debt of 69 million. But if you put those two things together, that would not have happened,

Now as for the CICA, a professional member of CICA has no choice but to abide by their standards. It's not a case of, well, we'd like to, but we can't. If you lend your name to financial statement preparation where it is patently wrong, your colleagues over there or over there are expected to do something about it, according to the legislation which was just passed last year, I believe.

I think I'm finished with this subject for now, Mr. Chairman.

Mr. Chairman: — Okay, thank you; maybe we are, too. Can I attempt to see if I can bring it into focus here?

As I listened to the debate here, it struck me that we were talking about is probably what this committee is all about, and that is seeking information in the most clear and understandable way. And I am not in a position to offer an opinion one way or the other personally as to whether what is being done is adequate and whether new proposals around might be better. But I think it may be of some value to the committee to pursue this further, and listening to what Mr. Van Mulligen was proposing earlier and not hearing any sort of dissension with that, other than asking for clarification, it seems to me that it might be appropriate for the committee, if the committee agrees, to reiterate to the Department of Finance this request which was made on May 15, and ask them to provide it to us when they can and as soon as they can; and also, indeed, to put the Department of Finance on our agenda in the future so we can discuss this question as Mr. Van Mulligen has suggested. And if that's . . . Harry . . .

Mr. Van Mulligen: — Just one point. If the Department of Finance interprets the request from the committee of last year as a request for a final report, let me reiterate that if it's not possible to submit a final report at this stage, I would be pleased to receive an interim report on their discussions and their study of this matter so far.

Mr. Muller: — I was going to make a recommendation that the same Department of Finance is under . . . wasn't finished off in the last year. To satisfy Mr. Van Mulligen, maybe we should make them as a priority on the . . . first up on our list and go back into the '85-'86 unfinished business, and certainly this could be brought up then when the Department of Finance is called before the Public Accounts Committee.

I think that's a fair way of looking at it. Then you would certainly be able to ask them questions on the '85-'86 auditor's report, and we start from there and work into the . . . take the Department of Finance right through.

Mr. Van Mulligen: — I agree on that point, but there's one further comment I would make on that. It's one thing for me to, like an unpractised dentist, to try and extract, as opposed to having someone provide for me at least the basis of their thinking on a particular subject which I might then peruse and form the basis for questioning.

So having said that, if the Department of Finance does appear before us, I would at least ask them, or wonder if it's possible for them, to have some interim report on their study and their discussion of this matter so far.

Mr. Chairman: — Both, keeping in mind — and I agree with Mr. Muller — keeping that in mind, why don't we call the Department of Finance a date when we can consider them after we do the Provincial Auditor's report. We'll call them early, but we should alert them now that this request was made so that they can prepare and provide us with some insight when they do come to the committee, is that agreed?

A Member: — That would be . . . I would find that . . . (inaudible) . . .

Mr. Chairman: — Okay. We don't need a motion; we'll just . . . somebody will interpret these minutes.

Mr. Martin: — Pardon me for being so slow on this issue, but insight into what? I mean, what are we looking into here? I haven't quite figured that out yet.

Mr. Chairman: — Well, the committee did ask in 1986 if the department would submit a report to the committee based on Saskatchewan's needs — and this would be in the opinion of the department, of course — relative to the sort of nation-wide implementation of the CICA (Canadian Institute of Chartered Accountants) standards. So we want to know what they might have in mind,

Mr. Martin: — Okay, that's what we're talking, because we were talking earlier about the property management corporation, which didn't come into effect until the middle of 1986, and I just wonder; we're talking '85 here. I'm still a little confused on that.

Mr. Rolfes: — Mr. Chairman, this goes back some time, and I see this as a new member that came in in 1971 who knew very little about financial reports and have, over the years, picked up a little bit of information in reading financial reports.

But I can assure members of the legislature that those financial reports, over the years, have become very, very complex, so that you can't just look at it and say, well that's what the revenues are, these are the expenditures, and this is the position the government is in. And I don't blame it on any particular government. I think it happened in the '70s, and it just continued in the '80s.

You look at the financial report right now with all the moving around of funds from here and there and over there, you try and figure out . . . I did it when I came back in '86, to try and look at the . . . and I couldn't do it. In fact, I tell you who I went to — Allan Blakeney — and said, hey, lookit, I need to know; I want to know this. And he

said, oh, well, if you want to know that, sure. Well he had to go to two or three different things, and he could find it.

But that's not the purpose. The purpose is that the MLAs should be able to look at that financial statement and not in detail understand it, but I think we need to pull governments back again, to give us financial statements that we can understand and that the people out there can understand. So we get too much fragmented financial statements, and they're pulling . . . and this is just one.

I want to ask the Department of Finance, for example, on page 10. Now how can they justify what they did there? And when I read this, I thought, my goodness gracious, that's just paperwork, all they're doing is just transferring on paper to get a result that they want to have come out. But the ordinary layperson — I mean, it's simply a transfer of paper; that's all it is.

So I think there is some value in having the people come before us and say, can't you present a financial statement that people can look at in very simple terms and understand? I shouldn't say simple terms because you'll never have a financial statement that's going to be in simple terms. But I do think we need some uniform financial statement that we can understand, and I'd like to question the Department of Finance on that when they come before us.

Mr. Chairman: — I think we have now decided that we will, indeed, call the Department of Finance, and there will be other questions as well, but this is one of the matters in which we will deal. We will remind them about the earlier request which the committee had requested in 1986 and ask them to act on it or indicate to us at least in an interim way if they have nothing final. Okay? That's agreed. May we continue after Mr. Kraus?

A Member: — I've changed my mind.

Mr. Chairman: — That's good.

Mr. Kraus: — Just carry on with the outstanding issues, in part because we haven't, sort of, had a normal sequence of events. Some of the reports that might otherwise have been given to the committee, I suppose, in a March or April or even June time frame, didn't appear, partly because Public Accounts hasn't been called till now.

So I just want to make sure the committee understands that the next two items . . . there was work I was supposed to do, and I was supposed to provide a report to the committee. Well I will provide that. And there were some financial statements being asked for from SaskPen Properties Ltd. and Pension Fund Realty, and again, I think that's partly an oversight. That material will be provided to the committee.

Mr. Chairman: — Okay. That's helpful because I think we probably would have had to deal with these. And once again, I think it is fair to say, and I don't think the committee will disagree, that in view of what Mr. Kraus has said, we will be getting that, but I think we should restate, as a committee, that we are still requesting that information, and in due course we will receive it.

Is that adequate, gentlemen?

Mr. Van Mulligen: — I'm not quite sure what item 6 is all about and would have asked for some explanation, but if that report is coming, I'll wait for that.

The next item, from the minutes of May 22, I have a series of questions on that, but again I'm prepared to wait for your report and entertain questions at that time.

Mr. Chairman: — You didn't have a question?

Mr. Van Mulligen: — No.

Mr. Chairman: — Okay. Thank you. We have dealt with that. I'm going to go back to an item we dealt with earlier because . . . My oversight here. We dealt with the matter of the 1984-85 agenda. We have a motion that was put on on September 3 by Mr. Rolfes:

That the committee dispense with consideration of items arising out of 1984-85 Provincial Auditor's . . .

And I'm asking, in light of the fact that we have now a new approach, if Mr. Rolfes would withdraw that motion?

A Member: — Yes.

Mr. Chairman: — It is withdrawn.

Ms. Ronyk: — He needs leave.

Mr. Chairman: — Does he have leave?

A Member: — Yes.

Mr. Chairman: — Mr. Rolfes has leave, unanimously.

Leave granted.

A Member: — Okay, I'll go then.

Mr. Chairman: — But you can't leave. Okay. Thank you.

Before any other business, before we go to the auditor's report for '85 . . . We are now going to deal with the report of the Provincial Auditor, year ended March 31, 1986, which is this document, and I, being a new chairman, don't know whether we just begin or whether there is any other procedure that we have to undertake.

Mr. Martin: — Could I be excused to run upstairs to my office and get mine.

Mr. Chairman: — Absolutely.

Mr. Martin: — I don't know why . . .

A Member: — I haven't got mine either.

Ms. Ronyk: — I have extra copies here.

Mr. Chairman: — There's always extra copies here.

A Member: — I wonder, Mr. Chairman, if we might

break?

Mr. Chairman: — Let's do that. Let's take a little break, refill your cups, and we'll get at it.

Mr. Rolfes: — Mr. Chairman, why do we have to have such a big pot of coffee; could we not divide that by two and bring some tea in?

A Member: — Good idea.

A Member: — How many people want . . . have we got a quorum here for tea, or is that just for one person?

Mr. Chairman: — Whoever arranges it, we'll make that suggestion.

Mr. Rolfes: — We don't need that . . . I don't know who wants tea here but . . .

A Member: — I do.

Mr. Chairman: — Shall we resume our business here. And I suggest we turn to page three of the auditor's report, and I will ask members to, therefore, begin to ask any questions they have. I have Mr. Van Mulligen's hand up.

Mr. Van Mulligen: — As I read the question of Crown corporation accountability, and going back into appendix two, Mr. Lutz is suggesting that the net additional cost to the — I'm paraphrasing here — that the net additional cost to the Crown may well be \$200,000 per annum of this move by the government to select private sector audit firms. I'm wondering if, Mr. Lutz, you can confirm that, and whether you have any further comments to make in addition to the comments that you've made in your statement. And I have some further comments that I would like to make.

Mr. Chairman: — That's ringing for the committee that starts late. We'll wait . . . can you hear? Let's wait till the bell stops.

Mr. Van Mulligen: — Further explanation, that my concern is not only if there is additional cost to the Crown of pursuing this particular avenue, that there's also questions here of potential for a conflict that I have.

Mr. Lutz: — Mr. Chairman, Mr. Van Mulligen, the 200,000 I mentioned actually applies only to those Crown corporations that had already been farmed out to the private sector — five or six in number. It has no bearing whatsoever on any additional Crowns that may be farmed out to the private sector auditors. To the present time, I cannot find out, I haven't been able to find out, I haven't been told, what the other auditors are going to be doing in those Crown corporations.

You will recall yesterday, or Tuesday, on my discourse I mentioned what a comprehensive audit was, and there was the attest audit financial statements, the compliance audit, the internal control audit. I don't know if the other auditors are going to be doing that work or not. So I can't answer you beyond the 200,000. That was our calculation of what it was costing additional to do sodium sulphate, potash, forest products — the resource Crowns,

anyway — Sask Mining and Saskoil.

Mr. Van Mulligen: — You indicated that it was your perception that the government to move in this direction might, in fact, be outside of the scope of The Provincial Auditor Act, and that there might need to be amendments to that Act, or perhaps further regulations stipulated under that Act for them to pursue this particular avenue of engaging private sector auditors.

Mr. Lutz: — I believe what's happening here, Mr. Van Mulligen, we're on two different wavelengths. I think for the administration to allocate Crown corporation audits to private sector firms does not require amendments to my Act, but it may require an amendment to whatever Crown corporation Act names me as auditor. They may have to do those; however, I have been informed that they are going to amend my Act. But I don't know precisely how or why because I've already advised the administration that it doesn't require any amendments to my Act for the administration to farm out Crown corporation audits to private sector firms,

Mr. Van Mulligen: — It's not clear in the report, or at least I haven't read far enough.

Mr. Lutz: — Oh, then the writing is faulty.

Mr. Van Mulligen: — But I wondered: do you have a list of those Crown corporations which list the Provincial Auditor as the auditor of record, and where that work or that auditing is now done by private sector firms? Could that information be provided?

Mr. Lutz: — Actually it's a case of if the . . . let us take a mythical example, hypothetical example — SGI. If the SGI Act, I don't know the precise title, says: and the auditor shall be the Provincial Auditor. That reference would have to be deleted from that Act to enable the administration to appoint an outside auditor to do that audit. That's the legislation that would have to be done. Now I don't know how many there are. We can get it for you.

Mr. Van Mulligen: — Yes, I would like to have that.

Mr. Lutz: — Once those are done, I can't foresee any reasons why they would necessarily have to amend The Provincial Auditor Act at all to implement the proposal that the Minister of Finance put forward in January of 1987.

My point with this is that as long as I maintain my supervisory role over the work done by these other auditors, the standard of audit, the scope of audit, the work done will remain the same as the work that I was doing, and the members of the Legislative Assembly will still receive the same uniform reporting. If parts of that comprehensive audit are cut out, then I want to know about it. If they remove from me the ability to supervise, I won't be able to find out if parts of those audits were cut out. That's why I cannot tell you what the additional cost might be.

Mr. Van Mulligen: — I guess that's my concern. One is, you know, if we're spending an extra \$200,000, at latest

count, you know, and perhaps far more of taxpayers' dollars, to accomplish something that might be accomplished much more . . . or much less expensively, I think that's an item of concern for members of the Legislative Assembly, especially if the end product is no better. In fact, we may have less confidence in the end product. That's one item of concern.

The second item of concern is the whole question, I guess it . . . you indicated that if there's to be private sector firms doing auditing, if that auditing is done pursuant to the supervision of your office, pursuant to the standards that you set, pursuant to the rules that you have, that's one thing. But if that auditing is done outside of your direct supervision, then that's another thing. And it's an entirely different thing again if the government, the government, the executive branch, selects private sector audit firms to undertake those audits outside of the jurisdiction of the Provincial Auditor, but selects private sector firms to undertake those audits to basically do an accounting of itself, an auditing of itself, I would submit that we would have less than full confidence in those audited statements. And it sets, I think, the potential for a conflict, and something that will not serve members of the Legislative Assembly well, or the public well.

I guess the word fiduciary comes to mind. We have to have complete trust in at least the third person as to what it is that the government is up to in its finances. And if there is less than complete faith and trust in the financial reporting that comes back to us, we're not being well served.

I think you point out in the question of one of the financial institutions in Alberta where a bank or the financial company was able to manipulate somehow the accounting or the auditing that was done of the firm by an accounting firm, the net result of which was that the information which was provided was less than adequate.

And I think that at a time like that we have now where the province's finances are called into question as never before, and the government by its own admission is highlighting the finances of the province as it never has before, that now is the time to have a greater trust in the accounting that's provided to us, rather than less.

And again, there's a thread there of a fiduciary relationship that involves the Provincial Auditor, and my feeling is that that thread is being broken by the government's initiatives, especially if, you know, the auditor is not to supervise those private sector firms. Then of course there's the additional question here of what sense is there in putting out additional taxpayers' dollars to get information that we would otherwise be getting anyway.

And I make those comments at this time, and I wonder . . . And I throw this out, Mr. Chairman, my last comment on this at this point, whether we might ask the deputy minister of Finance to come in and to discuss with us this particular topic.

Mr. Chairman: — We've already agreed to call the Department of Finance to the committee, so that automatically will allow us to pursue this. Now Mr. Lutz

wanted to respond to something you had . . .

Mr. Lutz: — Thank you, Mr. Chairman. When this announcement came out in January of '87, the declaration was that the board of directors of Crown corporations would accept proposals from accounting firms. Now the audit office has done the power audit since, I guess, inception — whenever that was — the telephones, the SGI, the bus company; we have done them, well, since inception, and that's all right, and we're appointed to report to the Assembly.

Now if these outside auditors can in fact make their proposals for audit to the board of directors of the Crown, it seems to me that at that point that auditor is now going to have to report to the board of directors of that Crown. And this was where our concern was raised, and this is where our concern remains, and I have made these views known to the Finance department. I don't think making my views known has changed their minds in any degree. I believe they're going to go ahead and do this. Indeed, I have to believe they're going to go ahead and do this.

So whatever they're going to do, they're going to do. The only thing I can do is report to this forum and to the House the way things are unfolding as I see them, and after that, it's really not my problem. I can't do anything with it.

Mr. Muller: — Well, I think I'll pass to Mr. Martin. He's probably got more to say.

Mr. Martin: — The only thing I wanted to say was that you mentioned supervision and accountability. As of today, you supervise the government's finances for final analysis regardless of whether it is farmed out to them or not, I mean private firms or not. That's all I'm concerned about. I mean Harry's point about accountability is well taken. I mean that's a given. I wouldn't even think you'd have to mention that. But if, however, it ever changes, that the Provincial Auditor does not have the final say, the final look at the books so to speak, then I think we've got a problem. And I'll address that when the time comes. As of today, I'm quite satisfied that the public's interests are being served as far as the money is . . . the Provincial Auditor, as long as he's working, I'm happy.

Mr. Chairman: — Mr. Lutz, I think that you have a comment on that here, but go ahead.

Mr. Lutz: — Thank you. As of today, with the legislation presently in place, I am also responsible to do the audit of power, telephones, bus company, SGI. I am still responsible; there's been no change in legislation. But there is no way on God's green earth I can do those audits when they have just chopped my staff from 63 to 49 in one fell swoop. I cannot possibly, unless I take an extra year. I could get my report to this forum a year later, or whatever later. I can't do it.

Mr. Martin: — I'm getting into an area here that I'm obviously not too familiar with because it's all so new to me, but let me ask you this: if you started with 63 and now you're at 49, when you had the 63, were they, like, doing the accounts that have now been farmed out to the . . .

Mr. Lutz: — Yes, as a matter of fact, Mr. Chairman, Mr.

Martin, in 1982 I had 72 people. In 1984 I had 69 people. In 1986 I had 63 people. In 1987 I have 49 people. And that's . . . what they're telling me is because all of these audits are going to go away, I won't need very many people, which is quite true. I won't need nearly as many people, but the way the thing sits today, I am still responsible to do those audits. Another auditor can't possibly go in there and start working. He hasn't been appointed. I don't have the staff to do those audits today. I can't possibly start power corporation audit tomorrow. I should, but I can't — or SGI, or SaskTel or bus company — I can't. I don't have the people. I have resources to hire 49 people. There's nothing in place that says another auditor can do Sask Power — nowhere. There's been nobody appointed. What do we do?

Mr. Martin: — I'm not going to go back and forth on this with you. I mean, you know your department better than I do. All I wanted to figure out was the difference of 14 people — does that make up for the \$200,000 that it's costing us.

Mr. Lutz: — Oh no, no, no, no, no, no, no. That's roughly the number of people I was using to do those power audits, departmental audits, university audits, hospital audits, and boards, agencies, commissions. The administration decided that if they took away from me the — 16 or 18 Crowns — I'm not sure how many there are without counting — that I would need 14 less people, and so they withdrew the funding necessary to hire those 14 people.

A Member: — Fourteen fewer people, yes.

Mr. Lutz: — But today there's no other provision for having those audits done; it's still me. It's got to be me; it's what the law says. The law of the land says, you're it. Now then, I can't go do them; I don't have any people. And you know why I don't have any people? They took them away — which is another point in my report; I do not think I should be getting my resources from the executive government.

Mr. Martin: — From the what?

Mr. Lutz: — From the executive government.

Mr. Martin: — Okay.

Mr. Lutz: — Some other form.

Mr. Rolfes: — Mr. Chairman, I had flagged a number of those items as I went through this report.

Mr. Chairman: — Let's deal with them, okay.

Mr. Rolfes: — Yes.

Mr. Chairman: — Let's deal with the one we're on now.

Mr. Rolfes: — Oh, I'm going to; I'm going to. But I have a number of items that I want to pursue. But this one did disturb me somewhat. I want to ask . . . I didn't quite understand if outside auditors are going to be doing the auditing of Crown corporations, will you still supervise those audits?

Mr. Lutz: — I have been informed by officials from the Department of Finance that I will not be doing that supervisory role. Now I don't know whether that is going to be official or not, because all I have heard is that word from bureaucrats. I have nothing in writing; I've had nothing but two very brief discussions with the people. For some reason they don't seem to want to talk to me, which is understandable, perhaps; I understand that. I don't know, Mr. Rolfes. I've been told I won't have that.

Mr. Rolfes: — Well I would assume that you probably wouldn't. Why would they want to duplicate it. I mean if they're going to . . . if they're going to have confidence in those outside auditors, if the government is, or the Crown people are going to have confidence in the outside auditors, then why would they want to have you also supervise it again. I can understand that.

But that's where the danger comes in as far as I'm concerned because those outside auditors are not going to be responsible to the members of the Legislative Assembly, and therefore, as the Public Accounts Committee, why would we want to . . . or why would they want us to peruse their particular area, because they're not responsible to us; they are responsible to the Executive Council, not to us then. And it changes the whole role of the Public Accounts Committee, and that, when I read this, that concerned me. Because right now you are an employee of the legislature and therefore accountable to us, not to the executive branch of government.

If outside auditors are called in, they do the auditing for these Crowns; they are not responsible to us, the members of the Legislative Assembly; they are responsible to the executive arm of . . . the executive branch of government. And that really changes the whole role as far as I can see it, unless you had the overall supervisory role of looking at each one of these and put your John Henry on there and say, yes, I agree with the auditing that's done and, you know, and so on. But that, obviously, I don't think is going to happen, and that does concern me.

The other thing is . . . I looked at it and said, well why would government want to do this? Why would they want to lay off people from your department and go out and spend the same amount of money? I assume they won't spend . . . or less, or more; I would assume they're doing it because they want to spend less money, and they must think it's cheaper to do it with outside auditors than it is to do it with your auditors, otherwise I don't understand why they want to do it. Why would they want to do it unless, as somebody might say, well we want to farm it out to the private business so we can get the private firms in.

But I think the whole question of the independence of the auditors has to come into question because I don't care who it is, he who pays the piper calls the tune. And I, personally, would not have the same confidence, and not being an expert in reading a ledger, I am concerned. Here I can question the auditor; I have that prerogative because he is my employee. I don't have that same authority if a private firm is hired. And I think we, as members, should be very concerned about that — the direction that we are

taking, and the final responsibility that governments and Crowns have to the members of the Legislative Assembly, And in my opinion, and what I read here, a huge sector of government is taken out of our responsibility and set somewhere else. And that concerns me.

Mr. Lutz: — Mr. Chairman, relative to changes in legislation, at the present time it's very nebulous. I don't really know what is planned or intended, and neither have I been consulted.

My last meeting regarding this subject was held with the acting D.M. of Finance and the president of Crown Management Board. They asked me what I thought of proposed legislative changes — and this meeting, I think, took maybe five minutes, not much more — and I said, well, show me what they are. Well, we don't have anything in writing, but we want to know what your attitude is.

And my response to them was, it does not matter what I want, it matters what the Legislative Assembly wants, and that's where it has to be. It's not up to me to decide what kind of legislation the Legislative Assembly should have.

And then I got the argument that, well, whether you put a dollar into Saskoil and the same dollar into Royal Trust, there's no difference. And the upshot of the meeting was, at about the six-minute mark, was, well, if you can't see the difference, I'm not going to be able to convince you — meeting's done. And that is all I have heard relative to this whole subject of legislative changes, amendments to the audit Act, appointment of other auditors. I have no idea where it stands. I don't know.

Mr. Chairman: — Thank you. Are you done, Mr. Rolfes?

Mr. Rolfes: — Yes.

Mr. Chairman: — Mr. Martin, and then Mr. Neudorf.

Mr. Martin: — We're getting into a philosophical discussion over a hypothetical situation which may or may not occur. Are there not professional standards that chartered accountants' offices have to maintain, not only for their reputation, but by . . . according to law. And the other point being that Crown corporations, like all corporations, have to declare, you know, a report at the end of the year which is then available for public scrutiny.

Would that . . . I mean, are those points not relevant in this philosophical discussion as it were, to . . .

Mr. Lutz: — Yes, they are, Mr. Chairman. Mr. Martin, a very good point. My problem is when we do the audit of Sask Power Corporation, they prepare their financial statements; we audit them, and if the financial statements do, in fact, present fairly the financial position, we say so. Now that's I think the least important part of the audit.

We also do an audit of their systems to make sure that their internal controls are there, the protection of public property is there. We also do an audit of compliance to make sure they have complied with the law, regulations, The Power Corporation Act, treasury board, and these numerous things. We do all of these things when we do

the audit of SPC — the financial statement audit, the internal control audit, the compliance audit, okay.

Now if this new auditor, who has been invited to submit his bid to the board of Sask Power, is going to do all of these things, then we will have roughly the same kind of accountability and the same kind of work done and the same kind of examination of the relevant aspects of SPC, but I don't know what he's going to do. In addition thereto, it looks like he's going to be reporting to the board of directors.

Now I commend for your reading the Estey report which was put out last year . . . or this year maybe, on the Northland Bank and those things in Alberta. And he had some very cogent comments to make relative to auditors who become too close to the board of directors. You have to remember that the auditor is the shareholders' auditor, and in this case the shareholders are the people of the province, not the board of directors of SPC.

Mr. Martin: — So dealing again philosophically, I gather that, although you may not be in favour of farming it out to any of the private firms, your main concern is the final scrutiny. Is that, Mr. Chairman?

Mr. Lutz: — I have never objected to them farming them out to the private firms. I say, leave my Act alone so we can make sure that they're all done on the same basis, same standard, same reporting route.

Mr. Martin: — Okay. Thanks.

Mr. Neudorf: — Yes, some of my comments by now are going to be somewhat redundant, seeing that Mr. Martin already addressed some of my concerns that I was going to respond to Mr. Rolfes' concerns.

It just seems to me that, Mr. Lutz, what you referred to, having the same standards and so on — are not all auditors when they do an audit operating under the same set of rules and the same set of standards? Does the CICA not have . . . I guess the way I would summarize my concern is by simply asking this question: would it matter whether your officials did an audit of SPC or whether a private auditor came in and did that same audit? Would the bottom line figures and all the standards that they were operated under, would it not wash out on the same bottom line, whether it is a private auditor doing it or whether it is one of your officials operating under your direct jurisdiction would have done that? Is this not going to be the same thing?

I understand, and just before I turn it back to you, I understand Mr. Rolfes' apparent concern about lack of accountability, but if a private auditor is doing it, you're saying that they're not going to be here to answer to us directly, as his officials would be. I can appreciate your concern there, but I would still think that this committee would have access to them. But I stand to be corrected on that. I'd be interested in your reaction.

Mr. Lutz: — Thank you, Mr. Chairman, and Mr. Neudorf. I want to go back one step further to Mr. Martin's comment about hypothetical. The way the legislation presently sits, it's not hypothetical. I am the auditor of

Sask Power Corporation, SaskTel, SGI — that Act is still there, the law of the land. I can't do those audits. I don't have any people. They took away 14.

Now to get to you, if I could find out how these firms are being appointed and what they are supposed to be doing, and if I can go review their work when they're finished, then I think, you know, a lot of these concerns are allayed. I do this with potash corporation. When that job is finished, I'll send four or five people up there for a week, and we make sure that the work they did on potash is the same as the work we would do on potash.

But presently I don't know what these firms have been asked to do at power, telephones. I don't know what they have offered to do. I don't know how much they've offered to charge to do it. And I can't find out. And this is really the first time in the history of the audit office that I can't find out.

Mr. Chairman: — Can I ask a question? You say that you are required to do the audit of power, telephone, and others.

Mr. Lutz: — Because no other auditor's been appointed.

Mr. Chairman: — That's in the Act?

Mr. Lutz: — No, no other auditor's been appointed, I audit automatically.

Mr. Chairman: — That's what I want clarified.

Mr. Lutz: — Automatically the auditor.

Mr. Chairman: — So if somebody else under that legislation for each of those Crowns, another auditor can be appointed . . .

Mr. Lutz: — Oh, yes.

Mr. Chairman: — But you're saying none has been.

Mr. Lutz: — That's right.

Mr. Chairman: — Okay, I wasn't sure what was . . .

Mr. Neudorf: — Mr. Chairman, I couldn't follow Mr. Lutz's comments there in response to your question. It was going too rapid there.

Mr. Lutz: — I'll try to slow it down. I automatically, under my legislation, become the auditor of any Crown agency unless another auditor has been appointed. I am not aware of another auditor having been appointed.

Mr. Neudorf: — You have not been formally informed of that?

Mr. Lutz: — As far as I know, there have not been any audit appointments. That being the case, I'm still the auditor. And today I should be in doing the power audit. But I can't do the power audit or the telephones audit. They took away 14 of my people. So it's not necessarily hypothetical, but if they appoint another auditor, I don't have a problem with that, provided they leave my

legislation alone. If I can go in and review his work so that I can, with confidence, assure the Legislative Assembly that all of the same things have been done, all of the same ground has been covered, and all the same reports will come out, I don't have a problem. But I don't think they have to amend my legislation for all of this to happen.

Mr. Chairman: — Thank you, it seems to me that — and I took the comment about professional standards that, I think, Mr. Martin was making, and I understand that, and I accept it. But just as a member of the committee, there is another question that we might want to consider at some point in time. And the question is: who acts for who?

And therefore this whole reference on the top of page 4, that there is an indication that there may be amendments to the Act of the Provincial Auditor which would change his supervisory role is, I think, a very serious question. Because although a private auditor, with no criticism of private auditors, will give you that one page statement, the one thing that the private auditor will not do is give you this, which is a report of the Provincial Auditor outlining certain problems and difficulties so that committees of the legislature then cannot review them and address the problems. And I guess that's what we're — listening to this discussion, that's what we're here talking about.

Mr. Saxinger: — I was going to comment on the credibility of private auditors, but I guess it's been discussed enough. I feel like we're spending a lot of time. We don't know what's really going on. I think we should get the officials from the Finance department or from the Crown corporation and find out what's really going on.

Mr. Lutz had mentioned that he doesn't know. He just heard unofficially from civil servants. Let's get down, when we call these people in and find out what's really going to happen, what they have in mind.

Mr. Chairman: — I think that's a good point, and we have already agreed to call the Department of Finance.

Mr. Muller: — Well the question of public scrutiny on a Crown corporations would be a question before the Crown Corporations Committee, would it not? And would not those auditors, whoever they may be, be called before the Crown Corporations Committee with Sask Power or SaskTel or . . . would they not be accompanying the officials from the Crown corporation to scrutinize before Crown Corporations Committee?

Mr. Lutz: — I purely wish to speak to this one. The only time I ever attended a Crown corporation meeting was when I was summoned because they thought they had my Canada badges, okay? They really thought they had me.

Now the auditor is the shareholders' auditor; he's not the board of directors' auditor. So I say to you: why would the auditor show up there sitting with management at that Crown Corporations Committee, answering their questions, when he is supposed to be the shareholders' auditor, which is really the Legislative Assembly and the people?

This is my whole point. The guy is not necessarily at the

same level of independence as I am because he has to deal with his board of directors; I don't. You'll never see me up there with Sask Power board, SaskTel board, helping them answer their questions. They don't want any part of me.

But when PCS (Potash Corporation of Saskatchewan) comes into Crown Corporations, Mr. Bob Bundon, the senior partner for Deloitte, is sitting right up there at that head table — the auditor sitting with the management helping to answer their questions. Now I say to you: is he the shareholders' auditor, or is he the board of directors' auditor?

This is where I have my trouble you see. It gets really peculiar.

Mr. Muller: — I certainly take exception to persons' names being brought in.

Mr. Lutz: — Scrub Mr. Bundon.

Mr. Chairman: — I don't think it was intended that way.

Mr. Muller: — Well, no, but I don't think it should be any accounting firm's name should not be mentioned in Public Accounts. And I have a lot of respect for accounting firms. I don't know much about accounting but I've dealt with accounting firms — Deloitte Haskins and Sells or whoever. And that's not a personal name, that's a broader picture, and I've certainly dealt with other accounting firms and I've always certainly found them to be credible. And I really feel . . . I really take exception to names being brought into the debate, and I think that's fair comment.

Mr. Lutz: — I should maybe go back and respond once more to Mr. Neudorf. You mentioned standards. The standards that apply to the audit of financial statements indeed are uniform between what I would do and what Clarkson Gordon would do and what Deloitte's would do. The financial statement audit, the attest audit — yes, they're standard. But for what I do in the field of compliance, what I do in the field of authorities and internal control, there are no standards for that except the ones that I invented myself.

Now all we want to do is make sure the outside auditor also applies whatever I do to the same level when he does it. And that's why we need this overview.

Mr. Neudorf: — So what you're saying then is that at the interpretative level there's a lot of subjectivity.

Mr. Lutz: — I don't know what all those words meant when you put them together. What I did say was that when you do the attest audit or the financial statements, the standards are uniform. When we do the compliance with rules, regulations, the law, when we do systems review to make sure that the assets of the corporation are protected, I set the standards. And that's why I want to overview what they're doing to make sure they do the same.

Mr. Chairman: — Thank you.

Mr. Neudorf: — Well what I was basically saying is, I guess to put it more bluntly, there comes a point in this auditing procedure when he who pays the piper calls the tune.

Mr. Lutz: — I think that's probably valid. Yes, I think so. I would expect that your Legislative Assembly can certainly call the tune with me. In fact, if they change my Act, they will have done so.

Mr. Neudorf: — Well that is what my original diplomatic terms were referring to.

Mr. Chairman: — Well, very diplomatic, I might add.

Mr. Van Mulligen: — Mr. Chairman, for me there are two basic issues here. First, there's the question of cost, which Mr. Lutz raises in his report. And Mr. Rolfes indicated that he didn't know whether the avenue that the government is pursuing will overall be less costly for taxpayers, will cost the same for taxpayers, or whether the costs will be greater for taxpayers as a result of the government's initiatives.

One, I would like to see a very clear analysis, if that's possible, to be provided to this committee. I think that it's important for us to understand that there are no greater costs posed by the government electing to de-emphasize the role of Provincial Auditor when it comes to certain Crown corporations, and choosing to replace some of the work that, historically, has been done by the auditor or should perhaps be done by the auditor, and having that done by private sector firms.

So first I would like to see some analysis on the financial side, or some analysis of the cost effectiveness of the government's initiatives. I think that's one thing we have to understand because if that analysis shows that the government, in moving the way it has, will save us money, then I think that, you know, then the government's initiative can be supported on those grounds. And you know, that's not to say there aren't other concerns, and I want to get to those in a minute, but I think we should have that clarified first of all.

Secondly, for me, is the question of independence, fullness of reporting. And I guess the question of the fiduciary relationship and your comments about Justice Estey, what he had to say about the CCB and the Northland Bank, you know, where the auditors of a private firm are accountable to the shareholders, in this case, given our responsibilities to the public, we would hold that the role of an auditor with respect to any government department is to report to us as representatives of the shareholders, that is, the public of Saskatchewan.

If the government pursues the direction that it seems to be taking and that is to, again, de-emphasize the role of the Provincial Auditor, it raises the question of: who are these audits being provided for? Who are these audits being done for? Are they being done for the board of directors, or are they being done for the representatives of the shareholders, that is, the public of Saskatchewan? Who are they accounting to?

And as I listen to a discussion between Mr. Neudorf and Mr. Lutz and others, and the concept of he who pays the piper calls the tune, it may not be anything as bald or as brash as that. But certainly no private accounting firm will be expected to have the kind of background, experience, and the orientation to do the kinds of tests that a Provincial Auditor would normally be doing where there's public funds involved. We don't know what kinds of resources, for example, a board of directors might devote to a private sector auditing firm which will then have implications as to the completeness, the thoroughness of the work that will done. We don't know what kinds of tests might be admitted from an audit that Mr. Lutz would do as a normal course of events.

And we simply, you know, the whole . . . For me, the report that Mr. Lutz provides us, and discussion continues to raise those kinds of questions, and my feeling is that it would be healthy for us to continue to pursue this at some point and perhaps, if we might . . . whether that be with the deputy minister of Finance. But I would again in this one, would like to see some written defence or some written report by the Department of Finance or the executive branch as to its intended course of action how it proposes to deal with the question of independence, how it proposes to assure the public, that is the shareholders, that the kind of information that historically has been provided and, tradition suggests, should be provided in the case of Crowns, will in fact be provided. And that we, as representatives of the public can have assurance as to the kind of auditing that is being carried out and will be carried out by private sector firms of Crown corporations.

And so again, just to summarize, Mr. Chairman, I see the need for two reports. First, is some analysis of the cost benefit of the government's initiative; secondly, a very clear statement by them as to how the questions of independence, how the questions of trust, how the question of completeness and thoroughness of reporting can all be met, given its initiatives.

Mr. Chairman: — Thank you, Mr. Van Mulligen. I have Mr. Martin and Mr. Muller, and then I'm going to come back to what Mr. Van Mulligen has been, I think, sort of indicating that we should request of the Department of Finance.

Mr. Martin: — I just want to reiterate what I said before, that public auditing firms have their reputations to maintain, and financial statements are issued by Crown corporations which are available for public scrutiny. And as of this day the Provincial Auditor still has the power to scrutinize the work of the private firms. And so as of this day I don't see there's a problem. However, I think that we . . . I do agree that it would be a good idea to get the Finance guys in here and ask them where we stand on this issue. But as far as I'm concerned, as of, you know, September 10, 1987 the public's interest is being served.

Mr. Muller: — Well I was just going to, with all due respect to Mr. Van Mulligen, I think that the relevance of questions is not in the proper forum here, right now. I think probably that we have agreed that we will call the Department of Finance and certainly we have the right to go back to the '85-86 *Public Accounts*; we can find which

direction they're going, and we can ask those questions of the Department of Finance when they're here.

And certainly we have a lot of work before us to try and get through the auditor's report. So I think that as we call these departments that those questions can be put direct to the deputy minister or assistant deputy ministers, and we'll have a better chance of getting some clarification on how the public or private sector auditors will fit into this whole picture.

Mr. Chairman: — There's nothing, I might just add, that prevents the committee from ordering reports from the departments. And I think, quite frankly, the committee feels it will be better briefed and better prepared to question the departments, when they do arrive, by having some information in advance. I think that's a quite a valid request in this case.

Mr. Muller: — Any member of this committee, including Mr. Van Mulligen or myself, can contact the Department of Finance for background material before.

Mr. Chairman: — I agree, but that does not have the impact of the committee. I mean there is a very distinct difference between the power and the prestige of this committee and an individual member making a request. Mr. Van Mulligen.

Mr. Van Mulligen: — Well, Mr. Chairman, I just want to make a couple of comments, and I appreciate what Mr. Martin and Mr. Muller have been saying. I agree that private accounting firms have reputations to maintain. I agree that Crown corporations provide financial statements which are available for the public's perusal. But I would just suggest to you that that was also the case with any number of financial institutions that have gone into receivership or bankruptcy — the CCB and the Northland being an example; that I am sure that audits were being conducted of those enterprises by reputable accounting firms; that financial statements were provided to the shareholders and, through that, to the public for perusal.

But again, the kind of relationship between the auditing firm, the accounting firm and the board of directors, can determine the kinds of tests, the kinds of audit that gets conducted, and then has implications as to whether or not the accurate and complete financial picture is being presented. And let's recognize also that, in this particular instance, that we are dealing with public funds and, as is tradition and history in this province, when you audit public funds, additional tests are conducted to ensure that public funds are not only being spent as suggested by the budget but are also being spent in accordance with the kinds of regulations and standards that we expect when expending public funds.

As to Mr. Muller's suggestion that we can put the questions to the Department of Finance officials when they attend the committee, to me is akin to saying that, well, you know, if you want to ask about the financial health of any corporations, you can put questions to people when they appear before us. I think that in putting questions to a representative of an organization, I am better served if I have some report beforehand about the

subject matters we're going to discuss, rather than sit back and simply ask questions.

Let us say that if I go to a private company and I ask them, well, how's your financial picture and what's your profit and loss, and what's your assets, what's your liabilities, what's your summary statement — yes, we can sit there in an informal way and I can try to obtain that information. But it's something else for me to, before I ask a private company, to have their audited financial statements because it prepares me better to ask the kinds of questions that need to be asked.

So that again I would reiterate that I would like to see, before a meeting with Finance officials, some written reports — one, on the cost benefit of pursuing the avenue that they're now going down, that is, to increasingly retain private sector auditing firms to do audits of Crowns; and secondly, their position on the question of accountability, completeness and thoroughness of reporting. And I think that this committee will be well served if, before meeting with the Department of Finance officials, we have some statement from them on those points.

Mr. Muller: — I don't think it has any reflection on auditors, on the failures of banks, such as the Northland Bank. I mean, the auditors audit the business of those banks. The fluctuations of real estate, where they have . . . that they hold mortgage on, is more to the failure of banks and financial institutions, in my mind, than the auditors. The auditors really had nothing . . . they audited the business, but the banks did not have any control over the drop in the real estate, and this is why they didn't have enough to cover the money that they had out. They didn't have enough real estate, and this is the way I understand it, that they allowed too much mortgage money to be put out on that real estate to begin with; the real estate dropped; it put them into a bad position, and they failed.

Now that is not the fault of the private auditors that the banks failed, and I don't think that we should cast reflections on the private sector auditors for . . . and bring the banks' failures into this committee. I mean that really has nothing to do with private sector auditors auditing Crown corporations. I mean, I don't see the relevance that you're trying to hook private sector auditors of not being competent because the banks went down. I mean, I think it's because of the real estate fluctuations, and certainly we're in a time where real estate does fluctuate a lot right now.

Mr. Chairman: — I think, as I heard the argument, we heard the banks used as an example to support another argument. I don't want us to get into the debate on how the recent collapse of the banks took place. That's not what we're addressing here. We're addressing here the question of the need to have information, and Mr. Van Mulligen has a proposal which I think he wants the committee to consider.

Mr. Van Mulligen: — I'm just responding, Mr. Muller, on this point, and I agree. The question here is not the one of competence or the trustworthiness of private accounting firms.

But the question here is one of, and if I can go back to the banks, is that if a bank has historically enjoyed a relationship with a certain accounting firm to do its audits, that auditing firm is familiar with all the fluctuations in the mortgage market, and therefore is able to provide an accurate picture of the bank's true worth. But the bank directors decide: well, we're going to change auditing firms in mid-stream here, and because of the kind of money or because of the kinds of questions they put to the auditing firm, the new firm is somewhat limited in trying to provide an accurate picture. It is not able, for example, to get an accurate reflection of one mortgage or another and its true worth.

The net result is that because of the manipulation of the directors, you get less than an accurate picture. And that's no fault of the auditing firm because the auditing firm can only do what it's given the tools to do. And it's not a reflection on the firm, but it's a question of the kind of manipulation that can take place by the directors.

And I guess that's the question for us, you know. Do we rely exclusively on the directors of Crown corporations to tell us that the kind of financial statements that have been done by the firms are all in accordance and are complete and accurate and so on, or do we, as trustees of the public purse, insist that there be a third party who reports to us on those firms?

Mr. Chairman: — Members of the committee, I think we have already agreed we would call the Department of Finance. Mr. Van Mulligen has a suggestion which I find attractive, that we do make a request to the Department of Finance to provide us with a report on the issues which he has proposed, and I won't repeat them. You've heard them. Is it the wish of the committee that we do ask the department to provide us such a report?

Mr. Martin: — (inaudible) . . . and secondly, if . . . (inaudible) . . .

Mr. Chairman: — Accountability and supervisory. Okay?

Mr. Saxinger: — If I just can make a comment on it. I think we've spent a lot of time on it, and I think it's time to move on. If we can't get these reports before we leave here, I'm certainly agree with it. I think it's time to move on and get some other work to do, get something done.

Mr. Chairman: — Thank you for your help. Okay, we agree then we will ask the department to provide that. We've now, I think, have had sufficient discussion on items .11 to .16, and I will direct the committee to address now your attention to the heading, "Continuing Concerns Regarding Accountability" starting with 1.07. Mr. Muller, can you just chair for about five minutes? Stay right where you are if you wish.

Mr. Rolfes: — Mr. Deputy Chairman, I just wanted to ask the auditor if there was any . . . I noticed on page 5 of your report you say:

. . . I am deeply concerned with the lack of timely appropriate financial information provided to the Members of Legislative Assembly.

I have two questions. First of all, does that pertain to any particular area in government where this has happened over a period of time? And secondly, is this something that has happened recently, or has it been for some time, let's say back in the '80s and '70s, the untimeliness of financial information provided to MLAs?

Mr. Lutz: — Mr. Chairman, Mr. Rolfes, I think it's been a general thing over many years. I suspect Mr. Kraus would also agree with me that over the years we should probably have had some of this stuff done sooner. Are you with me on this one, or do you object to what I'm saying here?

Mr. Kraus: — I agree with you that, ideally . . .

Mr. Lutz: — I know it's not a new thing. For many years we've sort of . . . and I don't know how it happens, you find out that you're a month later than you thought you were going to be, but that wasn't too fatal, so next year you're another week or two, and pretty soon you're a year behind. And presently we're a year behind, and I don't know how it happens. Mr. Kraus might have a better idea. He prepares these things. I don't.

Mr. Kraus: — If I could just make a few comments. Some years ago it seemed that we could get the *Public Accounts* prepared and audited and tabled by December. Then it's also happened quite a few times, I suppose, even before we were tabling in December, that while 98 per cent of the work was done, there would be some deliberation over some of the values that might appear on the financial statement. Some of the issues were debated with the auditor, back and forth, and that would slow things down, and consequently the *Public Accounts* wouldn't be then tabled till the spring session.

What happened last year was that the reason you didn't get them till June, obviously, is because the House didn't sit. And while we may have not had everything completed until quite a bit later than usual, it's a personal opinion, and you'll never be able to prove it, but I believe if the House had sat in March, we likely would have resolved our problems and had them available for tabling in March.

I just want to say about the year we're in now, we're again striving for that December deadline so that we would be hoping to have — and we have most of our work done we would hope that we could give financial statements for '86-87 to Mr. Lutz. We've given him some now, but they're preliminary, but we would hope we'd have our final adjusted ones to him fairly soon. So I might say we're always aiming for an earlier time than . . . as opposed to what you've been seeing occurring. But I'm hopeful that maybe this year it will work out so that it's earlier.

Mr. Rolfes: — Mr. Chairman, I have one further question. Could Mr. Lutz or Mr. Kraus indicate to me — we adjourned last year on December 23 if I remember correctly — were none of the reports ready to be tabled before the House adjourned at that time so that we would have been able to have a look at these over the months, rather than having them tabled in June?

Mr. Kraus: — We had not agreed completely on the financial statements at that point in time. There were still

some issues we were debating, and so as I say, while the bulk of the information is there, there's still debate on just how some of these issues should be resolved and how some of the information should be presented. And that's what delays it. I think that's a fair statement to make. Most of the work is done, and most of the information is prepared, It is just resolving some of the accounting issues.

And so I can say with certainty right now that again, as far as our work is concerned, we're easily where we were last year, and we may be ahead of where we were last year. And we may be, essentially, completed here pretty quickly. I don't know if I'm answering your question, but I can say, well most of the information is there, but you still have to decide on how we want to present some of the information in the financial statements, and there's a difference of opinion, and so that's, I would say, that's what slowed it down, and has a number of years.

Mr. Rolfes: — I've one further question. I guess my question is: was there a difference, or was there a change in policy as to how things were to be presented that delayed the preparation of your reports? And if so, who made the decision to change the presentation of your information?

Mr. Kraus: — It's usually . . . The policies may or may not be changing; it's often how we interpret them. It gets down to a matter of: well, we interpret that the policy says this, therefore we can state the assets or liabilities in this fashion. And the Provincial Auditor's office may say: well we don't interpret it that way; we think it should be this way. And we debate that back and forth, and generally we come to some agreement. I agree it should be done quicker, but it's been taking . . .

Mr. Rolfes: — The point I want to make, Mr. Kraus, is: I see the two same people — one is gone right now — but the two same people who were around in the '70s, still just the two same people who are responsible for their particular departments. What has changed that has . . . I mean, Mr. Lutz is still there; you are still there. You obviously came to a meeting of the minds in the past. What has suddenly changed that delayed the reports last year? I guess that was my question.

I can understand if there were different personnel and somebody suddenly came in and said: no, I don't agree with that. But the same personnel. What delayed the preparation of your reports?

Mr. Kraus: — Well I do want to say that the . . . just to be very specific here, that there was . . . the public accounts were tabled in December. Three years running they appeared. Ignore the years that the public accounts represented, but they appeared in December '79, December '80, and December '81.

On either side of that, you were generally seeing a spring tabling. In fact, always seeing a spring tabling. So it's only those three years, and I . . . That's not to say that we shouldn't be striving to make December; I'm just saying that the facts are that it's been the exception rather than the rule that we could hit December.

Nothing's really changed, I suppose. I suppose what I have to say is, as Mr. Lutz might have said some time ago, things are always changing; they become more complex, less complex, and you can debate on some of these issues because they're not black and white. It's just like getting back to someone's been talking about the banks. It can be very difficult to say specifically that this is the value or that is the value and that's what we debate. And I can't . . . But it's no excuse, as far as I'm concerned, for not having the information available sooner. We should be resolving our issues, and the public now should be available earlier. I do admit to that.

Mr. Chairman: — The only point you never mentioned for those years in which the report was tabled at a very timely time was the name of the minister of Finance who then was the minister of Finance. But we won't pursue that,

Mr. Muller: — I think this was . . . (inaudible) . . .

Mr. Rolfes: — Could I ask one further question? I don't know who can answer to that. But must they be tabled in the House when the session is on, or can they be made available to the MLAs when, you know, whenever the report is ready for tabling?

And I ask this because of what happened. Maybe this year is an aberration and it won't happen again. But no, I'm serious when I say that. I don't know. But it does put us in a difficult position when we . . . For example, this year we didn't sit till June, and I don't know when the auditor's report was made available to us; it was sometime during this last sitting. But is there something in legislation which says that they must be presented in the legislature, tabled in the legislature, before they are made available to MLAs?

Mr. Kraus: — There is a requirement for tabling. An exception was made one year where the government decided that they would provide them, I think it was in . . . I can't remember if it was late January or early February they made them available to each member of the legislature without tabling. But I believe normally the government prefers to follow the policy of tabling as required by the Finance . . . (inaudible) . . .

Mr. Rolfes: — I'd like to ask somebody here because I am, as I say, this really concerns me because I think we have a right to that . . . to all the reports whenever they are ready. And it should be made available to the MLAs whenever they're ready, and then the copy can be tabled whenever we sit in the House, to make it official.

If there is nothing in the rules which says that, you know, we can't have access to them, I don't know why we, as representatives of the public, should not have access to those reports immediately when they are ready.

That's the only comment I have. I don't know who can answer that for me.

Mr. Chairman: — Does someone want to venture a comment?

Mr. Kraus: — I'll make one more observation. There may

be instances in Canada where it is provided earlier, or rather at times other than when the House is sitting, but I do believe that those jurisdictions may have their Public Accounts Committees in place throughout the year, or at least during the time that they're provided, so that there's a forum for the reports to be discussed.

Mr. Rolfes: — Well that may not be a bad idea either.

Mr. Kraus: — That's the qualifier.

Mr. Chairman: — Our clerk is offering a comment on that which may help.

Ms. Ronyk: — Thank you, Mr. Chairman. The question does deal with the practices of the House with respect to tabling, and I might suggest that the requirement that documents be tabled in the House, in order to make them public, or as the step in making them public, is a tradition and a practice — it's not a rule; it's not in legislation but it has been a long-standing practice followed by this and many other legislatures.

However, this problem has been recognized in other legislatures as well, and most other legislatures have provided a solution by establishing a rule that does allow documents of all sorts to be tabled when the House is not sitting. And what they . . . And this is also the act of making them public, so they're not kind of half-tabled or half-public.

They are submitted to the Clerk's office, and that act alone is sufficient to make them public. And then later on, when the House does sit, they are officially tabled. That's done by rule.

Mr. Chairman: — Thank you. That's helpful.

Mr. Van Mulligen: — Mr. Chairman, a couple of questions present themselves. One, what needs to be done to ensure that *Public Accounts* at least are completed within six months of the end of the fiscal year? And I'm wondering if some report might be provided to us to ensure that that target date can be met.

I know the government had extensive arguments that the budgeting for this last year was delayed. I don't know why that should have had implications for the *Public Accounts*, especially given the means of electronic data retrieval that we now have. It seems to me that six months . . . that it should be easier to provide the information than has been the case in the past.

So that's question number one. What needs to be done to ensure that the target of six months is in fact met? And if it's possible to get a report on that.

Secondly is the question of: if the information can be obtained in six months, should we be suggesting to the Assembly, perhaps, that we break with past practice and find an avenue or a means to table documents such as that, in the event that the legislature is not sitting?

Mr. Chairman: — Okay. Mr. Kraus, do you want to . . . Can you respond to the question of what needs to be done to make it possible to get it more timely?

Mr. Kraus: — Well I can only comment on my own side of things, and we make every effort to get the information completed and in a form that can be audited . . . in a final form that can be audited by the Provincial Auditor's office. I'm not sure how I can . . . what mechanism I could suggest that would ensure that I do my work or that we do our work by a certain date, other than to say that internally we try to meet these deadlines and guide-lines.

Part of it, as well, is whether or not the Provincial Auditor can audit the information and have it ready on a timely basis, so that there is the two parts to it.

Mr. Van Mulligen: — I'd like to follow upon that. You say that internally you're able to meet, or aspire to meet, target dates. Am I to infer from that then that other considerations come into play once you've completed your work as to the presentation of the public accounts, in addition to whatever concerns Mr. Lutz might have with respect to the public accounts?

And again you suggest that, you know, we can meet these things internally. Mr. Lutz has concerns. I guess my question is: how can we combine all these various concerns to ensure that the target date is met and that these accounts are tabled with the members of the Legislative Assembly within six month's time, or at least are ready, putting aside the other question of how we might table that information if the legislature is not sitting?

Mr. Kraus: — I'm not sure I'm just certain how I could . . . (inaudible) . . . say that we could develop a system or some kind of method that would absolutely would ensure anything. You know, we can attempt to meet the goal of December tabling, but I just want to point out that there's three books, as you know, for the *Public Accounts*. Volume 1 are the financial statements of the province, so really that's in our hands, and we do as I said, deliberate from time to time on what some of the numbers should be in the financial statements, and that has slowed things down a little bit, okay. But that still is really under the control of Mr. Lutz and myself.

Volume 2 is another story. That's where we have quite a few financial statements that aren't finding their way into the legislature because of tabling requirements, so we get them all and put them in this volume so that you have them for the legislature's review. These financial statements, to a great extent, are not prepared by my office. They're prepared by financial officers all over the government. And while we prod them, some of the delays can be in this area, where first they may be a little bit slow in preparing them, and then there's always the audit that has to come after.

Volume 3, this big book, is mainly in my shop, and we do not have a problem, by and large, getting that done on time. I'm just trying to point out, I guess, that the financial statements themselves . . . it's usually the information's there. Obviously, we can take off a financial statement at any time; we do it weekly, monthly. It's agreeing on the year end values that can take a little bit of time. And as far as the details go, they can automate systems, so there's not very much problem. It takes a while to prepare, but we can do it.

This thing will tend to slow things down as much as anything. It's this book that has financial statements for community colleges and revolving funds and a host of other places. And that can be a bit slow, because I don't prepare them, and I have to try and force these people to get them to us on time. And not only do they have to prepare them, they have to be audited, and they're scheduling them for Mr. Lutz to take into account. So I'm not trying to duck the issue; I'm just saying there's a few more people involved than just myself. And I don't know if Mr. Lutz has anything to say or not about it, but . . .

Mr. Van Mulligen: — I guess . . . I come to back to . . . Mr. Chairman was, I guess, maybe blowing his own horn, but he indicated that there were times that these *Public Accounts* were prepared in a timely way and that, I guess, in the last few years we've had some problems in having these accounts, *Public Accounts*, prepared and tabled in a timely way.

And putting aside the question of why that is, the question for me is: how can we ensure in the future these things can be prepared and tabled in a timely way, and what specifically needs to be done to ensure that? Again, I want to make the point that these *Public Accounts*, that information, is not information for the executive branch. It is not information for the government per se, information to which they're entitled, and information which they can delay or choose to withhold, but that is information that rightfully belongs to the members of the Legislative Assembly — rightfully belongs to the Public Accounts Committee for their perusal as representatives of the Legislative Assembly.

And we seem to be having a problem here. And the question I have is: how can we resolve that problem? And if there is any suggestion from Mr. Kraus or Mr. Lutz as to what steps might be taken to ensure that information gets tabled in a timely way, I would like to hear from them, and perhaps we might frame those suggestions in the way of a motion and get that motion to the necessary people and pursue that.

Mr. Chairman: — Either Mr. Lutz or Mr. Kraus want to comment? Because I don't think we're going to come to final conclusion on this today. We'll probably . . . I suspect we'll be on this for the rest — you know, there's only 15 minutes left here. Mr. Lutz, did you want to comment?

Mr. Lutz: — Mr. Chairman, I will endeavour to respond, I don't know how satisfactorily. I suspect that part of the problem is merely a case of acquiring the will to do it. To the best of my knowledge, I have never held up the process.

When I do the audit of the *Public Accounts* of Saskatchewan, I attach thereto my audit report, and I date that audit report. And the date on that audit report will tell the reader that's when I finished my field-work. And all things being equal, you should not take very much longer, after that date has been slapped on there, to have it done. Now . . . pardon?

A Member: — There's confusion on the date.

Mr. Lutz: — Well, there's a date on my report . . . No, no, I don't mean this report, I mean on the audit report in the *Public Accounts* of the province, on the balance sheet. I will state that thing when I've finished my field-work, and that's for a reason, so that we know, and the world knows, when we're done. And after that, if there are things that have to be changed or things that have to be altered or amended, then I guess it's the problem with the preparers of the financial statements. I've done my thing. I'm prepared to settle right then.

And every year we have a fair number of meetings with Mr. Kraus and his people, and we actually will shuffle a few things aside to make sure that we have the resources available to expedite the completion of the public accounts audit. You know, we don't want this thing hanging around either because the members need it. I don't want it said that we held it up, so we make very sure that we're finished.

Mr. Muller: — I don't really think that we can go to any specific date, as Mr. Kraus has said that he has trouble getting some of the information; he has to prod some of the departments and community colleges, and things like that, to get some of the information to put into his volume 2.

I don't see how we can go to any specific date when the *Public Accounts* can be completed, because it is not in his control when he can get the information. And to the other point that Mr. Van Mulligen was making, that for three years they were tabled at such and such a time in December, that was an exception to the rule, as Mr. Kraus, or Mr. . . . yes, Mr. Kraus has said earlier. So I don't see how we can put any restrictions or specific dates on when the *Public Accounts* are completed.

Mr. Rolfes: — With all due respect to my colleague, Mr. Muller, I heard, very specifically, Mr. Kraus indicating that had the legislature sat earlier, he thought that they probably would have had their statements ready. And I mean, that's on the record.

I think that a deadline does help. There's no deadline, we know, as human beings, we will delay if you put a deadline on. And I'm not sure it has to be a specific deadline, but I think the concerns that we have, and all of us should have, is that the things seem to be delayed further and further and further, and if that happens, we just don't have the ability to do our jobs as MLA's, and we shouldn't . . . I'm not so concerned about the executive branch of government, I was there before, and I know they can well defend for themselves. What we need to have is information that makes our job as MLA's effective, and it cannot be effective if we don't have the information available to us.

I'd love to have had those Public Accounts, let's say last March. And that is, by the way, the final . . . if we can go to this . . . actually in October 26, I believe, Mr. Lutz signed this, with the exception of two things. Now if there had been a deadline on there, let's say December 1, I am sure that the departments would have come to grips with those two things and said, hey lookit, we need to settle this because we have to table our report. But because there

was no deadline, I'm sure that they delayed it and delayed it and delayed it, and finally someone says, well, you know we better come to grips with this thing. We've got to present it some time.

I think there is some merit, there is some merit in setting a deadline for our public servants and saying, hey look, we want that report by such and such, I don't think we can be unreasonable. I don't think we should be unreasonable in our demands. And having, you know, seen that there were exceptions in the past where we didn't table it, you know, in December and some of . . . and it was in the spring, surely I don't think it's asking too much to have this tabled, let's say, by March.

I just don't think that that is asking too much — or by February. If they could meet the deadline, let's say in December, three years in a row, surely I don't think that's asking too much. And let that report be available to the MLA's so we can peruse it, and when we come . . . when the session is then called, let's say in March or April as it usually is, we'll have this thing studied. We can be much more productive. You know, how can we, and you people have to admit — I don't know; one day I think I counted 22 annual reports tabled in the House — how can you be an effective member? I mean, I'm not the world's slowest reader, but I can't get through 22 reports and study them in detail. Neither should I, but the point that I want to make is that I think that they deluge us with information so that you have no chance of studying any of it in detail, and I think that that's to the detriment of our role as MLAs.

And we should try and work out something that is reasonable to the public servant and that is reasonable to us. We can't demand the unreasonable, and I don't think anybody here wants to do that. That's all the comments I have, Mr. Chairman.

Mr. Chairman: — I had myself on the list next because I want to ask three questions. I think I saw somewhere in here that some of the statements that were required took up to a year to complete. Am I correct there? What was the time lag that you express your concern about?

Mr. Rolfes: — Year and a half, some of it.

Mr. Lutz: — Few was in excess of a year.

Mr. Chairman: — Okay, I just wanted to make sure that I had a clear understanding of that. Now I heard, Mr. Kraus, you say earlier in this discussion that one of the major reasons, if not the reason, for this delay was because of disagreements on interpretation. Can you elaborate on what you mean by disagreements on interpretations, and between whom those disagreements existed?

Mr. Kraus: — Well, there will be disagreements between, in general terms, the Provincial Auditor's office and the Department of Finance comptroller's office on how the policy should be applied to . . . it's usually balance sheet items, whether they're assets or liabilities. It might be how we should be accounting for, or reporting, superannuation fund liabilities, or . . . I can't recall one of the other items that came up. I suppose perhaps we had some discussions on how we should account for the

property management corporation, seeing as there was such a major change in how they were doing business last year. It would be that kind of thing.

Again I have to say that those deliberations don't have to drag on for ever. They shouldn't be dragging on for ever, so I guess I'm saying that really it's not an excuse for being late.

Mr. Chairman: — I agree, they should not drag on forever, but apparently in this case they have — not forever, but I think at least in my opinion, for an unreasonable period of time. All of that isn't new. Some of these things have been ongoing for as long as the province has existed, and comptrollers have existed, and provincial auditors have existed, and department of finances have existed. So there must be some standard patterns.

That being the case, there must have been some change in policy direction in order for this new disagreement to take place. Am I correct in that assumption that somewhere along the line the Department of Finance was saying, we want some different kind of systems here? because I see no other reason why there would have been this kind of prolonged disagreement on the interpretation.

Mr. Kraus: — There were changes in how the Canadian institute of Chartered Accountants thought that superannuation plan liability should be reported, and we discussed that for a long time. And I think again, as they say, there was a significant change in that the property management corporation was created. So we did spend fair time debating those.

But I want to say again, and again this is a personal opinion, is that had the House resumed in March, I suspect that we would have come to a conclusion that because we tabled these things in the House . . . And I guess I could say this if the House hadn't sat yet, you likely wouldn't have the *Public Accounts*. Whether or not we had completed them, I doubt that you would have them under the system that they should be tabled in the House. That's part of the problem is that the House sat later than usual.

Mr. Chairman: — I find that an interesting comment because I think it raises the real problem here. The real problem here is that departments, in this case Department of Finance — and I shouldn't pick on the department, but it's a main player here — is under the opinion that if the House isn't sitting, it doesn't have to get its work done. Now I know that's not the way you're putting it, but I think it's fair to be able to put that interpretation on it.

I don't think it's adequate for the Department of Finance to say, in light of the fact that the Provincial Auditor has his job to do, we're not going to do this according to any kind of a time schedule because it doesn't look like the House is going to sit, and those MLAs aren't going to be around anyhow.

That leads me to conclude what some others around this table have said, that maybe it's time we had some directive or a change of rule that *Public Accounts* have to be provided by, generally, a certain period of time, rather than provide an opportunity for a Minister of Finance or

the Department of Finance to delay, simply because there's no legislature, particularly since now we don't have a legislature at least this year that sits prior to April or whatever.

Mr. Kraus: — Well if we could have printed them instantaneously — and it does take a few weeks to print these things after we got agreement — they could have been available as early as March 4. I still think that's still a little bit late, personally, but they were actually technically completed as of that date.

So all I'm trying to say in defence of what you're saying, I guess, is that we did have them ready in March, even though the House didn't sit till June. So while there's always the element if the House may not sit, you don't push yourself as hard, nevertheless we would have been ready for a March sitting.

Mr. Chairman: — And I'm not trying to be overly critical of the department. I just simply make this point before I ask my final question. I think, in my view, it's unacceptable for the Department of Finance to assume that since the House is not sitting, it doesn't have to get the *Public Accounts* and the financial statements done on time. If you say they could have been done by March 4 or shortly after, simply to use the lack of a legislature as an excuse not to get it completed, I think, is quite inadequate.

In light of that, I think, at some point in time in this committee we're going to have to address how do we solve the problem? And so I want to ask you this final question. And I ask you if maybe this information, by telephone or some other way, can be provided for the next meeting and that is: can you in your office find out when this type of information that we're talking about here is tabled in other legislatures and what format is used? just so that we can have an idea what's done in other jurisdictions.

Mr. Rolfes: — Or made available.

Mr. Chairman: — Or made available, that's even better. Made available to members. Is that possible to be done?

Mr. Kraus: — Yes, now all I do is that I would say that I likely won't be able to get a history going back in time.

Mr. Chairman: — No, no, no. I just want to know what's done now.

Mr. Kraus: — Yes, but I would say that if it's like . . . what I find is that, generally speaking, they're never that consistent, so you could draw the conclusion that because Alberta may have tabled in March of this year that that's what they do every year, but nevertheless, if you just want one year it's . . .

Mr. Chairman: — I want to know what the practice is, I mean, for example — I'll give you an example. I know that in Ontario the public accounts are made available even when the House isn't sitting, and they're made available to a lock-up of a committee of public accounts just like they do a lock-up for the budget in Ottawa, and the committee then goes through them before it's made

available to the public, in a one-day lock-up.

What I want to know is: what are the processes and formats that are used? Sorry, I took more than just three questions, but I think this is rather important.

Mr. Martin: — I believe that was an assumption suggested that it was an assumption that the Department of Finance assumed that they didn't have to have their reports in because we weren't going to sit in the spring. I mean, I have never seen a directive on that, nor have I had anybody tell me that; that it's an assumption which isn't necessarily true.

I don't think it's unreasonable to expect, or that I think we should expect our public servants to work with as much haste as they can to get the job done, and I think they do. I think this past year was an unusual year in that we had a fall election. I think there was a number, a variety of reasons why things didn't get done as they normally did, you know, being prepared by December.

Frankly, I oppose a specific date for almost anything, because I think that there are so many circumstances that can change and can affect the outcome of the preparation of an audit, or whatever it may be. But I think it's not — I think we should expect our civil servants to do the job as quickly and as effectively as they possibly can. That's all I ever expect of them, but I'm not going to impose a date on anybody to have something specifically done, like December for instance.

Mr. Van Mulligen: — Mr. Chairman, I'm not sure who it was, when faced with a hanging or an execution, said that . . . something to the effect that the thought of imminent death tends to focus one's thinking very greatly. I'm not about to suggest that the Minister of Finance be thrown in jail for 30 days if the *Public Accounts* aren't tabled within a specified period of time, but I do think that it behoves us, as trustees of the public purse — and again we are the trustees of the public purse, and it's not the government — it behoves us to find ways to encourage all those concerned to prepare and table the *Public Accounts* in a timely way for all the reasons that the Provincial Auditor has suggested.

Mr. Martin: — What's a timely way? I mean, you keep saying a timely way.

Mr. Van Mulligen: — Well I would like to move:

That the Department of Finance, in consultation with the Provincial Auditor, prepare a report for the committee's early perusal on the advisability and feasibility of setting a target date and the means of enforcing that target date for the completion and tabling of the *Public Accounts*.

And secondly, I would move:

That we request the Clerk to prepare an opinion for the committee on what changes, if any, need to be made to the rules of the House to enable the tabling of the *Public Accounts* intersessionally.

Mr. Chairman: — Thank you. We have this motion. We

have two motions. We don't need seconders. Are there any comments on them? We have about one minute; I don't think we'll be able to vote on it today, unless there's no discussion.

Mr. Van Mulligen: — We can deal with those motions in separate parts, either . . . (inaudible) . . .

Mr. Chairman: — Let's deal with the first one. Mr. Kraus did have a comment earlier that I'm going to let him get in because . . .

Mr. Kraus: — Yes I have. I have to say again that, first, as Mr. Lutz had done the majority of his work by October 10, 1986, as he's indicated, that means most of our work was done, and he did finally sign off on everything on March 4, 1987. So I want you to understand that they were ready then, even though they weren't tabled till June.

And what I was trying to make clear was that while we didn't know when the House might sit, nevertheless you are guided a little bit as to when you think they're going to sit. So there would have been probably not as much impetus to get the job done, and that's why it was finally completed on March 4 and not, perhaps, in January, as has been the case at least two prior years — I think it's been January. But the point is that we would have had them in the House in March if the House had sat in March.

Mr. Chairman: — It's 10:30; do you want to continue this another day?

Mr. Van Mulligen: — I'd like to make some brief comments, and that is that . . . I don't think that we should get drawn into an argument here at this point as to taking Mr. Lutz's suggestion that six months is a timely way, so therefore the *Public Accounts* should be tabled in a timely way; or that we should take the point of view that, well, public servants are working as fast as they can, as quickly as they can, as thoroughly as they can, so therefore whenever they provide the *Public Accounts* is timely.

I think that we should be asking the relevant players in this to put their heads together and to come back to us and to let us know as to the advisability and the feasibility of setting a target date and, if necessary, put their thoughts to the question of how to enforce this.

Mr. Chairman: — Okay, I'm going to call for adjournment.

A Member: — Mr. Lutz wanted to say something.

Mr. Chairman: — Okay.

Mr. Lutz: — Thank you, Mr. Chairman. I believe on page 6 I indicated my version of a timely way, which would be having in front of me last year's history when you're asking me to vote for next year's spending. To me that was timely. You know, I think not unreasonable.

Mr. Chairman: — Okay. Thank you. We've had a good discussion. I want to just tell members, and some members may be wondering and concerned that this

process is slow, and I just want to say that on the first part of the auditor's report it is always a more involved discussion and it takes a little more time. You will find as we get further into the report it will speed up considerably. But we're dealing with basic issues of a fundamental principle here that I think takes a little time to get through. So I will ask for adjournment after Mr. Neudorf has had an opportunity to speak.

Mr. Neudorf: — I just wanted to make one . . .

Mr. Chairman: — Pardon?

Mr. Neudorf: — I just wanted to make one observation, Mr. Chairman, that at the last meeting we set ourselves a time limit within which whose parameters we were going to be operating, and we have exceeded that. And I suggest that any deadline that we make in anything else, we're going to exceed that somewhat as well.

Mr. Chairman: — I'm not sure what you're saying.

Mr. Muller: — If we all came on time maybe we would . . .

Mr. Chairman: — Well you guys resolve that amongst yourselves.

Mr. Van Mulligen: — If I could just ask . . . These motions . . . We've passed the time limit. I thought it was 11 o'clock. We've passed the time limit; will these motions come up for . . .

Mr. Chairman: — They'll stay on. They stay on. Yes. We are adjourned with the motions on. Then we'll deal with them one at a time, and we'll have *Hansard*. Thank you. Have a good day.

The committee adjourned at 10:35 a.m.