

STANDING COMMITTEE ON PUBLIC ACCOUNTS
September 24, 1987

Consideration of Provincial Auditor's Report
(continued)

Mr. Chairman: — Good morning. Maybe we should call the meeting to order. Everybody is here and prepared.

We are going to deal with the remainder, I hope, of the Provincial Auditor's report, and we're on page 8, "Financial statements not tabled". We have the Crown Management Board coming for what I hope will be a brief session, and then I have prepared a recommendation for the committee on the order in which we might call the departments that we have agreed we will be calling, and at the end of the meeting I'll distribute them.

Just as a way of beginning our decision making and then you can amend or change, whichever way you wish. So let's begin with the Provincial Auditor's report dealing with 1.25, in which it begins with the statement that financial statements:

Are duly audited financial statements available to the members of the Legislative Assembly for every organization controlled by the executive government?

And the Auditor has a comment that he makes on that. And I ask the committee if there are any discussion or questions on that — on 1.26?

Mr. Martens: — Before we go into that, I'm going to raise a point that I would like to have the secretary consider. I wasn't here for the meeting on Tuesday, and I didn't receive this information on SaskPen until yesterday in the House. And I would have liked to have had it — at least on the day, if it would have been able to be put on my desk, I would have been able to take a look at it. And if I could have that, I'd appreciate that.

Mr. Chairman: — Yes, can that be arranged? Okay, I think that that's a point well taken, and we will ask staff to make sure that all members of the committee get this information even if they're not here at the time.

Mr. Martens: — If it was put on my desk on the same day it would be . . .

Mr. Chairman: — That's right. Okay, and I'm sure that that will be looked after.

While we're on that, I would also like to ask another question. I note that we're getting the *Hansard* of each committee meeting almost two days after the meeting, and maybe that's not quite that bad. And I'm wondering if they're able to start to speed it up. I'm finding it difficult to prepare for the next meeting if I don't get the *Hansard* in the time and the way — like the next morning. Is there any way to fix it, or is there just a staff problem?

Ms. Ronyk: — Mr. Chairman, I bring the last day's verbatim to the next meeting, but they also are distributed to your office as soon as they arrived, and you should have gotten them yesterday morning, as far as I'm aware.

A Member: — Mine was there.

Ms. Ronyk: — They arrived and were distributed yesterday morning to your office.

Mr. Chairman: — Okay, so it's now coming the next day.

Ms. Ronyk: — Yes, that's the schedule, is that they should be here the next morning in time for a 9 o'clock meeting the very next day, if there was one.

Mr. Chairman: — Okay, that's perfectly adequate then.

Ms. Ronyk: — I will check and make sure that's been the case. I'll just bring extras to the meeting, but you should have already had them.

Mr. Chairman: — I think actually yesterday we didn't get them on till some time in the afternoon — quite late in the afternoon. So you may want to check to see whether something is being left behind.

Okay. Thank you, Mr. Martens, for raising that.

Going back to the item here. Any questions?

Okay. Mr. Lutz, does this comment now apply to only some of these? Because I would assume it no longer applies to Prince Albert Pulp Company with its new status?

Mr. Lutz: — New status being under The Business Corporations Act?

Mr. Chairman: — Well, the Prince Albert Pulp Company is no longer a part of a publicly owned pulp company; it's now privately owned by a Weyerhaeuser corporation.

Mr. Wendel: — If I could, Mr. Chairman, I believe there is still a company left there. I think it's called Meadow Lake Sawmill. I think they've changed their name, and some of the assets that were previously in Prince Albert Pulp Company remain with some other company, as I understand it.

Mr. Muller: — That saw mill was part of PAPCO (Prince Albert Pulp Company) when . . . so it still belongs to the government.

Mr. Wendel: — There's still a piece left of it as I understand . . . (inaudible) . . .

Mr. Muller: — Yes, I think it's administered now by Sask Forest Products, but it has never been . . . I don't think it's ever been officially turned over as into Sask Forest Products or a part of Sask Forest Products, but I think they do the books for it.

Mr. Chairman: — Okay, so this list of five is still a relevant list then. This list of five is then still a relevant list.

Mr. Wendel: — It's still a relevant list.

Mr. Rolfes: — No, I had a similar question. I wanted to know how it applied to Prince Albert Pulp, but obviously it . . . that is irrelevant now. So we have a little bit of a saw

mill left yet, but the vast majority is no longer under our jurisdiction so.

The others, do we have all the information for the other four that you have listed here?

Mr. Lutz: — I don't know what information you do have. We know that these financial statements aren't tabled.

Mr. Rolfes: — They're not tabled yet.

Mr. Lutz: — That's the issue here, Mr. Chairman, Mr. Rolfes. We have been commenting on this for several years now. I don't know . . .

Mr. Rolfes: — They've no requirement that they have to be tabled? Is that what you're saying?

Mr. Lutz: — 1.26, I make the statement that the Legislative Assembly has not enacted any legislation to ensure that the duly audited financial statements for Crown agencies established pursuant to The Business Corporations Act are tabled in the Legislative Assembly.

The Business Corporations Act, I think, never envisioned handling what we would otherwise have called a Crown corporation, which would be administered by an executive government, which would in turn be accountable to the Legislative Assembly. And we have been commenting on these for several years. And as far as I know, the list is still valid even if maybe the name of the first one has changed a little bit.

Mr. Rolfes: — Yes. Okay.

Mr. Chairman: — I would like to make a suggestion here because this is part of the important task of being able to carry out our functions as a committee and, I think, our functions as legislators. And I would like the committee to entertain that we make a suggestion — it's one of our roles — and I would suggest that the committee recommend that the government prepare legislation to ensure that the duly audited financial statements for Crown agencies established pursuant to The Business Corporations Act are tabled in the Legislative Assembly.

And I think that's the kind of thing that we should be doing here, and making those kinds of recommendations on behalf of the Legislative Assembly, and then the government can consider what is the appropriate thing to do with it. Is there any support for that kind of a recommendation?

Mr. Rolfes: — I'd just like to ask a question. If that is not done, who are they accountable to? I don't quite understand this. How is the executive arm of government ever going to answer to the people of the province if they're not . . . if that information is not submitted to the Legislative Assembly? Can someone answer that for me? How do they ever account for . . . to the public on how these things are run? Can some of this be done through Crown corporations?

Mr. Kraus: — Well, I can't speak to the first four that well because they are under Crown Management Board but, in fact, that is generally the way they've reported, would

be through any of the information that you would get from the Crown Management Board, their consolidation of financial statements or whatever. I think it's the point that Mr. Lutz is making, that you don't see the individual financial statements in the House, but there's an accounting in a sense through the Crown Management Board financial statements.

The fifth item is somewhat different. That is on this list, I would say, because of some difficulties that go back in time in terms of resolving how SaskPen activities should be accounted for in resolving — it's been slow — but resolving those issues and getting financial statements prepared.

I believe there's never been an intention that those would not be tabled. They are not part of the Crown Management Board group. Although I suppose I'm taking it upon myself here, I really believe that those would either be tabled separately or included in the *Public Accounts* document because they're pension moneys.

Mr. Rolfes: — I just have a follow-up question, Mr. Kraus. If it's an aggregate accounting, there's just no way that we can tell how individual Crown agencies are doing if you get an aggregate accounting. And secondly, in Crown Corporations, from my experience, usually you can only go into the year under review, and therefore you never get the overall picture of how the Crown agency is doing, but you get sort of a snapshot, and consequently you just have no complete understanding of how the agency is doing.

Now am I correct in saying that it isn't aggregate, not an individual reporting on each agency? So we don't get in Crown Corporations a report on Prairie Malt Ltd., Westank Industries Ltd., and so on?

Mr. Kraus: — Well again, I'm not as familiar with the Crown Management Board's side as I am with the treasury board's side. But I believe you're right, you get an aggregate report; you would not see the individual results of each of these corporations.

Mr. Rolfes: — So really it's sort of a meaningless kind of thing for an individual like me. If I want to know how Prairie Malt Ltd. is doing or Westank Industries . . . Let me just ask this question: if I as an individual have an extreme interest in Westank Industries Ltd., how do I find out from year to year and the overall picture of how Westank Industries is doing and how the public's money is protected? Who do I ask? How do I find out?

Mr. Kraus: — Well again, I guess in this case . . . I'm being advised, I believe, Sedco has the controlling interest in Westank, so you would probably have to ask . . . (inaudible) . . .

Mr. Rolfes: — Okay, Let me not take Westank. Let me not take Westank. Let me take Prairie Malt.

Mr. Kraus: — Okay. Again, I guess I agree with you in part. If you don't have the individual financial statements, it's not as easy to get the information you want.

Mr. Rolfes: — Not only is it not as easy, it's impossible.

Mr. Kraus: — But maybe what I should do here is say that I think if you want to ask questions about this issue, it's probably better if you ask the CMB (Crown Management Board) officials because . . .

Mr. Rolfes: — When they come in.

Mr. Kraus: — Yes. I'm at a bit of a disadvantage here.

Mr. Rolfes: — Okay. Fair enough. Fair enough. I'll save it for Crown Management then.

Mr. Chairman: — I think we need to do that. I think your comments are helpful as well because you have some expertise, Mr. Kraus, on the accounting thing that, I think, most of us in here the level of which we have not yet reached. So any advice you could give us, it would be . . . I mean, it's very helpful in helping us with questioning we may have later.

Anyway, let's go back. I proposed that we make this recommendation, and it is a recommendation of the committee. The government can dispose of it as they choose. Should we propose that we conclude it?

Mr. Martens: — Would you run that by us.

Mr. Chairman: — What I'm proposing is, in light of what the Provincial Auditor has said here on page 9, that we should say, the committee recommends that the government prepare legislation to ensure that the duly audited financial statements for Crown agencies established pursuant to The Business Corporations Act are tabled in the Legislative Assembly. Just seems quite a normal requirement.

Mr. Martin: — We're going to have an opportunity to speak to the Crown Management Board, I understand, at some point this morning, possibly. Could we not then ask them, as I think Herman was going to do, as to if these audits are available to us already in some form? Wasn't that what you were talking about with Mr. Kraus?

A Member: — Yes.

Mr. Martin: — If we have an opportunity to ask them — maybe it's already available; we're just not aware of it — before we pass a . . . recess.

Mr. Rolfes: — I guess my point, Beattie, was not in contrary to what the chairman was saying. I understood from the auditor that these individual reports are not available, and consequently you only get an aggregate report, and if you can't determine how each individual agency is doing . . . And what the chairman is suggesting, and I concur with what he's suggesting, that maybe we do need to have them tabled . . . unless the government gives us, you know, they might be able to give us good reasons as to why it shouldn't be. But all we're doing is making a recommendation and saying, can they be tabled in the legislature so we can observe each individual agency.

Mr. Muller: — Well I think we could set it aside this morning until we talk to Crown Management Board.

Mr. Chairman: — That may be a good point. Let's set it

aside — I've made a note of it till . . . and we may be able to deal with it yet this morning, after we speak with the Crown Management Board. Okay, anything else on this?

Okay. We're starting at 1.28; any questions here? Starting on the bottom of page 9.

Mr. Rolfes: — Maybe the Provincial Auditor can help me out. You're indicating that there is no overall . . . and I guess that's correct, there isn't. And it is rather difficult. There is no overall aggregate statement of what the government owes and owns and so on. Has it ever happened before? I mean, do other jurisdictions do it, where there's an overall statement as to what is owing, what is owned, and so on? I mean, do other jurisdictions do that?

Mr. Lutz: — Mr. Chairman, British Columbia has been doing something like this for several years now. Alberta has done, in broad general terms, this. P.E.I., I think, was a little more thorough than the rest. They did it totally, as I recall — Mr. Kraus can correct me if I'm wrong here; he's seen these things as well. And last year, Mr. Ken Dye, the Auditor General of Canada, produced a document which was actually tabled at this committee, where he had put up a consolidation of what he called the Government of Canada.

Now there is a point here we have to sort of look at. We think the Government of Saskatchewan . . . I think the Government of Saskatchewan includes the Consolidated Fund and all of the entities over which they have purview, which they control. And, you know, whether you call them incorporated under The Business Corporations Act; whether you call them a revolving fund; whether you call them a Crown corporation, I hold the view that that is all Government of Saskatchewan, and they have the administrative power to govern them.

Now I'm not sure how the views at this table hold, but that is where I'm coming from on this thing. And unless we can sort of agree that that is what we're all talking about, I'm not sure we're going to get very far here.

But I believe it is everything that the executive government does in fact control. And they have been done in other jurisdictions for several years.

Mr. Rolfes: — Have they ever been done here in that way?

Mr. Lutz: — No.

Mr. Rolfes: — Okay. I didn't think they had been, and I certainly concur with you on that. I really challenge anybody here. I tried the other day; I went through various reports, tried to figure out what is owing and what we own. And it is nigh on impossible; I mean, I can't do it. I guess I could go to my leader who's been around a long time and he could go through all the various reports and show me what is owing and what we owe.

But why . . . I'd like to make a recommendation that we — if this committee concurs — that we ask the government to prepare an aggregate statement of all that is owing and owned by the government, to the Legislative Assembly —

a financial statement of that in one report, so that we can go through it and say, yes, this is the shape we're in. I think we all do it as business people; we all do it really as individuals, so that you know what you owe and what you own, and you know what your statement is. And I think it would be certainly very helpful to individuals and maybe to the public that we have a statement like that.

Mr. Chairman: — Let me make a suggestion. In order to do that we might just adopt the recommendation of the Provincial Auditor in 1.35.

Mr. Martens: — I can see where it could have some value as it relates to understanding the overall picture, and I really don't have a problem with that.

I just wonder if the information is made available, whether we couldn't in fact have the auditor give a statement or the Minister of Finance be required to make a statement of all of the liabilities and all of the assets.

But I'm just going to raise a question: how are you going to evaluate all of the depreciated assets and the real value of . . . let's take one example, Sask Power Corporation, for example, with hydro lines that are 30 years old and they're required to make a . . . Is it going to be a depreciated asset value, or is it going to be a resale asset value, or is it going to be a functioning asset value? What is the determination?

And I think that we run into some very serious problems when we deal with those kinds of issues because we . . . to say that a property is valued at X, and is that determined by its resale value, or is that determined by its depreciated value? All of these things are subject to speculation to some extent. And how do you evaluate a piece of telephone wire that's been underground for five years? All of those kinds of things are numbers that could be moved up and down according to the whim of the individual in question, and I see that as creating a whole lot of problems. So just keep that in mind when you're thinking about this.

Mr. Lutz: — Mr. Chairman, if I may. Mr. Martens, in the case of Sask Power which you mentioned, I would include in this consolidated financial statement Sask Power's assets, liabilities, etc. as they presently report them. I wouldn't have a problem there. They have been depreciating this stuff for 20 years, 30 years, 15 years; they're in there at cost; you state the way it's valued.

And even where you have a problem with some of these things in such a statement, you put up a statement of accounting principles which you follow to prepare these. Your stated accounting policies would disclose to the reader how in fact these items have been included in this big statement.

You know, I agree; I concur, there would be some problems, but I don't think there are any problems that can't be surmounted, because we have had one, two, three, four jurisdictions do this, and it can be done.

Mr. Chairman: — Mr. Kraus wants to comment on this.

Mr. Kraus: — Yes. The committee has already asked the

Department of Finance to speak to that issue when they appear, if you recall. I think the deputy got a letter just the other day that said that should be prepared to speak to that. And I think you also asked for a position paper from Finance which I believe will be forthcoming.

Just on the issue you're talking about here, interestingly enough as things have evolved, I believe the public sector accounting committee that's looking at this thing has recommended, at this point, that the assets of Sask Power and the liabilities of the Sask Power not be shown on the summary financial statements, but that we account for it in a different manner. And you're now getting into some of the dilemmas of this issue, as how do you account for Crown corporations on a summary financial statement.

I don't want to get, perhaps, into any debate on it right now, but that's part of the problem — defining who the users are of these financial statements and just exactly what should be shown. And so I think in the case of PC, if I'm not mistaken, I don't think they show the assets of their Crown corporations or the liabilities on the summary financial statements. Whereas, I'm not so sure that Alberta may, but . . .

Mr. Lutz: — The fact remains, Mr. Kraus, that in each jurisdiction they do what they believe will suit the purposes of the legislatures involved. If we look at CICA (Canadian Institute of Chartered Accountants), they require a minimum standard of disclosure in many things which does not always coincide with the level of disclosure required by legislators in various jurisdictions. If we look on CICA as a minimum standard required, there's nothing in the rules that says that cannot be extended to suit the local conditions.

Mr. Kraus: — No it can't, but just to conclude here I guess, if you were to — and this may be getting ahead of ourself because there will be probably some information available, and we'll talk about it a little bit, I suppose, when Finance appears — but again if you took the recommendations of this committee as they now stand what you would see is a separation of debt that is currently owed by the general taxpayers from the debt that's borrowed for the self-sustaining Crowns.

And that would make quite a difference to the balance sheet, in other words, instead of seeing 9 or \$10 billion worth of debt at the end of . . . or whatever it is at the end of 1986, you would perhaps only see 3 billion. That doesn't mean the debt's disappeared, it's just a different way of showing the information. It shows only that debt that the taxpayer's responsible for. It doesn't show the debt that the users of the Crown services are responsible to.

And what you get then is different opinions on that. One side says: no, we don't want to see that; we want to see all the debt. The other side says: well no, just show the debt that the general taxpayers are responsible for. And that, I can assure you, I've sat on this committee as Mr. Lutz did, and I found that the accountants, the comptrollers if you will, had different positions amongst themselves, the auditors had different positions, and it's just not an easy . . . you get the technical people arguing amongst themselves, There should be a solution to this, but I'm not

sure there's a consensus yet as to how these things should be reported, and I'm not going to say any more.

Mr. Chairman: — I'm disappointed. I only thought lawyers did that.

Mr. Kraus: — Accountants are just as bad.

A Member: — Worse.

Mr. Lyons: — Basically I'm just saying that why don't we continue on and urge that the process that was outlined in 1.35 continue and support that process?

Mr. Chairman: — Yes, but just the recommendation, that we agree with the auditor's recommendation, and I'm sure that the departments then can give an evaluation of what I can or cannot do. This is not delineating in specific terms, this is giving a general recommendation. And obviously, we're not the experts, and we will have the experts who know how this is done give the advice on how it should be done. Did you have your hand up, Mr. Rolfes?

Mr. Rolfes: — No, I was going to virtually say the same as Mr. Lyons. I was going to be a little more definitive in saying, let's accept the recommendation of the Provincial Auditor on page 11 and make the government aware that we concur with the Provincial Auditor in his recommendation.

Mr. Martens: — I would like to defer the decision till after we have a discussion with the Department of Finance. I think that we could perhaps support it, but I'd like to visit with the Department of Finance in the committee before we . . . We haven't got nearly enough information here to make a rational decision, I don't think. I think if we deferred it and the secretary made a note of that to reintroduce it when Finance is here, and we can discuss it through that method.

Mr. Lyons: — Is there any idea when this report would be received from the Department of Finance?

Mr. Kraus: — Hopefully very soon, within a few days.

Mr. Chairman: — In the list or order in which I am going to propose to the committee that we call the departments, I have put the Department of Finance as second after Advanced Education. I have a rationale for that which I'll explain. Hopefully they will have it at least when they arrive. It would be useful if they had it before they arrive so that we could study it.

Okay. Should we then defer this until we've talked to the department, and we'll make a note of it, and Gwenn will bring it to our attention? All right. Any other questions on this?

I have a couple. I'm going back to 1.33, and there's an extended comment here on the property management corporation and its establishment, and the auditor expresses concern that there was some paper shuffling, and he makes the point that overall debt cannot be affected when one is dealing with oneself, which seems to be quite obvious. And I want to ask the auditor, Mr.

Lutz: the way this is being done, or was done, it would seem to me that the deficit then is understated by \$69 million. Is that what you're saying?

Mr. Lutz: — Mr. Chairman, I'm going to have Mr. Wendel speak to this one. Before we start this one, I say to you, if we had some semblance of this consolidated statement I'm talking about, this whole transaction would have disappeared and you wouldn't have this problem. Now Mr. Wendel, if you go ahead please.

Mr. Wendel: — Your question was: was the net debt affected, Mr. Chairman?

Mr. Chairman: — Yes.

Mr. Wendel: — The net debt as reported in the Public Accounts was affected by that \$69 million, and it was reduced. That's correct.

Mr. Chairman: — Even though there was no additional money involved. It's just money that moved around from one piece of paper to another.

Mr. Wendel: — Yes, but you have to understand the context in which this is written, though. Like we're saying, this is an example of what happens if you don't have an overall picture. This is just one thing that can happen, and we bring it to your attention.

Mr. Chairman: — Without imputing any motives on anyone, can you comment on this question: could then these kinds of transactions be used to cook the figures, so to speak? And I'm not trying to put you on the spot, and I'm not trying to ask you to comment on whether somebody has done it. That's not your role.

Mr. Lutz: — Mr. Chairman, I will speak to this one, since I signed the balance sheet of the province of Saskatchewan as auditor.

If you look at the property management corporation financial statements, within the context of their rules they are exactly stated. If you look at the public accounts of the province, within their stated accounting policies they are properly stated. Now the fact that we broke off a chunk of material and put it over here in a Crown corporation and dealt back and forth does not destroy the fact that the numbers are properly stated in these statements. But yes, you can indeed, by inter-whatever transactions, affect the net result of your operations in a given year, and indeed it was done in this case. But by themselves each of those statements will stand.

You have to go back and go through these transactions if you want to find out what the effect was by reason of forming the property management corporation, and looking at the transactions that occurred and analyse what was done. Like we have done here.

Mr. Chairman: — That answers my question. When we get back to the recommendation . . . it reinforces my belief that this recommendation is very important because, as you say, if those general purpose financial statements were available, one would be able to see this. Them not being available, it's easy for it to get lost, and unless

somebody brings it to our attention, I doubt that many of us would find it. I think that would be a serious situation to be in.

Mr. Martens: — I have no problem with your question. However, I just want to expand a little bit. Wouldn't this, Mr. Lutz, have the same kind of effect whether you put in the . . . let's say when the potash corporation was established, wouldn't the same thing have happened as a result of this where you have inputs and out-goes or whatever you want to call it.

A Member: — Exports.

Mr. Martens: — Exports, yes. Wouldn't that have impacted in the same way? And the question then becomes: if it happens in the next year, then there is a tendency to believe that maybe it was done for a reason other than moving it from a government agency to a Crown agency?

Mr. Lutz: — Oh, Mr. Martens, it could well be.

I think maybe we have a small problem here in that perhaps the members of the legislature do not concur in my view of Government of Saskatchewan. Is this my problem here perhaps? I look on the Government of Saskatchewan as every entity over which they have purview, whether they're incorporated under The Business Corporations Act, The Crown Corporations Act, boards, agencies, commissions. Can we agree that this is all Government of Saskatchewan? If we can, I can go ahead and discuss this with you.

A Member: — I don't think we can.

Mr. Lutz: — Can we or not? I don't know.

Mr. Martens: — Go ahead and discuss it, and we'll see whether we can.

Mr. Chairman: — Assume that we can.

A Member: — Assume. Yes, okay.

Mr. Lutz: — If in fact we had loaned the potash corporation \$100 million, or whatever, the public accounts of the province say: we've got a loan receivable. The potash corporation says: we have a loan payable. If we put them together in one consolidated statement, those two things would disappear and we'd end up with the assets of the potash corporation, the assets of the consolidated . . . Is this right, Gerry? Can you stop me if I'm wrong, please.

A Member: — No, that's fine.

Mr. Lutz: — We don't want a dispute amongst ourselves in front of the members here because we're supposed to understand this.

But that is what would happen. The loans that they say they owe would disappear, and the loans that we say we've got coming would disappear; we'd now have the assets and the real assets and the real cash and the real loans. And we just eliminated these inter-entity

transactions.

You can't deal with yourself really and change the effect of anything, especially profits and losses — at least that's my view, if the Government of Saskatchewan is as I see it.

Mr. Martens: — Can I ask you a question then on that?

A Member: — Absolutely.

Mr. Martens: — Then the flow of capital out as a result of Crown Management Board, and I don't know what the other agency is that operates . . . There's two agencies that operate under — not under — in parallel with Crown corporations. Of those two entities, one owned PAPCO, the other gave them the money to own PAPCO. The Consolidated Fund would have then reported actually the value of all of those losses as were given through the years that they did lose the money. And the debt would have increased and decreased at the rate that was real. And it would not have shown as owned and shares and that sort of thing. Am I accurate?

Mr. Lutz: — I think you're right — close, very close. Now if in the interim — let's take potash. If they had been given authority to borrow in their own right, which they may have done, and if in the same interval they lost money in operations by putting this together, the money the Consolidated Fund lent potash, and the loan that potash says they owe on Consolidated Fund, would disappear. That's a non-transaction, but on that balance sheet would show the money that the potash corporation had borrowed by themselves. That would be a debt of Government of Saskatchewan. And the losses that the potash corporation had incurred would show as losses of the Government of Saskatchewan.

Now here again this is my view of government, and I'm not sure that you members concur in this. I don't know, But that's how I see it, and that's how we operate. And when we said here, overall net debt cannot be affected when one is dealing with oneself, and I believe that.

Mr. Martens: — Yes. I do that all the time with my cattle and my grain.

Mr. Chairman: — But the bank doesn't agree.

Mr. Lutz: — You grow grain, you feed it to your cattle, and then you sell the cattle. If it's a loss, it's a loss,

Mr. Chairman: — Okay. Anyway, I've heard a suggestion that we hold this again till we deal with the Department of Finance. I sense that's the view of some committee members, so I will do that.

Mr. Lutz: — Mr. Chairman, we'd like to discuss this one if we could, please, 1.36.

Mr. Chairman: — Yes, 1.37? Yes, I was just arriving at that right now, because I had some . . . We're on 1.36, 1.37. I ask the committee to address that issue.

Mr. Rolfes: — Here, Mr. Lutz, is this . . . obviously this is a change because it went over to property management corporation, and the Crowns apparently do not report to

the Legislative Assembly every payment . . . or disclose the payment to a payee of salaries and gratuities, and so on, of 20,000 or more, and 2,000 for travel and sustenance and so on.

What you're saying is here is more information that we as members simply do not have because it was turned over to the property management corporation, and they feel that they do not have to report this. Is this correct?

Mr. Wendel: — If I could, Mr. Chairman. I think what we're pointing out here is this is a problem that will come up in the future with respect to the property management corporation. We feel it may be a problem, yes.

Mr. Rolfes: — Whereas it has been reported to us before under Supply and Services.

Mr. Wendel: — Yes. The Department of Supply and Services used to produce payee lists, if you like, as required.

Mr. Rolfes: — That's right And now you feel that we will not be getting this information under the property management corporation. Have they indicated that they will not be reporting this?

Mr. Wendel: — I think the report says it has traditionally not been provided. Now I don't know why. Our point here is, this committee decided they wanted certain information disclosed, and it's disclosed in this book. I'm not sure where they get the authority to do that, but it has done it.

Mr. Lutz: — And they have changed from year to year.

Mr. Wendel: — Maybe Gwenn can help us with that. I'm not sure where all these authorities come from with respect to the committee recommending what goes in this book.

Could you help us with that Gwenn?

Ms. Ronyk: — Yes. Mr. Chairman, I can't be that specific either, but I know that I don't think there is any statutory authority, for the committee to require anything in particular be in the *Public Accounts* documents.

But because these documents are there for the use of members to assess government expenditures, the committee has taken the role — and this goes right back to the '40s. I've got information that shows the committee requesting things as early as the '40s, requesting certain kinds of information be provided in the *Public Accounts*; that other information be tabled in the House, etc. It's just a request to give information to members.

Mr. Lutz: — I think Mr. Kraus could probably give us a chronology of how many times those limits have changed over the last, what, 20 years, Mr. Kraus?

Mr. Kraus: — Yes, there have been changes in the reporting limits of salaries and expenditure and things, and we have asked advice from the committee on that from time to time. But I'm just trying to find something

here in the finance Act. I'm not sure I have the correct finance Act in front of me, but I believe at this point, and I wish I could read it word for word, The Department of Finance Act provides that treasury board does establish the form and content of the *Public Accounts*. So I suppose it really is up to them to determine what is reported, at least if form and content is the way it's put.

But the practice has been with Crown corporations that the details of expenditures aren't recorded in the *Public Accounts* any more than we report the Liquor Board, or Sask Housing, or Sask Power. So as soon as it becomes a Crown corporation, we no longer provide the same detail that we do for departments. I guess once it becomes a Crown corporation, it's up to members to ask questions on those issues in Committee of Finance or Crown Corporations Committee, or something like that.

Mr. Chairman: — Mr. Kraus, I guess the difference here is that this is not a Crown corporation like the power corporation. This is a Crown corporation that does report to the legislature in its estimates.

Mr. Kraus: — Yes. I would say that the parallel, though, that we can draw, I guess, is that Sask Housing has . . . I don't know how long it's existed, but I don't believe the details of payments have ever been reported in the *Public Accounts* on it as well.

Mr. Lutz: — Mr. Kraus, why would they have to be reported in the *Public Accounts*. They could be reported anywhere. They could be reported in the statements of Sask Housing. I think we shouldn't confuse these two things here.

Mr. Chairman: — That's what I'm trying . . . I think we're beginning to mix apples and oranges. Crown Management Board is really not a Crown corporation in the sense of all other Crown corporations. It is another service agency of the government. It's organized in this form, almost like a line department but not quite like a line department. And in my opinion, what the auditor says, I think, cannot be taken lightly.

Are you finished Mr. Rolfes?

Mr. Rolfes: — No, I was going to . . . I really don't care whether the details are in the *Public Accounts* or whether they are in their annual statement, as long as the details are there. I want to know whether Joe Blow got \$10,000 and why he got it. And the government should be held accountable. I mean, this business of simply forming a Crown corporation, and pretty soon they can make the government a Crown corporation report to nobody and no details. And, you know, I really think that the details as required now should not be avoided simply by forming a Crown corporation. And I think what we have to do when the property management corporation comes before us, make it very clear to them that the committee wants those details reported. Preferably they'd be in the *Public Accounts*, but if they're not in the *Public Accounts*, then at least in their annual report which is, I believe, still submitted to the legislature, is it not? From the property management corporation? At least those details, we'd want to make sure that those are reported.

Mr. Martens: — Okay. I think we can carry this thing a little too far, and I'm not saying that what you're saying is incorrect, but if you're going to go to those, then I wondered for a long time why grants made to individuals are reported in the *Public Accounts* when it relates to farmers and not to doctors.

If a government gives a grant to Herman Rolfes for something to do with his farm, his name will appear in the *Public Accounts*. However when Doctor "A" gets a grant from the provincial government as a payment received for services, that's never recorded, and school boards are not listed individually there either. I think we could carry this . . . Okay, what about teachers in relation to the school boards? We can carry this thing to a long, long way, and I'm not sure that would serve any purpose. That raises an extension of what you were saying.

Mr. Chairman: — Not carrying it any further than what it was.

Mr. Rolfes: — Mr. Chairman, I think the hon. member misses the point. Anybody who wants to know what Herman Rolfes makes as a teacher, all he has to do is look up what the requirements are, and I can tell you he made \$43,085 last year. That's what I got paid. And if you are a class V teacher with 10 years experience, you look it up and you've got it.

But I don't know, if you've got an agreement with Crown management, with property — that bloody name property management corporation, if you are doing some work with property management corporation, I don't know what they've paid you, and I don't know what it's paid for. And what I'm simply saying is, I want to know: was it done by open tender? Was it done because you happen to know somebody? What was the work you did? But if it's not reported there is no way under God's green acre that I will know what you got paid for, but you know what I got paid as a teacher because that's there. Now it's not listed, Herman Rolfes got 43,000, but if you want to do any little bit of work you can easily find out. It's all in agreements.

Mr. Chairman: — Just so that we don't get off the subject — we're not off, but just so we don't — I just want to point out that what the auditor is saying is that Crown Management Board would provide the same information that the Department of Revenue, Supply and Services always provided, so there is really nothing unusual or different. He's just saying that this agency makes the kinds of expenditures that Revenue, Supply and Services used to make, and therefore it should be public information just as it always has been.

Mr. Martens: — I'm just going to make the point on . . . you're accurate on your teachers because the school board documents are available, but they are not available for what your doctor receives, and that's an extension. So you're going to take the \$160 million that we spend and make this book number three another time . . .

A Member: — Fee schedule scale.

Mr. Martens: — . . . just to be a part of that.

I think we can carry this too far. I'm not saying that what we shouldn't do is perhaps what you suggested; however, we can make the auditor's work a phenomenal amount of extra that isn't perhaps necessary.

Mr. Chairman: — Just exactly what he has been doing

Mr. Lyons: — I just wanted to say that in relation to doctors, the amount that's paid out to them is available under the Saskatchewan medical, MCIC (Medical Care Insurance Commission). That schedule is available.

Mr. Martens: — That schedule is.

Mr. Lyons: — Well also their payments, individual doctor's payments, how much each of the individual doctors are paid. You see once a year, such and such doctor who is . . . oh, I'm trying to remember the guy that does the . . . the Kojak of Saskatchewan . . . not the Kojak, but the . . .

A Member: — Pathologist?

Mr. Lyons: — Yes, provincial pathologist, for example, people like that. Their salaries are available.

But that's not my question. My question is because, Mr. Lutz, you're raising the Crown management, or the property management corporation and that whole payee information, are you also — just as a matter sort of for the record — are you in agreement with the notion that all salaries of all Crown corporations, given that that falls within the purview of government, that they should be made open and available as well?

Mr. Lutz: — That's what I said here, Mr. Lyons, yes. I guess I would argue that if it's in the public interest to show the sums paid to elected members; if it's in the public interest to show the sums paid to servants of the legislature, which is done; if it's in the public interest to tell them when Mr. Kraus gets paid, why would it not be in the public interest to tell them what employees of Crown corporations get paid. What is so sacred?

Mr. Lyons: — I'm not arguing with that.

Mr. Lutz: — That's my point. As to the property management corporation, our point here is that last year there was included, in the estimates for the province, considerable detail on public works, or whatever it was called, revenue and financial services. And now that's gone. You've lost one piece of comparability; it's no longer there. You can't compare. And not only that, the present year's transactions have gone. Now you've got to go to another forum to find out what they were. And I'm not sure you will. If property management produces the same level of information that the other Crown corporations produce, I would expect that you're going to get not too much.

Mr. Martin: — Just in the interests of accuracy, Kojak was a policeman, and I think what you're thinking of was Quincy. He was known as a coroner, I think.

Mr. Chairman: — Spoken like a true former media man — television.

Mr. Martin: — Well it's just that you've got to be accurate, that's all.

Mr. Neudorf: — So I couldn't figure out why, when you said Kojak, that he would think of pathologists. I mean, you guys are obviously all on the same wave length.

Mr. Rolfes: — Mr. Chairman, I just really want to impress upon members here that I really believe the people out there are getting rather cynical about governments not disclosing information. And that pertains to all governments. I think the people out there have a right to know. I've always felt that way — that governments were just simply too secretive. I don't understand why we don't make some of the things public.

I don't know why anybody is afraid to say that the guy that's running PCS gets 300,000 a year, or 150,000 a year; or SPC gets 130,000 a year. I don't know why we don't disclose that. I mean, nobody is worried at saying that Herman Rolfes gets 43,000 as a teacher; or a director of education gets 65 or 70,000 — a director of education. Why won't we disclose that? I mean, why wouldn't we now say to the property management corporation: look, just because you're a corporation now, or a Crown agency, you're not going to get away with not reporting what revenue, supply and services did before. We still want that information, and you have an obligation to make that available to the people. The people have a right to know that.

If they want to form a corporation or a Crown, that's fine, but not to use that to not now disclose some information that people had access to before. And I think that's all that, I think, the auditor is pointing out. And I think we as MLAs should be concerned that hey, here's some more information that maybe in the future we will not have access to.

I think that's a dangerous precedent if it's used for that, and I would hope that the members — anyway, what's that called? — property management corporation come before us, that we, you know, that we can all concur in saying, hey look it, we don't want you to not report. We want you to continue to report what was reported in the past. We have a right to that information. And that's all I'm saying on this.

Mr. Chairman: — If I may suggest, I think I would suggest we go further than that. I think we should raise that with the Crown property management corporation, but without getting into the debate or referring to the Crown corporations which are not the property management corporation, so we don't get the two things conflicting with each other, because we know what the government's position is on the other Crown corporations.

So without referring to them at all, why would the committee not want at this time — because it's pretty straightforward — recommend that the property management corporation, in its present structure, provide the same — I'm looking for the word — information on expenditures, including payee information, as it has provided in the past when it was the department of supply

and services? Then that narrows it down to only this. It doesn't ask for any extra information. It simply asks for the same information that has always been provided, and just to assure that the committee has access to that, and so does the Legislative Assembly.

Mr. Neudorf: — Perhaps, Mr. Chairman, on a point of clarification, you suggested that the payee information was also disclosed in the past . . .

Mr. Chairman: — Yes, just as it is in 1.37.

Mr. Neudorf: — I was looking at page 1.4. Perhaps I'm not reading this correctly, but at 1.4 it says:

In the past Crown corporations have not disclosed this payee information . . .

Mr. Chairman: — Yes, I'm not talking about Crown corporations. That's why I made it very specific; I'm not talking about the Crown corporations. I'm talking about the property management, because it was the supply and services department.

That's my recommendation that we adopt that and send it forward, and they can, I suppose, refuse to do it, but . . . Anyone else? Agreed?

Mr. Muller: — Property management corporation is coming before us.

Mr. Chairman: — I don't think that should change things. We still can make that recommendation and then discuss it with them. It's pretty routine stuff.

Mr. Muller: — Yes, I don't know what the rationale is, and I'd like to discuss it with them. Do you see any problem with that?

Mr. Chairman: — I see no problem with whatever the committee wishes to do. I'm to some degree your servant as your chairman.

Mr. Neudorf: — I would suggest, Mr. Chairman, if I might, that since we've already taken this kind of a procedure on two other occasions this morning, that we do the same thing here: allow them to appear before the committee, suggest it to them, see what their reaction is, and then take it from there.

Mr. Chairman: — That's fair enough. I'll once again ask our Clerk to make note of that, and we will address it once again with the corporation. We can ask them what their plans are and then take it from there — get them on the record. We'll help the minister out, so that he knows what his officials are going to do to him. Okay? So much for that. Any other questions?

Okay, we're down to this section on audit scope. Did anybody want to comment on that? We kind of went through this to some degree. It's there. Any questions or comments? It simply is a statement, isn't it?

A Member: — Yes.

Mr. Chairman: — And I think we will note the statement.

I, for one, don't disagree with it. Okay? Thank you. We are now completed, although we will refer to it from time to time as the departments come before us. *The Report of the Provincial Auditor*, year ended March 31, 1986.

I assume we have, standing by, Crown management corporation. Can we take a break for five minutes?

Mr. Muller: — I would just like to . . . Before we bring them in, I'd like to . . . Sure we can take the break first, and like I say, after . . .

Mr. Chairman: — Well let's do it now.

Mr. Muller: — As the committee works, I think that when Crown Management Board is before us or any other department, that we have to have a strict rule that we deal with the year under review. This is ending March 31, 1986. When I was on Public Accounts before, that's basically the way it was run.

Mr. Chairman: — Sorry, I'm not arguing, but there are two aspects here. The year under review includes anything that the Provincial Auditor reports. We're dealing with the Provincial Auditor's report, and the Provincial Auditor, if he makes reference to an issue, then the committee has the right under the rules to be able to question the department on what the Provincial Auditor has raised in here, which is still under the year of review of the Provincial Auditor's report. I'm not saying we should refer to questions of 1987-88, even though it's not in here. You're right on that count.

But just for clarification, the year under review, right; but also issues which the Provincial Auditor brings to our attention, because this is the only year he may bring that to our attention, and there may not be another year. So I don't know how we can avoid that.

Mr. Muller: — There will always be another year. Time doesn't stop.

Mr. Chairman: — Time doesn't stop, but once we deal with this report, we don't go back to it.

Mr. Muller: — No.

Mr. Chairman: — So I don't think we're in disagreement on that question.

Mr. Muller: — But we can't really go into things that . . .

Mr. Martin: — We can't deal with 1987 when we've got 1986's book, is what we're talking about. I mean you can't deal with things that are under way this year.

Mr. Chairman: — No, we can deal with things reported in the auditor's report, as always is the case. That's what I'm saying. We'll deal with the auditor's report and the *Public Accounts* of the year under review.

Mr. Lyons: — Excuse me, Mr. Chairman. I just make Mr. Martin perfectly aware of this. As long as it relates to this auditor's report, anything can be under discussion. It's not a question of temporality, it's a question of this report, which is what we're dealing with.

Mr. Chairman: — Okay. let's break. I need some . . . I'm supposed to give some instructions to the people when they come in. I've got to find out what they are.

The committee recessed briefly.

Mr. Martin: — . . . (inaudible) . . . but I find it interesting and maybe that's why I was confused. I understand that the auditor has wide licence and, you know, has a broad brush to work with. But what I find interesting in reading this book is that — and confused, perhaps — is that we're dealing with the year 1986, and yet he's commenting on things in the book that actually happened to 1987. I mean, he's talking here about not having enough people to work with, blah, blah, blah, and all that sort of stuff: we've gone over that, and yet he's dealing with 1986, and that is really something that is relevant to 1987, as I understood it, which is why I asked the question. I thought we were dealing only with 1986, and yet you said, well it was in the book here about him not having enough people. And that's really a 1987 issue, as I understand it. So I just want to make that point clear. That's perhaps why I was confused. I do understand he has a wide brush.

There is something about that that bothers me. I'm not sure exactly what it is, but it's almost like it's unfair that you can write in a book that's published for 1986 on something that happened in 1987. So I just want to make that statement.

Mr. Chairman: — To the extent that I can, for clarification, that is nothing that is unusual. It is something that has been done as long as there has been a Provincial Auditor's report. And what we are addressing here is the report of the Provincial Auditor.

There is another aspect to it, and that is when we deal with the Public Accounts we are dealing with a specific year under review because those are the only reports that are there, as this is the only report that we have of the Provincial Auditor. I will try to keep us from steering so far off course that we are really out of line . . .

A Member: — We will assist you, Mr. Chairman,

Mr. Chairman: — . . . and I suspect the members will assist me to the extent that they can.

Mr. Martin: — Could I ask another question as well. We were talking before about the Crown Management Board and disclosures. Would they not come up under Crown Corporations? Would they not be appearing for Crown corporations, at which time they would then be examined as to all the expenses and the audits?

Mr. Chairman: — As it pertains to the annual report of the various Crown Corporations, that's true.

Mr. Martin: — I'm wondering why we're concerned about it here when they would be appearing before Crown corporations?

Mr. Chairman: — We're concerned about it here from the point of view of being the representatives of the

Legislative Assembly on the Public Accounts Committee who are required by law to deal with the report of the Provincial Auditor.

Mr. Martin: — Yes. But as it pertains to their accountability in terms of the money being spent, are they then not accountable to the Crown corporations board.

Mr. Chairman: — I'm sure that they are accountable to the Crown Corporations Committee.

Mr. Martin: — Which in effect then makes them accountable to the people of the province and the auditor, right?

Mr. Chairman: — And to the auditor, true.

Mr. Lyons: — Given that we've got a limited amount of time, Bill would like to begin the process of dealing with . . .

Public Hearing: Crown Management Board

Mr. Chairman: — Before we do, we should really have the officials introduce themselves. I have a list. But would Mr. Gibson, the president, introduce himself and his staff.

Mr. Gibson: — Okay. I'm Bill Gibson, the president of Crown Management Board. This is Greg Mrazek, who is the director of financial accounting services, and Ian Disbery, who is our counsel.

Mr. Chairman: — Welcome. As the chairman, I'm required to make this comment at the beginning of any session with the officials of departments and other officials of Crown agencies, is that what is said before the committee is, as you know probably, is privileged in the sense that it may not be used, and it may not be subject of a libel action or any criminal proceedings.

Witnesses appearing before this committee have this privilege, and as a result of that, in our system are required to answer all questions. There are systems as you have in the United States, where officials and witnesses can say, I cannot answer because of . . . Take the fifth amendment — that does not exist in the Canadian system or the Saskatchewan legislative system, and in lieu of that we have this privilege. And I wanted to assure you of that as I'm required to do with every set of officials who come before us.

Okay, thank you for coming. I know that this was short notice, and we usually try to give longer notice, but we have to start at some point, and we decided we'd start with you folks. So I think there are a number of questions which committee members want to ask as a result of discussions we've had in the committee, and I will open the committee to that discussion.

Mr. Rolfes: — Mr. Chairman, and gentlemen, the proceedings this morning of the Public Accounts Committee has basically one objective in mind and that is to ascertain with some definiteness as to the questions that we looked at last time, statements made by the Provincial Auditor.

So I do not misquote him, he indicated last day, and it's in the records on page 114 in questions from members of the committee. He says:

I've been endeavouring since June of this year to obtain certain information from Crown Management Board (which he has not received).

Under the law of the land he is entitled to that information, and in order for the Provincial Auditor to carry out his duties and his responsibilities as an employee of the Legislative Assembly, he requires that particular information. And that information has been denied him by the Crown Management Board.

And the committee is interested in finding out exactly why the Crown Management Board felt it necessary to withhold information that, in the opinion of the Provincial Auditor and by law, they are required to make available to him so that he can carry out his function as the Provincial Auditor.

So my first question to you, gentlemen, is: why was that information that the Provincial Auditor requested not forthcoming to him at the time he requested it?

Mr. Gibson: — I guess I see one of the roles of CMB (Crown Management Board) in government is to assist people that deal with Crowns in order to do their job effectively. And there's been a series of correspondence between the Provincial Auditor and CMB starting on June 29. That was the date of the initial request relative to this.

And our responses have all been along the lines that we would be glad to sit down with him and explain everything that was not in writing because there has been a lot of "to do" with this issue that hasn't been put down in writing, so that he has all the facts as well as to get some information from the Crowns to help him so that he could do that.

By looking at the proposals themselves, that is only a very small component of the whole process of what we're talking about, which is introducing private sector auditors.

Mr. Rolfes: — If we could just continue with that. Is there anything . . . The law right now still states that the Provincial Auditor is the individual responsible for auditing of all Crown corporations other than those that are stipulated. There is . . . As of today, he is still the individual responsible to that. The law of the land still states that as of now you still have an obligation to make that information available. And as of June 29 you still had that obligation to make that available to him.

It is not within your jurisdiction, sir, with all due respect, to anticipate what the legislature is going to do. And I would suggest to you that you have an obligation to make that information available to the Provincial Auditor, not to anticipate what the legislature may or may not do. That Act may never come into existence. Who knows? it may not be coming into existence in the way that it is right now. Who knows? But that's not within your purview, and what I would graciously submit to you, that you have an obligation to make that information available to him,

which you didn't. And I would now like to have an explanation as to why that information was not forthcoming, not the explanation: that we were anticipating private auditors, because that's not within your purview to do so.

Mr. Gibson: — Well, I believe we also have an obligation to the CA (chartered accountant) firms involved, and these proposals that we ask them to submit in confidence, and I don't think it's . . . I don't think I have it in my jurisdiction to distribute these things which were distributed . . . which were given to the Crown corporations in confidence.

And further, I physically, I don't have copies of them all. It's . . .

Mr. Rolfes: — I couldn't hear you, sir, the last statement.

Mr. Gibson: — Physically I don't have copies of all the proposals either. And, Mr. Rolfes, these things are . . . these are not things that the Crown . . . the Crowns have not done anything. We have requested proposals. There has been no actions on those proposals. The Provincial Auditor has indicated the reason why I wanted these things was to consider whether or not he was going to make a report on what accountability to the Legislative Assembly, but there's nothing for him to report on because the Crowns have not done anything. We have not appointed other auditors. That's something we've considered but . . . (inaudible) . . .

Mr. Rolfes: — No, I would hope . . . Mr. Gibson, with all due respect again, I would hope that you had not appointed him because you don't have the authority to appoint him at this particular time, and what you are simply saying to me is that you've gathered information in anticipation of a change in the law, which information then you refused to make available to the Provincial Auditor which he has, under the present law, the right to have in order to carry out his responsibilities of an employee of the Legislative Assembly, and you're refusing him that information.

Mr. Gibson: — Well I'll go back to my initial comment . . .

Mr. Rolfes: — Let me, let me . . . before you, before you . . . is it not true that it's within the jurisdiction and the responsibility of the Provincial Auditor to see to it that the government works in an effective and efficient manner? Is that not true?

Mr. Gibson: — Yes it's . . . but everybody else . . .

Mr. Rolfes: — But how can he do that? All right, but how can he do that if then the employees of the Crowns, of which he is responsible, refuse him the information which he needs to find out whether the government is working in an effective and efficient manner?

Mr. Gibson: — Well, I also consider that one of CMB's (Crown Management Board) responsibilities, and for him to review . . . to be spending his time making a report on something that has not happened, and in the totally wrong environment, to me, is not an effective use of his time, and we have volunteered . . . we have not, we have

not said, no, you cannot have these. We have said, we want to sit down and talk to you about them, you know, the actual . . .

I'm not denied by him saying that he hasn't got them to this date, but we have never, to my knowledge, said that, no, you will never get these things. We are just saying, let's sit down and discuss these proposals and what the framework is that we obtained them in, and then you can . . .

Mr. Rolfes: — Mr. Gibson, I just . . . with all due respect again, three months have passed since the information was requested — three months have passed. How long does the Provincial Auditor have to wait? Why can't that information be made available? What is the stumbling block? What is so important about that information that it can't be made available to the Provincial Auditor so that he can ascertain whether or not the government is working at an effective and efficient manner in hiring outside auditors, private auditors, to do the job which under law now — I want to point that out to you — now, as of today, is the responsibility of the Provincial Auditor,

How can you deny that information to him when it's required by law that you provide that information to him? And you are saying: but I'm anticipating that there will be changes. I should . . . I withdraw that statement; you didn't say that. But I am assuming that from your actions you are anticipating a change in the law, therefore, we're going to stall; when the law changes, we no longer have to make that information available to the Provincial Auditor. I must only assume that that is what the game plan is.

Mr. Gibson: — There are a number of different components involved in this process we're going through appointing private sector auditors. Getting the proposals was just one of them. And you cannot take one of these things out of context and report on them in a vacuum, which is what he would be . . . that's what he's asking us to do, is to give it to him so he can report on one component, which is totally interrelated with the other components.

And you're right, I am anticipating action . . . or legislative action. It has been introduced into the House. Those proposals were called, contemplating that, and as I say, the government has not done anything, you know, the status with the auditors is exactly the same today as it was last January. We have not done anything.

All we are doing is gathering the various components so that we can do something. And if we aren't successful in gathering one of those components, then we won't be doing anything, I suspect.

Mr. Rolfes: — Then you would agree with me that he's entitled to that information as of today.

Mr. Gibson: — Well technically . . .

Mr. Rolfes: — No, no. Not technically, as of by the law. By law he is entitled to that information today.

Mr. Gibson: — That's correct.

A Member: — Thank you, sir.

Mr. Gibson: — I always remember when I was going to school and I took a couple of law classes, one of my professors said, if I did that, I could be charged with assault, because that's against the law. Because the law says that if I do that, I'm assaulting him. So the message there was that you've got to look at these things in context and what's relative, and I look at the same thing in terms of his request.

Under the terms of his Act, he can ask for whatever he wants. But again, I go back to saying, one of my purposes in my job is to make everybody's job a little bit easier. And by letting him do a report or consider doing a report or spending his valuable resources looking at one piece, when he's missing the other 90 percent of it, to me I'm not doing my job.

Mr. Rolfes: — I have one follow-up question, sir, and that's all I'm going to ask on this for now. He has a right to that information, as you have indicated. It's his right to ask for that information. And I submit to you, sir, that you have an obligation to provide it. Maybe if it's out of context, that 1 per cent, then provide him with the other 99 per cent also, so he can put it in context. Okay?

Mr. Gibson: — Conceivably if we get to that point, we will do that.

Mr. Chairman: — Question of clarification on this. Did I hear you say that you don't feel you're required to provide information requested if something hasn't happened, on things that haven't happened?

Mr. Gibson: — The event we're talking about is appointing some private sector auditors to do some audits of Crown corporations. And for that event to happen there is a number of different components, one of which is the gathering of proposals. And, you know, we have to have a number of things happen before we can accomplish the objective, and gathering proposals is only one of them.

Mr. Chairman: — Will you answer my question?

Mr. Gibson: — Sorry, maybe I should . . . Could you repeat that, please.

Mr. Chairman: — My question was: did I hear you say that you are not providing certain information requested by the Provincial Auditor, as he is allowed and required by law to ask, because in your opinion things that he is requesting have not happened. Is that what you said earlier?

Mr. Gibson: — No, I don't think he's required by law to ask for those.

Mr. Chairman: — Pardon?

Mr. Gibson: — I don't think he's required by law to ask.

Mr. Chairman: — By law he's allowed to ask them.

Mr. Gibson: — He's allowed to ask for it.

Mr. Chairman: — You're still not answering my question. My question is: are you saying that you feel you shouldn't provide that information because things have not happened.

Mr. Gibson: — Well that's one of the reasons. That is . . .

Mr. Chairman: — Well, Mr. Gibson, if that's one of the reasons, then why . . . You have also reported here, a moment ago, that you have taken proposals, even though the legislation hasn't changed. Therefore you're, in my opinion, acting in advance of what the Legislative Assembly has given you authority to do. Things have happened, in your own admission, proposals have been requested. Are you saying that the Crown Management Board would ask for private auditor proposals without knowing what the cost effectiveness would be?

Mr. Gibson: — Well that's one of the ways we can determine what the cost effectiveness would be, is by asking for the proposals.

Mr. Chairman: — You have done no studies?

Mr. Gibson: — What . . . I don't . . .

Mr. Chairman: — You have done no comparative studies on the cost of private sector auditing and what the work of the Provincial Auditor has done before this?

Mr. Gibson: — Oh, sure we have.

Mr. Chairman: — Therefore you have the information, and therefore you could have provided it, sir.

Mr. Gibson: — Well we have done some work. We have not completed the process.

Mr. Lyons: — Mr. Gibson, your attitude is one of ducking. I want to say that, with all due respect. You are trying to duck some fairly direct questions in this regard.

Now I'm just going to take up from the point for clarification that Mr. Tchorzewski made. Do you have in your possession as the Crown Management Board and CIC (Crown investments corporation of Saskatchewan), whatever it's now known as, studies relating to the cost effectiveness of private sector auditors versus the Provincial Auditor?

Mr. Gibson: — I have them in so far as CMB is concerned only, not the other Crowns.

Mr. Lyons: — Do you have any studies, and have you commissioned any studies, or do you, to your knowledge, know if there are any studies that have been commissioned that would deal with the cost effectiveness of private sector auditors versus the public Provincial Auditor?

Mr. Gibson: — 18 Crown corporations each asked three CA (chartered accountant) firms to submit a proposal on doing their audit, and in those proposals there were some cost numbers.

Mr. Lyons: — Who is co-ordinating those ... is there a co-ordination, first of all, of those proposals?

Mr. Gibson: — Well CMB has been co-ordinating it.

Mr. Lyons: — So you know that there are 18 studies — or 18 Crown corporations have requested it, requested it from three. Are there 24 firms involved? How many firms of chartered accountants have responded?

Mr. Gibson: — I don't have the specific ... I would say there's 12, 15 ... 22 firms were involved in it.

Mr. Lyons: — Okay. Right. And you know that, and you have those proposals from all those 22 firms yet?

Mr. Gibson: — No I don't.

Mr. Lyons: — How many proposals have you received?

Mr. Gibson: — Three. CMB. Each Crown did their own thing. I have the CMB ones.

Mr. Lyons: — Okay, Mr. Gibson, you said about a minute ago that in fact you were co-ordinating, CMB was co-ordinating these ...

Mr. Gibson: — Well we established the process, but we did not ... we were not the ones calling for the proposals.

Mr. Lyons: — Who is going to evaluate those proposals?

Mr. Gibson: — The process we went through was the individual Crown corporations sent out letters to the CA firms requesting proposals to do their audits. The Crown corporations then received these proposals. There was a verbal presentation by the CA firms. Some of these proposals, representatives from CMB attended, some of them we did not attend.

After that, the management of the Crowns made a recommendation to their board of directors on which CA firm they would recommend as being their best proposal. The board of directors approved the recommendation or changed it, as the case may be. It was sent to the Crown Management Board. We reviewed who the recommended auditors were to be, and we made a recommendation for cabinet to consider.

Mr. Lyons: — So you would have access to all those proposals if you were to, in fact, call the — just judging from what you've said just now — that you would, in fact, would have access to each of the proposals of the Crowns in your role as the co-ordinator and as well in sending it to cabinet.

Now in regards to the relationship in this matter between the public sector versus private sector auditors, were you instructed by Executive Council without — and I'm not asking you what the contents of that instruction, if one existed — were you instructed by Executive Council to in fact begin this process?

Mr. Gibson: — By Exec Council, no.

Mr. Lyons: — Who initiated this process then?

Mr. Gibson: — The board of directors of Crown Management Board.

Mr. Lyons: — Right. Under what jurisdiction or authorization did the board of directors of Crown Management Board initiate this proposal?

Mr. Gibson: — They are the board of Crown Management Board, they can ... we're running a business. The board of directors can ask you to look at any number of things.

Mr. Lyons: — Was there any member of Executive Council, to your knowledge, involved in initiating this process?

Mr. Gibson: — Well, there are members of Exec Council that are on our board of directors. I can't remember at what date we talked about this, and who was there, but I would strongly suspect that there was a member there.

Mr. Lyons: — Was this issue of taking the requests from the Provincial Auditor — and I assume it's been discussed at the board of directors level; that wasn't just you made that decision by yourself — was that decision to deny the auditor the information he requests, was that decision taken by the board of directors?

Mr. Gibson: — Again, I guess we have denied him access to this to date; we have not denied him forever. But yes, the board has been involved in that. And I'm acting under the board's instructions.

Mr. Lyons: — You are acting under the board's instructions. The board of directors of Crown Management Board, just to get this straight for the record, has instructed you not to divulge information to the Provincial Auditor, the information that he's requested?

Mr. Gibson: — At this point in time.

Mr. Lyons: — At this point in time. So the matter has been discussed by the board of directors on which members of Executive Council sit. So we have here a situation where the executive arm of government is directly interfering in the — and I'm making this ... I'm not asking you to confirm or deny this, I'm making this statement for the record — that judging from your testimony here that the executive branch of government is interfering with the functions of the Provincial Auditor through their membership on the Crown Management Board.

And I think that puts yourself, sir, and puts the other managers in an intolerable situation, given that section 25 of The Provincial Auditor Act, it's quite clear that the Provincial Auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him. And for the purposes of that examination, he may exercise all the powers of commissioners under The Public Inquiries Act.

I've got another matter, but I just want to ask one more question on this. And I'll see if any other members want to go around the horn on this particular matter.

Mr. Gibson, in your own — now I'm not asking you in your capacity as the boss of CMB — do you, sir, believe that the public has the right to know the operations of government and that government by definition in this province includes Crown corporations; and that they have the right to know all of the operations as it pertains to the financial matters of that arm of government in so far as audited transactions are concerned?

Mr. Gibson: — Yes, I do, as long as it is accurately reported to them. And that goes back to my initial point that you cannot accurately report, in my opinion, using one piece of information and not looking at the other components.

Mr. Lyons: — Okay, in order to . . . then I would say in following along that, that in order to provide that accurate reporting, you would be willing then to provide the Provincial Auditor on your own, and again not acting under directions of any authority, but from your own personal viewpoint, that you'd be willing to provide the Provincial Auditor with all the information that was necessary for him so that he can provide, in fact, provide that accurate reporting.

Mr. Gibson: — When we have that information, Mr. Lyons, I'd be glad to co-operate with him. I would also, before just closing these things, I would like to get the permission of the people that made the proposals, but I would not anticipate that to be a problem. That is only ethically the proper thing to do, but I wouldn't anticipate that to be a problem.

Mr. Lutz: — If I could, please, with leave of the members . . . There was a time when at SaskTel they wouldn't open bids for any projects unless I was there, which was fine.

In one of your communications with me, Mr. Gibson, you said:

Considering the importance of this issue, we consider that it would be appropriate for you to indicate to us the nature of your proposed report to the Assembly.

And later on you said:

Finally, it would then be possible for all relevant information to be provided to you in order that you may fairly report to the Assembly.

Well I would suggest to you, Mr. Gibson, that I have numerous, numerous, numerous pieces of paper in my office that are far more confidential than the things we're discussing here today.

But my main point I wish to make is that this committee of elected members is the forum at which the fairness of my reporting is judged, not an arm of the executive government. This is where my report is judged fair or unfair, and can be criticized and can be disputed and can be disagreed with. I do not believe I am required by any law to get you to tell me that my report is fair or unfair.

Mr. Gibson: — I'm not intimating that I would be the judge of your report, Mr. Lutz. What I am intimating is that

I would feel uncomfortable with you making a report with only half the facts available to you. And I wouldn't want to see anybody put in that situation, and that's what I was trying to prevent in this case.

Mr. Lutz: — These are your words. If I do in fact put up a report that is biased or unfair, I suggest to you that this committee of elected members will certainly let me know, and if it were sufficiently unfair and sufficiently serious, I would think that would be cause. And I don't think you should have to worry about the other half of this transaction.

Mr. Chairman: — I'd like to ask a question. Mr. Gibson, under — and we're considering the legislation that exists today — we are here working as a committee under requirements that are before us today and regulate our actions. I assume that a department of government or a Crown agency of the government, until the law is changed, has to also act in accordance with the existing law.

As I understand it, if another auditor is involved in the audit of a Crown agency, then as the auditor of the Legislative Assembly, the Provincial Auditor, he has to be involved at the planning stage of that audit, at the planning stage of that audit. And the reason for that is because he needs to ensure that all the audit requirements of the Legislative Assembly will be discharged.

As I understand what is happening here, is that the Crown Management Board and certain Crown corporations are and have been in the planning stages of this to the extent where they've requested proposal bids. That's a fairly final step. That is the step before appointing the auditor.

Now why would then the board of directors — and you can't speak for them, but you can certainly speak for the Crown Management Board — why would then, in light of this, you not be prepared to provide the information about the planning so that the Provincial Auditor can determine whether the requirements of the legislation are being met? Even in the process of asking for the proposals, because surely when you ask for proposals you must be lining out certain terms of reference — terms of reference meaning will you . . . you will be required to audit this according to generally established practices, or you will be required as is the requirement, to do this according to the requirements prescribed by the Provincial Auditor. In light of that, why could you not provide that information?

Mr. Gibson: — I guess I would, if I can, I would disagree with one of your comments there. I think the proposal is not one of the final steps, it's one of the initial steps. And as I said, we could . . . if we walked away from here today and nothing else happened, the Provincial Auditor is still the auditor of those corporations involved that we're talking about. So we're not in the process of planning the '87 audits.

Mr. Chairman: — On the contrary. If we walk away from here today and the legislation before the House is passed, which then removes, to all intents and purposes, the role of the Provincial Auditor, you may never have to provide that information . . . (inaudible) . . . And that's our concern. That's wrong on the part of any agency of

government which is ultimately responsible to the taxpayers of Saskatchewan. And so we have a right to be concerned about whether this information will ever be forthcoming, because once that legislation is passed, sir, you will not be required to provide that information.

Mr. Gibson: — Are we contemplating any legislation?

Mr. Chairman: — It's in the House. I would have thought you would have known that.

Mr. Gibson: — Well, I am aware of that but before we got up to this point . . . I thought we could not consider the new legislation.

Mr. Chairman: — One more question. I was interested in your comment which you made earlier in which you said, when asked about your obligation to provide the information, you said that the Crown Management Board also feels it has an obligation to the CA firms. Now I thought that that was a telling comment because it really underlies one of the shortcomings of having only private sector auditing firms doing the auditing of the Crown without requiring them to be supervised by the Provincial Auditor.

Let me complete. If the board of management of a Crown corporation feels that it has an obligation to its firm of auditors, in turn I would suspect the corollary to that is that the auditing firm would feel an obligation to the board of management of the Crown corporation who employed them.

And therefore sir — and you're not the writer of the legislation so I guess I'm just making a statement here — therefore it is absolutely essential that there be someone who feels an obligation to the legislature, and that's the Provincial Auditor. And therefore when the Provincial Auditor requests information which is essential to him to do his work and report adequately to the legislature, that information needs to be provided. Don't you agree?

Mr. Gibson: — I don't agree. You've taken that comment . . . you've attributed a different context to that . . .

Mr. Chairman: — You made the comment, sir.

Mr. Gibson: — Well, when I said I felt we had an obligation to the CA firms, I was referring to our obligation that we would have to anybody that acts as a contractor to any entity of government to act ethically. And whenever you receive tenders or proposals from a contractor, whether it's a CA firm or somebody that wants to do your janitorial work, you have to act ethically and morally with those, and that means that you do not broadcast your arrangements with them without their prior consent. That was not . . . I said CA firms because that was the context that we were talking, but I feel that way to anybody that's doing work for us.

Mr. Chairman: — Thank you, Mr. Lutz wants to comment.

Mr. Lutz: — Mr. Gibson, I resent the inference that if I acquired this information it is broadcast. I told you earlier, I have numerous, numerous, numerous pieces of paper in

my office, far more confidential than this, that have never been broadcast. Now I have to go one step farther. I want to talk about the board minutes — corporation board minutes.

For years these things have come to my office automatically through the mail after a board meeting. As late as September 2, one of your people advised one of my people that, because they are going to change auditors at CMB, accordingly the whole issue of information to be provided to this office would be subject to CMB decision at their September meeting.

I say to you, sir, I must have these board minutes for every corporation. How else can I find out what's going on if I can't get in and do the audits. And if, in fact, you remove me as supervising auditor . . . I use the word "you" maybe that's not correct. I don't know who wrote the legislation. The fact remains that I will be pursuing my request for information to the extent of board minutes for each Crown corporation. I thought I would let my employers know that now.

Mr. Martens: — I am going, to make some overall comments here as to the relevance of the discussion that we're having, and it has do with how we handle ourselves in this committee.

We are dealing with some things that are hypothetical. We are dealing, as you stated, Mr. Chairman, with the hypothetical part that the legislation has already passed, and it has given authority to the Assembly to dictate what the new rules will be. That's a hypothetical question, and therefore it puts the Crown Management Board under suspect, because you are requiring them to answer on behalf of what the Executive Council is deciding to do and therefore it becomes a hypothetical question.

And I don't believe that this is the forum to have that happen. And that's why it is extremely difficult to deal with actual functions as it ought to be, because we ought to be dealing with this in the total context of how we handle 1987 in the year when it will be reviewed by this committee. Then we will deal with it in the whole context, and then the questions that you have asked today would be in the context that they ought to be.

And I believe that that is accurate, and I don't think that we need to — that we ought to be dealing with this under this forum. If those questions that you have raised, as it relates to the policy that will be enacted by the government, those policies will be explained in detail by the individual of Executive Council who will carry the legislation forward. And then those are the places that those questions should be answered. And I agree with you; they should be answered. But when you are asking that of a branch of the employees of the Executive Council, I don't believe that you are in place because you are not giving them the fairness that you ought.

And I say that because we cannot — they cannot answer the questions nor can any member of this committee answer those questions, and therefore if you want to deal with them, you must deal with them in the Legislative Assembly. And I have no problem with you asking those questions there. I think that that is the forum where they

must be asked.

And I think that we could get into a long discussion. And I'm not saying that all of them weren't relevant; I'm just saying that the general discussion that we have had ought to take place in a different forum, and we as members of this committee have the right to review how that new legislation will impact in relation to the responsibilities that people have as they relate to these employees of the government. And I think that that is the forum where these questions need to be asked. And it also is the responsibility of Executive Council to give you those answers when you ask them.

And you have, Mr. Chairman, a number of places that you can deal with them. You can deal with them in relation to the discussion in principle of the legislation; you could deal with them in detail in Committee of the Whole. There has, in my opinion, in the history that I have been in this Assembly, not been fair and decisive answers given to the questions asked in relation to any of the kinds of functions and details of how that proposal is to be put into place, how the legislation will work, and all those details.

In Committee of the Whole, Mr. Chairman, you have the right and you have the freedom to ask those questions. But I don't think that you have the right to ask them here because that is not the purview of what this committee is about. And I am not saying that the questions are out of order, but the context that they're asked is out of order.

Mr. Chairman: — I don't totally disagree with you, Mr. Martens. And just for clarification, I was not asking for comment on the legislation. I was using that as background to my questions which were directed about why certain information was not provided. And I only made that as a commentary. I agree with you that I would not, and neither should any member of this committee, be asking the officials here, out of fairness to them, to go clause by clause on the legislation or the legislation itself. No problem with that.

Mr. Martin: — Well I had the feeling that in your last comment, actually Harold said what I was thinking about, and he said it very well actually, and I agree with him, I had the feeling that your suggestion was that because Crown corporations may be farming out to private chartered accountancy firms, that somehow or other the details would then not be accountable to people of the province, which of course is not true, because Mr. Lutz, as the Provincial Auditor, would have a final look at all those audits and if he doesn't think that . . . if he thinks there is something wrong with them . . . (inaudible interjection) . . . Who has the floor here? Have I got the floor or has he got the floor?

Mr. Chairman: — You have got the floor.

Mr. Martin: — As I understand it, Mr. Lutz as the Provincial Auditor would have an opportunity to look at all those audits that are done by the private firms and if he finds something wrong with them he can then go to the private firms, as any auditing firm can do to another auditing firm, and question the validity of the audit.

I'd like to ask Mr. Lutz if for some reason or other he has a

concern with the CA firms. Does he feel that they're not qualified to do the kind of work that's being suggested here? That's the feeling I get when I read your notes. Or is that an unfair question, Mr. Lutz?

Mr. Lutz: — No, I don't think it's unfair, Mr. Chairman, Mr. Martin. Before I proceed to that point though, I want to reiterate what I said earlier. Information I've received suggests that since there is going to be a change in auditors for CMB, and accordingly the whole issue of information to be provided to my office would be subject to CMB decision, they're not able to provide me this information right now.

Now my problem with other auditors is that in the private sector — in general broad terms the private auditor looks on an audit as the attest function applicable to the audit of the financial statements prepared by management. To the private sector auditor that is the audit.

As I told this committee probably three weeks ago at the orientation meeting when we had our little presentation and the slides, when we conduct an audit we do several things. We do a compliance audit; we do a management systems review audit; and we do an attest audit. And of those three items we deem the attest audit to be the least important, mostly because everybody's equipped to do one of those, but not too many of the private sector auditors have had a great deal of experience in how to do the government public sector audit.

Now I know that some people will probably dispute that, but the fact remains. I have sat at this committee now for 21 years, I've held my present position since '71. I have a staff, whatever's left of it, of people who grew up with this government auditing. And you cannot necessarily apply the rules of CICA to government auditing, because CICA gives you a minimum standard of disclosure, whereas the things we do, the things the legislature does, the things the legislative members require me to do, are quite different in many areas from what the CA firm downtown does.

I have no quarrel with my professional colleagues. I have said from the start, go ahead and appoint the private sector auditors. I also said I don't need any amendments to my legislation to appoint those private sector auditors. I've told them that from day one. They can go ahead and do that without changing the Act. I don't have a problem with the private sector auditors. They just don't do the same things I do, as required by the legislature.

Now if the members wish to change what they want done, fine. I had a very brief discussion with Mr. Gibson on this subject. I guess it's the only consultation I had relative to the legislation. And I think what he wanted to know was what would my attitude be to this. And I think my answer to Mr. Gibson was look, it doesn't matter what I want; it's what the Legislative Assembly wants that matters in this particular instance.

But I will repeat — there was, I think, no need to amend the Act at all. Go ahead and appoint them. The machinery was there.

Mr. Martin: — Mr. Gibson was fair with you in your discussions?

Mr. Lutz: — Oh, I don't think there's any question of fair or unfair. We really haven't had any discussions. I think we had one five-minute meeting.

Mr. Martin: — But you've had opportunities to have discussions, as I understand it from Mr. Gibson.

Mr. Lutz: — We've had a series of letters back and forth since June 29. Some of the letters said yes, we will discuss this at the meeting of September 17, but yesterday I was informed that they didn't get that far down in the agenda. And maybe by next week I can get you your answers. Maybe next week after that I'll get you your answers. You know, after three months I sort of wonder if maybe I'm ever going to hear the answers, so I do something else.

Mr. Martin: — Let me just ask this. Could I . . .

Mr. Gibson: — I just want to clarify. When I talked to Mr. Lutz I anticipated that we would have something within a week, not the week after that or the week after that.

Mr. Martin: — Just let me ask as a taxpayer: if a private firm does an audit . . . And I don't totally understand what you're telling about all the audits because it's not my business. But if a private firm does an audit and you're unhappy with something in that audit, even if you feel there isn't sufficient amount of information put into that audit, do you then, will you then have . . . you have the opportunity now and I'm sure you will after the legislation — will you then have the opportunity to look at that audit on behalf of the people of the province and me as a taxpayer, and say, I am unhappy with this audit; I want another audit done? Can you do that, to your satisfaction?

Mr. Lutz: — Mr. Chairman, Mr. Martin, we have not yet done our total study on clause by clause. What we do is strip down the Act that was in place and substitute the new sections from the amendments. And when we have finished that, I will know better. I would expect by next week I will be making a report to the House on this legislation. I think I must, because we don't want to hold it up, but still I want input into it. I want to stress that they did not consult with me when they wrote — they being whoever; I don't know who that was — when they wrote these amendments.

So I think by next week I'm going to have to have a special report to the legislature. But we have got to sit down and analyse what these changes mean relative to what it used to say.

I would tell you that the items in this legislation that are here now have been in place for many, many, many years. Legislators over all the years said we want these things. If I can be sure that the other auditors are going to audit for these things — which is what I'm trying to find out, and can't — then I don't think I have much of a problem. But I don't know.

Mr. Martin: — I guess you can't find out because we're still at the proposal stage to some extent. However, just let me ask you this . . . of course I've changed my mind so I . . . So really what we're talking about here is somewhat premature because until you get the final work-up on the

proposals and can make a decision, with your professionalism, as to whether or not it's going to work or not. So really what we're talking about here is somewhat premature, is it not?

Mr. Lutz: — I don't think it is, Mr. Martin, because unless have some input, or at least a chance to examine what they are proposing as my fate later, when this thing is enacted as law, how can I possibly come back later and say, that's terrible, when it's already done, or yes, that's great when it's already done.

I think . . . well I don't want to be premature, I have to have some input into this before it becomes law to make my views known. If I think it's terrible and I don't make my views known, the logical consequence — the members would, I think, be justified in saying, well, you must have been happy, you didn't saying anything. Conversely, if I go at it a little early, I'm sure that some of the members are going to say, you're jumping the gun.

Mr. Chairman: — Let me interrupt at this juncture. I think coming back to what Mr. Martin said, we are now beginning to once again, as I did in one of my comments begin to talk about the legislation. And maybe there will be a more opportune time to do that when we have other information on it.

And I would ask the committee members to address the issues that are before us as the kind of things we want to ask of the officials who are good enough to be here with us today. And I have Mr. Neudorf on my list next, and Mr. Rolfes, Mr. Lyons, and Mr. Martens.

Mr. Neudorf: — Thank you very much, Mr. Chairman. I'd just like to address a statement that has been made twice I believe, already by Mr. Gibson. And Mr. Lutz also has referred to the fact that there seems to have been a lack of consultation, or a lack of meeting.

Mr. Gibson twice indicated that he has offered Mr. Lutz's office the opportunity to sit down and discuss the concerns that we are obviously expressing here today, and Mr. Lutz has just indicated that he has only spent a few minutes with Mr. Gibson, and just by letter and so on, so there seems to be a lack of communication here. And if the offer was made to sit down and discuss some of these concerns, I'd like the gentlemen to react as to why this has not occurred.

Mr. Chairman: — Who wants to react.

Mr. Gibson: — Well I can just confirm what Mr. Neudorf said. We have, you know, in some of this correspondence we've been writing back and forth, we've indicated that we would discuss . . . basically the intent anyway was whatever the Provincial Auditor wanted to discuss. But he hasn't taken us up on that offer.

Mr. Neudorf: — What I'm trying to get at is why would the auditor not have taken up that offer.

Mr. Lutz: — The correspondence back and forth relates to my request for information. Nowhere in this thing did it really discuss legislation, so we're going to remove the legislation aspect from any kind of consultation.

Now when I asked for information — and I believe I asked for it plainly, straightforward. I told them why I don't need a dialogue to decide what I'm going to do with this. I don't need a dialogue with you to have you tell me whether it's fair or unfair, or just or unjust. This forum decides whether my report is just or unjust.

I do not go through the government asking public servants if I can say this or I can . . . I don't say that with Mr. Kraus, and I don't think he's ever suggested it. But what I will tell you happened on the consultation, two people showed up in my office and asked me what I thought of the legislation, and I said, well show me what it is. Well we don't have anything in writing; just tell me what your general attitude's going to be. Now there's no way I'm going to play that ball game with anybody. And it ended up that they said, well, we'll go on this. Fine. It's what the legislature wants that matters, not what I want. Whatever the legislature deems necessary to do these things, I will live with it, I don't have a problem.

Mr. Neudorf: — So what you're saying is there is nothing to discuss with Mr. Gibson in terms of . . . You've made your requirements known, and he has not responded favourably to you, and so therefore there's nothing further to discuss.

Mr. Lutz: — Oh, of course there's something further to discuss — the access to Crown Management Board and Crown corporation board minutes, but I'm not going to do a whole lot of prolonged discussion. I think I can safely say that, at some point, I . . .

Mr. Neudorf: — Well are you going to have discussion, or aren't you going to have discussion? This is the point I'm making. You've just expressed now that there are some concerns that you have, and yet you're not willing to sit down with Mr. Gibson and discuss them — the accessibility, which you just referred to now.

Mr. Lutz: — Mr. Chairman, I will read section 24, 25 if need be. I am entitled, by law, to whatever information I deem necessary to do the audit in whatever manner I deem necessary.

I am going to have a further communication with Mr. Gibson this afternoon. I'm going to ask him for board minutes — copies of board minutes for CMB (Crown Management Board), period. Now that's the discussion. Now nothing in this Act says I have to tell them why, or what I'm going to do with it. All of my people take the same oath of secrecy as everybody else; there's no leaks out of my office that I know of. And what would you have me do? Say, please sir, can I go get these?

Mr. Neudorf: — I guess we're in semantics here because my interpretation of the word discussion is different from what yours are.

Mr. Lutz: — Well if three months worth of letters is discussion — I've had discussion. I've also had no results.

Mr. Rolfes: — I think the Provincial Auditor, through his discussions with Mr. Neudorf, has made the point that I wanted to make earlier, and that is exactly what we were

talking about here. Number one: the law requires — not that Mr. Lutz have discussion with any member of government or Crown corporation as to whether or not he can have that information, or what he is going to do with that information — that is not their right to ask of him. He has the right, by law, to ask for this information and they have the obligation, by law, to provide it.

It is not up to Mr. Gibson to decide whether or not Mr. Lutz will use this information fairly — that is not within your right to ask that. If the law says you could do so, fine, but the law doesn't say that. The law requires of you to provide information that the Provincial Auditor asks for — which you have denied him. You say, possibly temporarily; well up until now we haven't; three months have gone by. And I am saying you are doing a disservice to the Legislative Assembly, and you are disregarding the law of the land.

It is not incumbent upon Mr. Lutz to have consultations. It is incumbent upon Mr. Lutz to ask for information, which he needs to carry out his job as Provincial Auditor, to make sure that the government is acting in an efficient and effective manner — that is his job. And I'm saying, again, it's incumbent upon you to provide that information; it's not incumbent upon him to have consultations. And I would be very concerned if the Provincial Auditor were to sit down with various departments, as I from experience know, having been on Executive Council, that very often provincial government departments are very reluctant to give to the Provincial Auditor. Certainly they think he's a nosy individual. But that's his job. It's his job to protect our interests, the people of Saskatchewan. That's what he's been appointed to. He's an independent auditor.

And, Mr. Gibson, I want to make this statement that I am very concerned about what's happening here if this is the attitude of the members of the Crown corporation that they are going to have consultations with private auditors who they will hire as to whether or not their report fairly reflects on the Crown corporation, that I say that we are stepping on very, very dangerous grounds — very dangerous ground..

Maybe I'm wrong in my assumption, but I can only assume that because you will not provide that information because you fear he, as an independent auditor, may reflect badly on the Crown corporation, that I think you've stepped out of bounds. I think you've stepped out of bounds, and you're infringing upon the rights of an independent auditor. You're denying him the information to do his job. That concerns me. That concerns me. He has the right to that information.

I want to ask a few detail questions. Can you recall, Mr. Gibson, which member of the board or directors initiated the discussions for private auditors?

Mr. Gibson: — No, I can't.

Mr. Rolfes: — Don't recall that. Can You recall when those discussions were initiated approximately?

Mr. Gibson: — Well I believe the Minister of Finance gave a press release in January of '87 saying that they

were going to look at it, so I would contemplate, or I would expect, that it was probably in our December or January board meeting.

Mr. Rolfes: — Okay. There was a suggestion here that you — by one of the members of the committee — that possibly you could not answer these questions because you don't have the answers, and that in a sense you're working in isolation from the executive branch of government. Am I right in my assumption to say that in this regard of the hiring of private auditors you are not working in isolation from the executive branch of government?

Mr. Gibson: — That's a fair assumption.

Mr. Rolfes: — All right. Therefore, if you are not working in isolation from the executive branch of government, surely if private auditors were anticipated that they would be hired, there must have been some discussion of changing of The Provincial Auditor's Act. There had to be, otherwise you couldn't hire private auditors. is that correct?

Mr. Gibson: — That's correct.

Mr. Rolfes: — Were there any discussions made . . . was there anything in that discussion at that particular time that the role of the Provincial Auditor would be reduced, other than him doing the actual audit? All right, let me rephrase that. That may be ambiguous. Was there any discussion at any time that the supervisory role of the Provincial Auditor would be done away with?

Mr. Gibson: — No, probably it's more to the contrary, that we still would like to have an effective Provincial Auditor.

Mr. Rolfes: — That he would still have the final supervisory role of the private auditors.

Mr. Gibson: — No.

Mr. Rolfes: — Over the private auditors?

Mr. Gibson: — Well, I wouldn't use that phrasing,

Mr. Rolfes: — Well would you phrase it for me, sir? I don't want to put it out of context.

Mr. Gibson: — The office of the Provincial Auditor is . . . has been, and is continued to be, viewed as a desirable thing. And we would . . .

Mr. Rolfes: — Could you be more specific?

Mr. Gibson: — Well the view is that if there is new legislation, and if there are changes relating to the Provincial Auditor, it would not be to the extent that we would remove the effectiveness of the Provincial Auditor.

Mr. Rolfes: — As it relates to Crown corporations?

Mr. Gibson: — Well, no. The Provincial Auditor Act relates to everything.

Mr. Rolfes: — Yes, I realize that. I've read The Provincial Auditors Act. I've also read the new Act. My concern is this: was there discussion that under the new legislation the board of directors saw the role of the Provincial Auditor no longer as the final supervisory person in the audits that were being done?

Mr. Gibson: — The answer to that Mr. Rolfes is no. We're talking more of procedural changes than anything else

Mr. Rolfes: — So you're saying to me that the supervisory role of the Provincial Auditor was not anticipated to be changed. Okay. Fair enough. I have no more questions.

Mr. Lyons: — Yes, I just want to go back to the issue that prompted this whole thing, and that's Mr. Lutz's statement on September 22, and I just want to quote it. Mr. Lutz said that his whole problem hinges . . . or his problem hinges on the whole area in the original statement made by the Minister of Finance — to which you alluded on January 1 — where he said that private sector auditors will be appointed where they are cost-effective. And concurrent with, I have read in appendix II in this statement which is the Provincial Auditor's report. "I make the statement in my report that on the five or six or seven private sector auditors in place at that time, the cost to the province was \$200,000 more than it would have been if it had been . . . work had been done by the Provincial Auditor."

Mr. Lutz goes on to say:

. . . if we are going to be cost-effective and maintain accountability, what I endeavoured to do with the Crown Management Board was get from them the documentation that they had received from these other auditors as to what they would charge that Crown to do that job, and what kind of a job they would do.

I think it's very simple. The issue is very simply one of accountability which the auditor has raised all through this report, which, I may say, judging from what I've looked at the past reports and not having ever sat on the committee before, I don't know why, except that it seems that there is a whole question of accountability that is being raised here.

You talked about the effectiveness just a minute ago of the Provincial Auditor. Yet we've seen, not by what people say but what by . . . they're judged by not what they say, by what they do. You have denied Mr. Lutz access to increase the accountability of the Provincial Auditor's office to make, in fact, him less effective . . . to make it less effective.

Will you make an undertaking here before this committee today that you will release to Mr. Lutz the information that he requests in so far as it relates to the legislation under which that request is empowered?

Mr. Gibson: — Well, I'm not sure what the legalities are, but my current impression is, is that I am an officer of Crown Management Board, and I report to the board of directors at Crown Management Board. And the board of directors has asked that I not release it at this point in time

Go back to your earlier comment; my objective throughout this has been to attempt Mr. Lutz to be more effective by giving him the whole story instead of just half the story.

Mr. Lyons: — Are you saying that the problem stems from Mr. Lutz not asking the right questions; that he didn't ask for the right information?

Mr. Gibson: — No, it goes back to the earlier comments that we made that getting the proposals is only one component of it, and you have to look at them in context of all the other information.

Mr. Lyons, there is . . . this has been a . . . The discussion of private sector auditors has been long and involved and complex. There have been a number of meetings within government people; with people that are on our board; with CA firms; the management of the Crowns; the board representative of the Crowns; and a very small fraction of that has been reduced to writing that is all relevant to the whole process.

And I keep going back and saying these proposals are . . . you know, you have the proposals, you don't have the issue, you only have part of it. And our offers to get together with the Provincial Auditor and to get him together with the Crowns so that we could provide him with this other information so that he has the whole story, it was not meant to distort him; all we wanted was the opportunity to sit down and talk to him. He could ignore everything we said if he didn't think it was relevant but we wanted him at least to have the benefit of that information.

Mr. Lyons: — Mr. Gibson, I mean there's a background to every story and every decision that's made that involves all kinds of discussions and all kinds of factors and options available. But ultimately those things get reduced to writing in terms of proposals and the bottom line of a dollar and cents type of proposal. It seems to me that that's what Mr. Lutz is asking.

Mr. Gibson: — Well, we haven't got to that point where it's been reduced already. We're still early in the process.

Mr. Lyons: — Well, excuse me, sir, with all due respect, you have said earlier on that in fact chartered accounting firms in this province have submitted proposals to you. Obviously, part of that proposal is going to be the cost; at least any rational sort of proposal would have to include a cost breakdown for the services that were to be rendered. It seems to me that that's precisely what Mr. Lutz is asking for, because that's what he's dealing with, is what it's going to cost the taxpayers of this province for private sector auditors versus public sector's auditors.

He's had experience in the past, as he stated here on page 116 — he's had experience in the past dealing with private sector auditors. He's had to audit their work, and he's had to audit their cost effectiveness. And it's not — I just want to repeat that — it's not your job, sir, to determine what Mr. Lutz's job is. It's our job, directly, as all members of the legislature. And it's our job to determine what's fair and what's not fair, and whether Mr. Lutz has been fair, or whether in fact he's not being

fair in terms of dealing with those situations.

But there is a proposal . . . you have received proposals; you have information regarding the cost of chartered accounting firms of the hiring of private accounting firms from the firms themselves. Mr. Lutz would like to look at them. I am asking you: will you take the message back to the board that there are members of the Public Accounts Committee of the province of Saskatchewan who feel that Mr. Lutz should have that information? And as an officer, and speaking for Crown Management Board, will you undertake to make that information public on behalf of the organization you represent?

Mr. Gibson: — Mr. Lyons, this was . . . Today is the first day that I have been made aware of the fact of what the Provincial Auditor wants, is information on the fees. And if that is what he wants, I would be most happy to go back to my board and pass that request on, and I suspect that some information would be forthcoming.

Mr. Muller: — Going back to what Mr. Lyons has said, and what Mr. Gibson has said — and I don't think he's been ducking the questions; I think he's been answering very straightforward on the questions, to go back to your remark. But he is gathering proposals. There's no contracts yet with private sector auditors. I mean, in the gathering of information on a day-to-day basis, or on whatever basis it comes in, he's getting this information and getting proposal calls from . . . or asking for proposal calls from private sector auditors, and I don't think that we should be involved in that portion of that. And I have to agree with Mr. Gibson that he shouldn't have to pass that information on because it's confidential to Crown Management Board.

I think the private sector auditors would think that it would have to be confidential, the proposal that they make to Crown Management Board. So I don't see where the problem is. I don't think there's been a lack of information coming to the Provincial Auditor in that respect.

Mr. Rolfes: — I just wanted to ask Mr. Muller one question. Mr. Muller, are you saying, as a member of the Public Accounts Committee, as a member of the Legislative Assembly, you wouldn't be concerned if Mr. Lutz had that information he could show you — I'm just using a hypothetical case — if he could show you that it would cost \$300,000 to hire a private auditor and he could do it for \$100,000, you wouldn't be concerned that we're paying an extra \$200,000 to a private auditor?

Mr. Muller: — I'm saying . . . (inaudible) . . .

Mr. Rolfes: — But we can't know that unless he gets the information. That's the only point I wanted to make.

Mr. Chairman: — I'm going to try to limit the back and forth debate here.

Mr. Muller: — I heard Beattie Martin say . . .

A Member: — He's gathered the information, and now he doesn't have it all.

A Member: — I don't want to receive partial information.

A Member: — I'm interested in total information. I don't want to . . .

Mr. Chairman: — Order. I have three people on the list here to ask questions, and it so happens that I'm first and other people have theirs. I just want to ask some quick, brief questions without any great elaborations, so it won't take long.

Could I have Mr. Rolfes and Mr. Martin give me the floor.

I want to ask some very direct and very quick questions. One, you say proposals have been asked for private sector auditors. My question is: has Crown Management Board selected certain private auditors and asked them to give proposals, or have you issued tenders so that all private sector auditors could provide a bid?

Mr. Gibson: — The process was we wrote to the CA firms, the private sector CA firms operating in Saskatchewan, and told them that we were about to embark on this investigation and whether or not private sector auditors should be appointed, and we asked all of those that were interested in being considered as being possibles for the job to respond to us. Of the ones that responded to us, we distributed that list to the Crowns and asked and basically got together with the Crowns and reviewed this list of people that had an interest in order to pick out firms that would be most appropriate for the particular Crowns. We were primarily interested in looking at expertise, prior experience in auditing in that industry, and that type of thing.

Mr. Chairman: — You have asked all of the auditing firms in Saskatchewan?

Mr. Gibson: — All the private sector ones, yes.

Mr. Chairman: — Have you asked any other auditing firms out of Saskatchewan?

Mr. Gibson: — No. Some of them may have offices out of Saskatchewan; all the CA firms with offices in the province.

Mr. Chairman: — Has the board considered the proposals?

Mr. Gibson: — Which board, the board of CMB?

Mr. Chairman: — No, has the board considered the proposals which you have been receiving from these private sector auditors?

Mr. Gibson: — The boards of the Crown corporations have, yes.

Mr. Chairman: — Or whichever board is supposed to do it.

Mr. Gibson: — Yes.

Mr. Chairman: — Your board have considered it?

Mr. Gibson: — Yes they have, and they have made recommendations.

Mr. Chairman: — Oh, I see. So the proposals have gone so far that there have been recommendations to the Crown Management Board, and recommendations have been made.

Mr. Gibson: — That's correct.

Mr. Chairman: — And they're made to the cabinet?

Mr. Gibson: — Yes.

Mr. Chairman: — Don't you find that unusual in that the legislation doesn't authorize you to do that yet?

Mr. Gibson: — No, it was made on the basis, Mr. Chairman, that if the government decides that they would like to appoint private sector auditors, this is who the people working on it would recommend.

Mr. Chairman: — I heard some people in here say we can't assume what the legislature might do. But the government seems to decide that it can assume what the legislature is going to do and then proceeds to act on it. Now I don't understand that, and I'm not accusing you; I'm accusing the government.

Mr. Gibson: — The government hasn't acted though, Mr. Chairman.

Mr. Chairman: — But is acting. It has asked for proposals without authority to do it. It is now considering your recommendation, and the legislation may fail.

Mr. Lutz is poking me; he wants to intercede.

Mr. Lutz: — Mr. Gibson, I want to ask a question: are there presently, in the Crown corporations today, private sector firms doing audit work?

Mr. Gibson: — Not that I'm aware of.

Mr. Lutz: — Well I think I will probably go around this afternoon and look, because I have heard on fairly good authority that there are. And I hope there are not, because this certainly flies in the face of all professional standards.

Mr. Gibson: — Well I hope you don't find anybody either, Mr. Lutz.

Mr. Chairman: — I'm going to ask . . . I think we're going to have to continue this, I hope not too long, the next day which is Tuesday morning at 8.

We have some more . . . I have some more questions. But we need a few more . . .

Mr. Gibson: — Mr. Chairman.

Mr. Chairman: — Yes.

Mr. Gibson: — Would you be requiring me, then?

Mr. Chairman: — Yes.

Mr. Gibson: — Because I have a meeting in Toronto on Tuesday.

Mr. Chairman: — Or whoever. Well that's . . .

Mr. Gibson: — Well I suspect, since I started it, I should finish it.

Mr. Chairman: — Yes. I think that's a fair comment. I think you're right.

Mr. Muller: — If he's required in a meeting on Thursday, we'd have to set it off for another day.

Mr. Chairman: — We could set it off.

A Member: — Let's do it.

Mr. Chairman: — We can set it off. I don't think we want to . . . If you're required to be at a meeting, I think, out of fairness to your other duties, we will ask you to be . . . Can we schedule you for Thursday of next week?

Mr. Gibson: — Yes, you can.

Mr. Chairman: — Okay. All right. Thank you very much for coming. I would ask members to just wait another three minutes or so, and we will decide on our agenda.

Let me give you the rationale. Here's what I did. I took the 1984-85 *Public Accounts* that committee members had said they would like to yet have an overview over, and I gave them a priority. And so you will see them all at the top because I thought that would be the reasonable chronological event that we should be following.

So I start with Advanced Education and Manpower, and I go down to Tourism and Small Business. They all include 1984-85, but when while we're calling, for example, Advanced Education and Manpower, we might as well call them after we've done with '84-85, '85-86 as well. Then we don't have to make them come . . . we may take two days, but we don't spread them out over several weeks.

And then the others I listed here on the basis of what I could remember being some of the discussion in the committee on the part of all members and what I thought . . . I guess I was guessing what the committee members might have thought would be a priority. I gave some of the larger departments more priority than some of the smaller ones. And I left 18 and 19 on the bottom because in the notes that I was provided it said "tentative," so we may want to decide whether we still want to call them at the end of the day when we come to that point.

I recommend this to you. I am not wedded to it. If you wish to change or rearrange, I'm quite happy, but at least it will give us a guide. And in this case, if you approve, for next Thursday we will call Advanced Education and Manpower

A Member: — Next Tuesday.

Mr. Chairman: — I'm sorry, next Tuesday. My apologies.

This getting up at 6:30 is getting me down.

Mr. Lyons: — Yes, Mr. Chairman; just before we do that, I'd like to apologize to Mr. Martin for interrupting him when he was speaking at that time.

Mr. Chairman: — I was just about going to slap your knuckles.

Mr. Lyons: — It was the wrong forum. So Mr. Martin, I'm sorry, you did have the floor, and I'll try to contain myself in the future.

A Member: — One other point?

Mr. Chairman: — Let me find it. Oh, Education, no. 11. After I wrote this out I refused to re-write it another time and there was no typist around to type it. So I, under Education, I thought maybe we should move that up with Advanced Education and Manpower because now it's part of that department. So I would propose we move no. 11 to be part of no. 1.

Mr. Muller: — Well just for clarification. Education in the year under review was still . . .

Mr. Chairman: — It will be the same officials.

Mr. Muller: — Oh, yes.

Mr. Chairman: — Is that okay? Okay, that's all I have.

Mr. Rolfes: — What are we doing, just a procedure here. Are we going to have two departments here?

Mr. Chairman: — Well I think in the case of Advanced Education and Manpower it may be sufficient to have one. But I don't know that. Let's test one and see how it goes, and then when we get to some of the other departments in which there does not seem to be many issues, we will have one in and another one standing by so we don't waste a day. But I think we can only sort of judge that on a weekly basis. And I'll try to give you that recommendation.

Mr. Rolfes: — Another question. Nobody knows when this legislature is going to end, I guess.

A Member: — He does. He's the only one.

Mr. Rolfes: — Maybe Lloyd does. No, but let's say . . . if we say . . .

A Member: — Well if we don't, nobody knows.

Mr. Rolfes: — No, but if we say Christmas . . .

A Member: — It's up to you fellows.

Mr. Rolfes: — No, it isn't. Where's the legislation. The thing is, I really don't know. I don't know how much more legislation stuff is forthcoming. The point I want to make is, how many sessions do we have left? Let's say the session ends at Christmas; has anybody worked out how many hours we have because I really think if the committee is going to be efficient, we've got to say, okay,

look it, we've got 50 hours and we've got 19 departments, We've got to sort of regulate ourselves if we're going to get through the whole works.

Mr. Chairman: — Well I'll start coming here with a hammer. Mr. Neudorf . . . Mr. Martens was before you. I'm sorry, I don't want him to get angry.

Mr. Martens: — That's not much of a threat. I was just going to make a comment as to . . . I checked off Sask Forest Products, Ag Credit Corporation, and Crop Insurance, Are all three going to have to be asked to come into Regina to deal with these? I think, probably. So what I would suggest that you do is to have them start the day off and then flow through to something else that is handy. And if you could schedule them, and I'm sure that we would run into the same problem that Mr. Gibson was going to on Tuesday, so if you would give them a day in a week or so to focus their attention, I think we could accommodate a lot that way.

Mr. Chairman: — I agree, and I'll try to work it out with Gwenn that we give them sufficient notice because there are other commitments. I mean, we could require them to cancel other commitments, but we don't want us to get into that kind of harangue.

We are adjourned, thank you.

The committee adjourned at 10:35 a.m.