

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**March 14, 1989**

**Mr. Chairman:** — I call the meeting to order. On the agenda today is the consideration of the Department of Finance, including the Department of Revenue and Financial Services and the Municipal Employees' Superannuation Commission. I wonder, is it your wish that we put questions to the auditor about these departments prior to hearing from the departments?

**Mr. Muller:** — I just want to make a little comment on the steering committee meeting that we had last week when the chairman, vice-chairman, Clerk, and auditor, and one of his officials were at . . . and this fifth paragraph on the letter back to Mr. Neudorf; I think maybe it was a misinterpretation of what I said.

But regardless of that, I had to agree with Mr. Lutz when he said that he would, rather than answering questions by mail or from his chair as an adviser, would certainly be willing to come as a witness and bring another adviser to the committee. And I think at that time we decided that before we called the Department of Finance that we would ask the committee if they wanted to review the agenda that you and I had set up to see if we wanted the Provincial Auditor at some time during the agenda, at the wish of the committee, to appear as a witness. That was my understanding when I left that meeting, and I think maybe, before we call the Department of Finance, that we should deal with that item if that seems fair to the chair.

**Mr. Chairman:** — I think that you're entirely right to raise it at this point, and is it the wish of the members that we now deal with this item then or put it onto the agenda?

**Mr. Neudorf:** — Might as well.

**Mr. Anguish:** — Are you suggesting we put it on the agenda at some time in the future?

**Mr. Chairman:** — No, just Mr. Muller has raised an item which has been the subject of some discussion between he and I and Ms. Ronyk and Mr. Lutz, and he is now suggesting that this matter be dealt with on the agenda at this point.

**Mr. Muller:** — No, I'm suggesting that it's at the wish of the committee when we call the Provincial Auditor as a witness, or if we call the Provincial Auditor as a witness. That was something we discussed at our meeting. I think that it should be brought before the whole committee rather than just the steering committee at which we had a meeting last week. And so I thought that was one of the things that we were going to deal with prior to calling the Department of Finance.

**Mr. Rolfes:** — Mr. Chairman, I'd like to make a comment or two on this. First of all, let me say that I know Mr. Muller is not suggesting that, but we certainly can't deal with that today. It wasn't on the agenda, and I mean we can't deal with the subject matter. Whether we put it on a future agenda, that's another matter, and I think that's what you are addressing. I don't quite understand what the problem is — calling the Provincial Auditor as a witness to what? That's what I'd like to know.

**Mr. Muller:** — I can clarify that. I guess Mr. Neudorf, at one of our previous meetings in February, was going to ask some questions of the Provincial Auditor. The Provincial Auditor . . . or at that time Mr. Prebble, who was a member of the committee, said that maybe he should forward them to the Provincial Auditor in writing rather than take up the time in committee. And Mr. Neudorf did this. The Provincial Auditor felt that sitting as an adviser to the committee rather than a witness and that he was unable to answer them, for one reason he felt that Mr. Neudorf was acting as a private member not a . . . it wasn't questions of the committee which we had some discussion about, because when he was going to ask the questions, Mr. Prebble was the one that asked him to send them in writing and there was no dissenting voice, so I would suppose along those lines he was acting as a member of the committee.

But the Provincial Auditor felt that sitting in an advisory position at this end of the table, he wasn't able to answer some of those questions, but he would be willing to be called as a witness, bring his auditor in that audits him to sit as an adviser, move down to the other end of the table and answer questions that were put to him.

And so just to clarify what we went over at previous meetings then at our steering committee meeting last week, when he said that he would be glad to appear, I asked Mr. Van Mulligen, the chairman, if we should have that as a first item on our agenda this morning; when we should put it on the agenda or if we should, and it should be up to the committee whether it's put on the agenda and when it's put on the agenda. I'm not saying that we have to do it immediately.

**Mr. Rolfes:** — Mr. Chairman, I'd like to make a few comments on that. I have read with some care the questions posed by Mr. Neudorf, and I have some concern about that. On the other hand, I welcome the kinds of questions that were asked, and if the type of questions that were asked by Mr. Neudorf will apply to the committee then as a whole as we call witnesses before the committee, if they apply to all the departments in the same manner then I welcome that approach because that opens up the whole committee to not just a year under review but any year of that department right from beginning — it doesn't make any difference what year it was — to the present day.

And I would welcome that approach, the openness, and I appreciate Mr. Neudorf's concern about the committee not being open to that extent. He applies that to the Provincial Auditor, and we're going to have a look at the Provincial Auditor department as a committee, then I would like to have the same length and breadth of the questions applied to the committee to all other departments because that changes the whole committee. We have so far, and Mr. Neudorf, if you'll check the minutes, has on a number of occasions brought that to my attention when I was not under the year under review, has brought it to the attention of the chairman that I was out of order. And therefore if we are going to apply that same assessment and that same analysis to the other departments, I think that is something that the committee should discuss in a future meeting and I would welcome

that.

But if that does not apply, if those same rules do not apply to other departments, then I would object very strenuously to pick out one department, and that is a servant of the Legislative Assembly, the Provincial Auditor, and put him under scrutiny by this committee, if those rules don't apply to other departments. And therefore I would object if those rules don't apply equally to other departments.

**Mr. Muller:** — ... (inaudible) ... just to answer your question. As you very well know as being on Public Accounts Committee for quite some time that any department official as if Mr. Lutz was a witness, would be able to say, I'm sorry, sir, I can't answer that question because it's not the year under review, and any department or the Provincial Auditor can refuse to answer the question on those grounds. So I can't say whether the Provincial Auditor would answer all of those questions or not, until he was at the other end of the table as a witness, and he may have some very good reason for not answering all the questions that were put to him, as any other department.

**Mr. Chairman:** — If I might, Mr. Rolfes, I sense that we're getting into a debate on the types of questions and things like that that might be asked, but we haven't even agreed whether or not we should be calling the auditor at some future time on the agenda to review the auditor's department, and I wonder if we might deal with that question first before we start dealing with, you know, the specific kinds of questions that may or may not be asked.

**Mr. Rolfes:** — That question is very difficult to decide because ... I'll give you an example. If that is the case, then any one of the members could write up a number of questions that he would like to have the departments come before this committee as a witness, to go over not just the year under review ... Most of the questions that Mr. Neudorf has asked are not of the year under review; they go over the whole breadth and length of the Provincial Auditor. And therefore when you say, are we going to call the Provincial Auditor, for what year?

I mean, do we want to examine the Provincial Auditor for this year, for last year, for all 15 years? And if we're going to call him for 15 years, my answer immediately is no. That's why I can't agree to say yes or no to the request. I've got to know what the purpose is. What's the reason? Does that mean that from ... if I bring a bunch of questions here to this committee and go in detail over the last 15 years of the Department of Finance, that the committee then is going to decide that we're going to call the Department of Finance and we're going to go over the last 15 years?

Look at the questions that have been asked. They don't pertain to one particular year; they pertain to a number of years on the Provincial Auditor. And therefore I can't say yes or no to that. I need to know what the purpose is.

**Mr. Anguish:** — Mr. Chairman, I think it's incumbent on you to rule whether or not the questions are in order. And I don't know what the long-standing traditions are of this committee, but I would have to agree with my friend, Mr. Rolfes.

It's been my understanding, and from what Mr. Rolfes is saying now, the only questions that are appropriate are the questions in the year under review. And I think, Mr. Chairman, that you should be ruling as to whether or not they're appropriate questions. If questions are inappropriate, they should not be asked by the committee or members of the committee.

And so although I agree that if we want Mr. Lutz here as a witness, by all means he should be here as a witness to answer for the Provincial Auditor's office. But I think it's up to you, Mr. Chairman, to rule as to whether or not the questions are appropriate or whether they are inappropriate, and it seems to me that questions going back 15 years are not appropriate.

**Mr. Chairman:** — Thank you, Mr. Anguish. I wonder, Mr. Rolfes, I might just respond to what Mr. Anguish has been saying. I would say the following. First of all, there are no questions before the committee for me to rule on. Secondly, at the point that we do decide as a committee that we want to call the Provincial Auditor as a witness to examine his office, I will be guided in ruling on any question by the mandate of the committee and by the practices of the committee. The mandate is laid out in various reports approved by the legislature. The practices of the committee suggest that questions of a department and the auditor would be appearing as a department, then, in that instance.

Questions are limited to the year under review as far as departmental operations are concerned, but may, may — and it's a difficult, grey area — may extend to questions that the auditor raises in his report about that department if those comments of the auditor's do not strictly pertain to the year under review, although by and large they have pertained to the year under review when it comes to his review of the departments.

So I would just simply say that at the point that the committee decides that it wants to have the auditor appear as a witness to answer for operations in his department, my sense would be that the questions should generally fall within the mandate of this committee. Secondly, the question should, I think, be in keeping with the kinds of practices that we normally observe in this committee; that is to say, questions will be addressed to the year under review.

And there may be other practices that I can't readily recall at this point, but certainly that will be the kind of thing that will guide my ruling at that point if any ruling is required because, again, I don't know. No questions have been put before us; the auditor is not under review at this point. I see this as an exploratory discussion this morning.

**Mr. Hopfner:** — Thank you, Mr. Chairman. Mr. Chairman, when we are talking about the Auditor General in his ... or Provincial Auditor. When we regard him as a servant of the Assembly and a servant to all members, and he serves this committee in a capacity to bring various topics of concern to this committee, he also brings with him a vast amount of knowledge to this committee. And in order for any member on this committee to function properly there, basically what

we're after is a point of information, clarification, and the only way to do that is to ask questions of the auditor.

The auditor is supposed to be a type of a friend of this committee and to help them in any way, shape or form. By suggesting that we cannot get information from the auditor regarding past experiences and topics and reasons for his interpretations and attitudes to those particular questions, well it's kind of putting us in a bad situation as committee members, and we're . . . if we're just going to be under a particular year, then you're saying that we cannot go . . . you're saying on one hand that we're following a tradition, and on the other hand that we're not able to find out information, past practices, through asking the questions and obtaining information.

I think that in order for the committee to function wholly and properly, all members should be able to ask questions of the auditor, at any given time, not just whether he's on the agenda or not on the agenda. And therefore I would suggest that members opposite there are probably trying to infringe on members' rights in functioning in this committee. And I think, basically, the auditor should not be concerned of where the questions come from and what kinds of questions they are, but if there are answers for those particular types of questions, then he should be more than willing to answer, and not just basically for the point of a particular department under the year under review or anything like that. That's a few of the comments I have to add to it.

**Mr. Muller:** — I think we can get off of this very quickly. And I would move:

That we put the Provincial Auditor on at the last of the agenda, for the year under review.

And if that's okay with the committee, or if anybody wants to speak to that motion, fine — speak for or against. Do you want me to write that out? I'm not very good at writing; I've only got very few grades in school. Herman said he would give me a crayon to write it out with. But I think that may settle the impasse we seem to have this morning, and I so move.

**Mr. Chairman:** — The motion is simply that we deal with the Provincial Auditor as a department as the last item on the agenda that we have.

**Mr. Muller:** — As the Provincial Auditor agreed to it in our steering committee meeting.

**Mr. Lyons:** — Yes, I'd just like to say that I would support that particular motion. I think the three things that we can establish are: one, that it's appropriate to bring forth the Provincial Auditor for question; secondly, given the role the Provincial Auditor plays that to put him at the end of the list of departments will not put him in any kind of conflict *vis-a-vis* his comments regarding the other departments which will have come before the committee before him; and thirdly, that the conditions under which the questions are put to the Provincial Auditor are the same conditions that are applied to all departments. And I think that those are contained in your motion, Mr. Muller, and I would certainly support it, and I think that we probably would have a consensus on that point.

**Mr. Muller:** — I'm glad to see we're working in such a congenial way this morning.

**Mr. Chairman:** — All agreed.

Okay, we then are back to . . . Or I might say, before we move on to the agenda then, that Mr. Lutz, it would be the intention of the committee to call your office for examination. As I understand, it would be for the year under review. You may wish to alert the auditor who has conducted the audit of your office to advise him that the committee may wish him to be standing by at that point.

**Mr. Lutz:** — Thank you, Mr. Chairman. Can I have as much notice as possible so that I can arrange for that auditor to be here to sit on your left hand? I don't know what his schedule is, so . . .

**Mr. Chairman:** — Yes, I think the committee wants to be amicable and work that out and give you as much notice as possible.

**Mr. Lutz:** — I will get the same notice from Ms. Ronyk as other departments receive?

**Mr. Chairman:** — Oh, I hope a lot more.

**Mr. Lutz:** — Okay.

**Mr. Chairman:** — Thank you. We then move back to the Department of Finance and are there questions that committee members have of the auditor before we call the department in? Are there questions of clarification and the like that you want to ask at this point?

**Mr. Rolfes:** — Yes, Mr. Chairman, I note that in the 1986 auditor's report you had some concern about lack of monitoring and supervising or security of loans and advancements that were made by various departments. I'm not referring to any specific department now, but I was reading through '86 — I'm not sure if I have these marked or not; I don't think I have. Okay. I want to refer, before the committee's ruling me out of order, I just simply want to refer to 1986, see whether or not the same thing applies for '87. That's my question. So it's for the year under review, and it can save a lot of time if I can just get a comment from the Provincial Auditor if those same things still apply for '87 as they did for '86. If that question is in order, I would proceed.

**Mr. Hopfner:** — Clarification. What are you getting at?

**Mr. Rolfes:** — I'm simply referring to . . . he indicated in '86 that there were a number of occasions where loans and advances were made that weren't sufficiently monitored or there wasn't sufficient supervision of receiving and recording and so on, and all I'm asking is: do those same things still apply to '87 or have they been corrected? I'm referring to the Department of Revenue and Financial Services in 107 and 186:

Consequently, I was unable to determine whether the Comptroller has established systems and procedures sufficient to supervise the receipt, recording and proper disposition of public money.

**A Member:** — What page are you . . .

**Mr. Rolfes:** — 107, 18.06.

**Mr. Martens:** — Are you under '87?

**Mr. Rolfes:** — Well I'm on '86, but I'm . . . well I just asked. All I'm asking is: do the same things apply for '87? And if they don't, then we can get off of that, and if they do, then I have some other questions I want to ask for '87. But if they don't, then we can leave it.

**Mr. Muller:** — If they fixed up the problem in '87, then that part we don't have to get into.

**Mr. Rolfes:** — That's right, and I have no further questions on that.

**Mr. Martens:** — Mr. Chairman, I wonder if you could . . . I'm not opposed to re-asking the question, but if you deal with each department and you raise the question with the auditor at the point when the department is here and Mr. Lutz can answer the question, I think it would . . . You're asking for a general, overall statement, and there might be areas where it's necessary to say that there hasn't been. The comptroller might even add some comments to that, so if you leave it for the time with each department, then you can . . .

**Mr. Rolfes:** — Well I don't mind at all. If I ask it now, I could ask one question and that would pertain to all the departments, and we're done with it. And if they both agree, yes, we've corrected that, then it will be finished. I don't care. It doesn't make any difference to me. I can wait until the department comes, but I thought it was more efficient . . .

**A Member:** — It's far more specific . . .

**Mr. Rolfes:** — Okay, fine with me. Let's leave it till the department gets here, then I'll ask it three times. But I mean, this way we could settle it and be done with it.

**Mr. Chairman:** — Are there any more questions of the auditor prior to calling in the department? Okay, call in the department.

#### **Public Hearing: Department of Finance**

**Mr. Chairman:** — Mr. Wakabayashi, you're well known to members of the committee, or certainly members of the legislature. I wonder, though, if you might take a few moments to introduce your officials to us.

**Mr. Wakabayashi:** — Yes, I'd be very pleased to, Mr. Chairman. On my right is Bob Blackwell. Bob is currently our executive director, operations and budget review, treasury board division. Next to Bob is Bill Van Sickle, who is the department's executive director for the administration of the department.

Now in the back row on the far right, Mr. Doug Matthies. He's the director of accounting and administration for the Saskatchewan Pension Plan. Next to Doug is Dennis Polowyk. Dennis is our director of cash and debt

management in our investment financial services division.

And next to him is Bill Jones, assistant deputy minister of our investment and financial . . . I should say we've changed the name, it's treasury and debt management division. Bill Jones. Next to Bill is Brian Smith. Brian Smith is our executive director for the public employees benefits agency.

And I think . . . (inaudible interjection) . . . Oh, and we have a person who's just making a call — Walter Biech. Walter Biech is director of audit for our revenue division. Those are the officials assisting me this morning. There's Walter here.

**Mr. Chairman:** — Thank you very much. I want to, on behalf of the Standing Committee on Public Accounts, welcome the officials of the Department of Finance. And I might add to that, that we're also considering this morning the Department of Revenue and Financial Services, such as it was during the fiscal year under review, as well as the Municipal Employees' Superannuation Commission. In any event, I want to welcome you here this morning.

The officials should be aware that when you are appearing as a witness before a legislative committee, your testimony is privileged, in the sense that it cannot be the subject of a libel action or any criminal proceedings against you. However, what you do say is published in the minutes and verbatim report of this committee, and therefore is freely available as a public document.

You are required to answer questions put to you by the committee. Where a member or the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk on my right, who will distribute the document and record it as a tabled document.

And I would ask you to address all comments to the chair, and that's something that I might also indicate to the committee members at this point. Having said that, I would throw the floor open for questions at this point.

**Mr. Rolfes:** — Thank you, Mr. Chairman. Mr. Chairman, I have a number of areas that I would like to cover this morning in the Department of Finance. My first question, Mr. Chairman, is: I note this morning that there was a change of name. Did that come under the year under review?

**Mr. Wakabayashi:** — No. The change has occurred effective our current . . . in this current fiscal year.

**Mr. Rolfes:** — Well it would have been quite appropriate to have it done under the year under review, as we will note a little bit later. But I'm glad it was done now.

Did you . . . You did say it was treasury and debt management, did you?

**Mr. Wakabayashi:** — Is now the name of the division — treasury and debt management division.

**Mr. Rolfes:** — I want to underlie the word "debt." That is most significant for the year under review.

Mr. Chairman, I'd like to ask a question of the — and I don't know who would answer this, whether the Provincial Auditor or the comptroller would answer this. But under the year under review, do the same concerns still apply to the Department of Finance as they were in 1986, in so far as it was noted that there was a lack of control in loans, disbursements of loans, and moneys that were given to various departments? That there simply wasn't sufficient security of those loans by the department, and this was noted, I think, by the — not only think, but I know it was noted by the Provincial Auditor. And one of his concerns was that . . . well let me leave it at and then I'll ask another question. Has that particular problem been rectified?

**Mr. Wakabayashi:** — Could I ask, Mr. Chairman, elaboration of the loans that Mr. Rolfes is referring to, the disbursement of loans in the year under review?

**Mr. Rolfes:** — I'm not . . . Yes, I have . . . A little bit later I want to refer, for example, to the Saskatchewan Property Management Corporation of 181 million advance, and also the higher rate loss on the production loan program and the livestock advance program. Those are two significant ones that I want to refer to, and so those are just a couple.

There are others that I could refer to, and I have them marked as I was going to go through this, but if you can show me that you have corrected this particular problem that seemed to have existed in 1986, then I will pursue that particular area. And if you can tell me what exactly you have done to correct that concern that the Provincial Auditor and — well the Provincial Auditor certainly had, and he did indicate that this weakness allows a possibility that revenue recording errors may occur without detection on a timely basis.

And I think that if you look at, certainly, the production loan program and the livestock advance program, there was not timely detection of those losses and they were significant.

**Mr. Wakabayashi:** — You're asking both a general and a specific question.

**Mr. Rolfes:** — Well mine was general and then you asked me to be specific.

**Mr. Wakabayashi:** — Well to understand what your general question was, I think the response to your general question is that the same . . . if you're talking about overall government accounting and control of disbursements, whether they be budgetary or non-budgetary, I don't believe has changed. The same system that was in place in '86-87, I think, my understanding, is in place today. So I think in answer to your general question, the overall system for accounting and reporting and monitoring overall disbursements, whether they be budgetary or non-budgetary, you know, is in place.

But referring to the specifics, because I just want to be sure what you particularly were addressing to, you

mentioned specifically, and I think it's raised as an observation by the Provincial Auditor, the establishment of the Saskatchewan Property Management Corporation and the way the government has chosen to account for capital expenditures. That certainly was a change taken under, I guess, in the year under review, or was it the previous year?

That to me isn't a question of control. It seems to me it was a decision taken by the government to, in effect, amortize capital expenditures over a longer period of time. Previously, as I understand it, capital expenditures say, for hospitals and schools, buildings were treated as a budgetary expenditure. A decision was made at the time to consider that these were longer term assets, and in effect a decision was taken to amortize over a longer period of time the construction of those types of capital facilities.

You mentioned specifically the loss on the production loan program. Yes, apparently a decision was taken in the year of review to consider the losses at that time, and a decision was taken to identify those losses and to write those losses down by way of a budgetary expenditure that was not anticipated at the time when the estimates were put together. And I think that accounted for an expenditure of about \$110 million, but that was a one-time budgetary expenditure in the year under review.

**Mr. Rolfes:** — One further question. So you did take note of the auditor's concern in 1986 on not writing it down, and in 1987 did write down the losses on the production loan program. Is that correct?

**Mr. Blackwell:** — No, I think we're . . . Mr. Chairman, if I could, in '86-87 a provision was provided for as a budgetary expenditure from the province to provide, I believe, to the agcredit corporation some \$ 110 million as a loan loss provision against possible losses on the production loans program. I believe that was consistent with the recommendation of the auditor at that time. I'm not aware of any value of loans that actually have been written off under that program. The amount of money that was paid over was a loan loss provision which in some sense is considerably different than writing off loans under that program. So the amount of money that's reflected as an expenditure in '86-87 was a provision for loan loss, sort of an estimation of possible future loan losses, but it was not a direct write-off of loan losses.

**Mr. Lyons:** — Just following on this, Mr. Chairman, was there an actual transfer of cash from the department to ACS (Agricultural Credit Corporation of Saskatchewan) or is this . . . are you talking an accounting figure in the sense that it became a budgetary item but that there was no value transferred?

**Mr. Blackwell:** — I'm advised by the comptroller, and I would assume because of our cash accounting policies there, it would have been an actual cash transfer to ACS.

**Mr. Lyons:** — So this loan loss provision, was it . . . let's follow a little bit on the control mechanisms within the department. Now this \$110 million transferred to ACS, have you been able to keep track of it? Has there been any

of this \$110 million used by ACS to provide the loan loss provisions?

**Mr. Wakabayashi:** — I don't have any details on that.

**Mr. Lyons:** — Is there any method in place to account for that \$110 million transfer for the loan loss provisions?

**Mr. Wakabayashi:** — May I ask the comptroller to answer the question?

**Mr. Kraus:** — Mr. Chairman, what happens is agricultural credit corporation each year has to determine whether its outstanding loans are collectable and to what extent they're collectable, whether there's a further concern about bad debts or at least the possibility that they won't be collected. And in the event that they determine that they are, that there's the potential of losses, they then have to book them like any business would at the end of their fiscal year.

And I might point out that in the case of this corporation, and the same applies to Sask Housing, two corporations where there are loan loss provisions, the law requires that cash be paid to the corporation to compensate them for the potential losses. Okay?

So that process is gone through each year by the corporation. The auditor reviews the provision to determine whether he thinks it's appropriate or not, and then when he issues an audit opinion, in a sense, is saying whether or not he believes the estimation of possible loan loss provision is fair or not.

**Mr. Lyons:** — I guess the question is, is there a control by the department itself over the disbursement of that loan loss provision or do they have to depend on the audit statement of the corporation?

**Mr. Kraus:** — It's a separate Crown corporation and it has its own management and financial staff and so on, and they receive that cash and must account for it in the same manner as they'd receive any other cash, whether it be from collections or some other revenues they might collect. But they would account for that in their financial statements. I presume it would be taken into cash, okay? But then it would simply become part of their cash or investments that they have in their corporation. And how those moneys are dispersed, I suppose, they could be dispersed for any particular things that the corporation may be empowered to undertake.

**Mr. Lyons:** — Does the department make it a practice to review the financial statements of the ACS?

**Mr. Wakabayashi:** — Mr. Chairman, could I ask Mr. Lyons to repeat the last question?

**Mr. Lyons:** — The last question was this: is it a practice of the department to review the financial statements and positions of the Crown corporations, particularly given its, as I understand, a legislative proviso where in fact it is obligated to provide these loan loss provisions? Do you have some method of control over whether or not the Crown corporation uses that money for the purpose which it is intended?

**Mr. Wakabayashi:** — I think as a general answer, no, we do not have direct control over the Crowns that have been set up. Crown corporations. You're asking if Finance has direct control over the operations of Crown corporations.

**Mr. Lyons:** — No, I'm not asking him that question. I'm asking the question of whether the Department of Finance has in place a method of accounting and checking and scrutinizing the cash which is paid to a Crown corporation to account for the loan loss provisions. I'm asking a very specific question.

**Mr. Wakabayashi:** — I think, Mr. Chairman, the general answer is, no we do not monitor the actual use of funds that are loaned, say to . . . or paid over to the Crown corporations. But we do, of course, when we establish the budgetary and non-budgetary requirements, we of course review their request or their requirements for non-budgetary or budgetary expenditures as part of the budget development process.

**Mr. Lyons:** — Okay. As part of that budget development process then, how does the Department of Finance determine the extent to which loan loss provisions must be provided to ACS (Agricultural Credit Corporation of Saskatchewan) or to Sask Housing? In other words, if ACS comes to the Department of Finance and says, we need \$110 million to provide for loan loss provisions in the production loan program, by what method do you check to see if this is in fact a realistic or viable request or if ACS is just going to the well for an extra little cup of water there?

**Mr. Wakabayashi:** — Well I think on that specific question again, Mr. Chairman, yes, we would review the request put forward and would assess that request against the information provided to Finance in establishing the amount of the either budgetary or non-budgetary expenditure for that corporation that you're . . . (inaudible) . . .

**Mr. Lyons:** — That information provided would be based on past performance which would be the past year and the preceding years. In other words, that the ACS would provide to the department an accounting of the expenditures made for loan loss provisions in preceding years. Is that correct?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Okay. In the year under review and in regards to the production loan program, have any figures been made available to the Department of Finance regarding loan losses directly related to the production loan program?

**Mr. Wakabayashi:** — Mr. Chairman, yes, we received the information from the corporation. We also had the benefit of the Provincial Auditor's observations about the adequacy for provision for loan losses, and that formed the basis of the amount that we established to provide for the production . . . or provision for production loss.

**Mr. Lyons:** — Could you provide the committee with details on precisely how much has been lost by that

program?

**Mr. Wakabayashi:** — I think it would be best to obtain this information either . . . Is the corporation scheduled to appear before this committee or is it before the . . . Yes, I believe the corporation is scheduled to appear before this committee, and we could alert . . .

**Mr. Lyons:** — I wonder if we could receive from your department the figures that were provided to your department from the corporation regarding the amount which has been written off in regards to the production loan program.

**Mr. Wakabayashi:** — Mr. Chairman, could I ask again, what information are you asking for? How much . . . the amount of loans that were written off by the corporation, say as of a particular date, as one form of information that we use to consider the adequacy of the loan loss provision. Is it the amount of loans, say, written off by the corporation as at a certain date, because I think that is factual . . . is that factual information we could obtain?

**Mr. Lyons:** — Given the mandate of the committee, it would have to be as of March 31, 1987.

**Mr. Wakabayashi:** — We would undertake to obtain that information, Mr. Chairman.

**Mr. Lyons:** — I wonder also, Mr. Chairman, if the department could provide the committee with the background documentation as to how it was that the determination was made to a figure of \$110 million.

**Mr. Wakabayashi:** — I think, Mr. Chairman, that kind of background information I presume would be internal information in considering a decision, a budgetary decision.

**Mr. Rolfes:** — Mr. Chairman, I think we need a ruling here.

**Mr. Chairman:** — I'm sorry. I was asking the auditor for some information. Can we . . .

**Mr. Wakabayashi:** — I believe, Mr. Chairman, the particular request to Finance was to table any documentation that was received by Finance relating to the establishment of the production loan loss under the year under review. And it's my interpretation, Mr. Chairman, that this is information that forms part of the decision making process in establishing, you know, budgetary decisions, and I don't know if we're in a position to provide that information.

**Mr. Chairman:** — And you're asking for a ruling . . .

**Mr. Rolfes:** — I'm asking for that information. I find highly . . . Well I just . . . I don't know why that information would be confidential.

**Mr. Chairman:** — What we have here is a point of order, and I'm willing to entertain any comments that committee members may have before I make a ruling on this.

**Mr. Muirhead:** — I'd like to ask a question.

**Mr. Chairman:** — And do you want to speak on this point of order?

**Mr. Muirhead:** — I didn't hear the point of order.

**Mr. Rolfes:** — The point of order simply is that we're asking for information or . . .

**Mr. Chairman:** — I've been asked for a ruling on Mr. Wakabayashi's response to Mr. Lyons's question. Mr. Lyons asked for certain information. Mr. Wakabayashi said that the information asked for "forms part of the decision making process," and therefore was information that should not be provided. Mr. Rolfes then asked that there be a ruling. I'm asking members if they have any comments to make prior to my making a ruling.

**Mr. Muirhead:** — I'd just like to ask the question, gentlemen, or maybe the comptroller can answer this question. Am I correct in stating . . . my thinking was that there wasn't any write-offs in the production loan. It's only a book loss and there is no write-offs, the money's owing. Even if a farmer quit farming there's still a judgement against him and that money is still owing. I was understanding that there is no such a thing as a write-off in the production loan program . . . (inaudible) . . .

Am I correct in saying that?

**Mr. Wakabayashi:** — Mr. Chairman, I don't know whether any loans were written off. That was one specific question asked by Mr. Lyons which we will undertake as to determine whether there were any loans written off by the agricultural credit corporation, say as at March 31, 1987. So I'm not sure if I can confirm your statement that there were no loans written off. We'll ascertain that.

But I think the question that we're referring to here is the justification or the documentation that form the basis of a decision to provide for \$109 million, I think, as a provision for loan losses. And I think that's the particular question that's been put forward and I've been asked to provide whatever information we received at that time to establish that amount, provision for loan losses, which we made a budgetary expenditure of around, I think, \$109 million in the year under review.

And this is where I asked for a point of order, that I felt that this was the kind of information that Finance does receive in considering making a budgetary decision and felt . . . or asking for a point of order as to whether we can provide that type of documentation or information.

**Mr. Muirhead:** — Mr. Chairman, is the agricultural credit corporation going to be called?

**Mr. Chairman:** — Yes, it's on the agenda.

**Mr. Muirhead:** — Perhaps some of these things can be cleared up at that time.

**A Member:** — Well they can't be.

**Mr. Muirhead:** — Well I don't know why not.

**A Member:** — It's for us to determine, not you.

**Mr. Hopfner:** — Well, Mr. Chairman, I don't agree with the point of order that's been brought forth. Basically the fact is that this committee here sits to question whether the dollars have been spent well or not. It's not to determine what the thinking or the policy . . . to determine whether the policy was correct or not, it's whether the spending was done properly and handled professionally and everything else.

But I don't think that the deputy minister or any of his officials should be required to answer on behalf of the minister as to what the particular policy of this government is. I therefore would be opposed to having the deputy minister or his officials bring any kind of that information to this committee, and that if those questions were to be asked, they can be asked of in the House, before the legislature in its proper form, and that if the financial requirement questions were adhered to. Otherwise, Mr. Chairman, we're going to be right back into the same scrap that we had when this committee sat prior to the legislature reconvening.

**Mr. Martens:** — Thank you, Mr. Chairman. I believe that what we're asking for from the committee's perspective, what Mr. Lyons is asking for, would in fact demand that every department, every Crown corporation, would have to have for this committee supplied information that would deal with the aspects of what the decision making process was and how the decision was evolved or how the things that were discussed ought perhaps to be brought to this committee.

I don't believe it should be. I think we're dealing with fact, whether the provisions made by the department were, through the view of the auditor, adequately authorized, that they were done properly.

I noted that under the previous year under review the auditor made the observations of the ag credit corporation that they provide a higher provision loss, and that's what the Department of Finance did. I think that they responded to the Auditor's overview of what they ought to be doing with ag credit corporation under that program. The Department of Finance did that from that recommendation, and I think that's adequate for the discussion.

I really think that the discussion, the overview of why those decisions were made, are really not necessarily required by this committee to be dealt with. And therefore I would be against the Department of Finance providing that kind of information.

**Mr. Anguish:** — Thank you, Mr. Chairman. I'm wondering, the loan loss provisions of \$110 million, does the Department of Finance recover that money under some circumstances? For example, what if there were no losses? You've indicated to us that you can't indicate whether or not ACS had losses in the year '86-87. But what if there were no losses in that particular fiscal year? What happens to the \$110 million?

**Mr. Wakabayashi:** — I think, Mr. Chairman, if we made a theoretical assumption that . . . To the end of the production loan program, let's make a theoretical assumption that all the loans that were made under this program were in fact repaid by all the recipients. Then I think I could say yes, this provision that we provided for would be available to be repaid back to Consolidated Fund.

**Mr. Anguish:** — Do you place a requirement on the ag credit corporation to hold this money in a special reserve account, or does it go into their general budget so they can spend it without any accounting, whether or not it's actually attached to any loan loss provision?

**Mr. Wakabayashi:** — I'm not sure if ACS has established a separate account for this particular receipt. It could very well be just part of the general receipts of the corporation.

**Mr. Anguish:** — Mr. Wakabayashi, there must be some conditions that the Department of Finance would place on that money prior than turning over \$110 million cash to the ag credit corporation. Could you then tell us, sir, what those conditions are that you place on the use of the \$110 million before it's actually turned over to ag credit corporation?

**Mr. Wakabayashi:** — Mr. Chairman, I'm not aware of any . . . The question was whether specific conditions attached to that payment. I'm not aware of any specific conditions attached other than what the purpose of the payment was for. I think then we have to be guided by the corporation's legislative mandate in terms of their overall financial operation, so I . . . Other than the general reason for, or reason for this provision, I'm not sure if there were any further specific conditions attached to such a payment.

**Mr. Anguish:** — Well, ACS comes to you and says, we need \$110 million for loan loss provisions, and there's some kind of a process by Department of Finance and you decide, yes, you need \$110 million, and there's no provisions placed by the Department of Finance on ACS as to how they use that money, whether they hold it in a special account, whether they spend it and then worry about paying it back in future years, or use it to reduce their deficit from other things that might have happened within the ag credit corporation.

Can you tell us then what examinations your department undertook to determine whether or not ACS actually required \$110 million for the loan loss provisions that they were requesting? I certainly think there must have been some kind of process there, some examinations that your department and your officials undertook to determine the amount of \$110 million.

**Mr. Wakabayashi:** — Mr. Chairman, the only thing we can establish is it was a determination of the amount of 109 million, if that was the exact amount, for the provision. As to tracking down exactly how the corporation has used that funds, I think we can only determine that through a review of their overall financial position, and of course, that's reviewed once a year as we establish the requirements for the corporation in subsequent years. We don't . . . if the question is, do we

track exactly how the corporation accounts for that \$109 million other than reviewing the overall financial position of the corporation, I guess the answer is no.

**Mr. Anguish:** — And we're asking you to account for the \$110 million as the deputy minister in the Department of Finance. You're the ones who made the expenditure to the ag credit corporation, and you're now telling me that there was no examination of the \$110 million. You're telling me that there's no accountability in ACS for the 109 or \$ 110 million. We feel, Mr. Chairman, that Finance is accountable for the \$110 million. Does that mean that any department or Crown corporation or agency can come to you and say we need X amount of dollars and you cough up the amount?

And the second thing that concerns me is you say that ACS, it would concern their overall, general financial picture. I would submit to you that it has nothing to do with their overall financial picture because you've said that it was loan loss provisions within ACS that you provided the 109 or \$110 million. So I think that for the department to be accountable, you must have had some type of process to determine whether or not their loan loss provisions would amount to 109 or \$110 million.

Are you saying that there was no examination? Did ACS, Mr. Wakabayashi, come to you and say, we need this amount of money, and you said, yes, and wrote the cheque or made the money transfer? Is that how it happened?

**Mr. Wakabayashi:** — I think, Mr. Chairman, I should maybe clarify one point, and that is that I wouldn't consider this as any other transaction, but I want to make it clear, in terms of the process, that we're dealing with presumably a request handled through the Department of Agriculture.

I want to make it clear that the payment is appropriated and accountable by the Department of Agriculture, not by the Department of Finance. But having said that, we certainly were satisfied in terms of the . . . In terms of the budgetary decision making process, yes. Finance obviously were satisfied that the request for the loan provision that presumably came from the Department of Agriculture, the payment as made by the Department of Agriculture — yes, we were satisfied and presumably made a recommendation to make that expenditure.

As to the details of how that particular expenditure is used, certainly Finance does not have the detailed monitoring of, say, that particular transaction. We have to rely on the Department of Agriculture and ACS to prudently make use of that provision, and then of course we'll review that on an annual basis because again, as part of the budgetary decision making process, we have to determine the request through Agriculture as to what the requirements are for the corporation in the subsequent fiscal year.

**Mr. Anguish:** — Then the request was made to the Department of Finance by the Department of Agriculture, on behalf of the Ag Credit Corporation of Saskatchewan. Is that correct?

**Mr. Wakabayashi:** — Yes. Basically, Mr. Chairman, the request would come through the Department of Agriculture as the responsible department for that particular expenditure.

**Mr. Anguish:** — How much did the Department of Agriculture request from, the Department of Finance? What was the exact amount of the request by the Department of Agriculture concerning loan loss provisions?

**Mr. Wakabayashi:** — I don't know what the request is, but I don't think, again, back to an earlier question by Mr. Lyons, I don't think we're in a position to disclose to this committee what, say, their original request was and what we ended up with. I still feel that that's part of the budgetary decision making process of any budgetary decisions.

The request we receive might be one thing . . . or the amount of the request might be one thing. What we actually determine is what is, of course, revealed to this committee through *Public Accounts*. The amount of the provision is 109 million, and that is the amount that presumably was determined by the government.

**Mr. Anguish:** — And that brings us back to the fact that this committee is here to make sure that, with the assistance of the Provincial Auditor, you had the authority to make that expenditure. And if you can't answer those questions to this committee, as was outlined by the chairman initially, how can we determine whether or not you had the authority to make that type of expenditure?

**Mr. Hopfner:** — Point of order, Mr. Chairman. Mr. Chairman, the member from The Battlefords is leading into, again, the question as to what the first point of order was. And he's asking the Department of Finance to react on policy and to determine why the expenditure was given to the ACS, and therefore I think probably we've got to get back to the original point of order and get a ruling here . . . (inaudible interjection) . . . I've got the floor, Mr. Rolfes.

**Mr. Chairman:** — You have a point of order now . . .

**Mr. Rolfes:** — Yes, because I don't think he's speaking to the point of order, Mr. Chairman; that's why.

**Mr. Hopfner:** — I've got a point of order. Anyway, what I'm saying is we are to rule on that first point of order so as that we can get on with the line of questioning.

**Mr. Chairman:** — I appreciate what you're saying, Mr. Hopfner. I know that you and Mr. Martens addressed a point of order very directly. Mr. Muirhead and then Mr. Anguish also seemed to be asking more general exploratory questions which might help us determine whether the point of order is well taken.

I want to, however, ask Mr. Lyons again to rephrase for us the question that he put to Mr. Wakabayashi that will assist me to rule on this matter. And I see Mr. Anguish experiencing the same kind of resistance to his questions that Mr. Lyons initially had, and it would be helpful for me at this point for Mr. Lyons to restate his question, as

opposed to reviewing the record in a day's time.

**Mr. Lyons:** — Thank you, Mr. Chairman. What I would say and would like to make clear is this: I'm requesting from the Department of Finance the financial rationale — not the policy, not the political rationale — but the technical, if you like, rationale for why it was the decision was made that 109 or \$110 million would be provided to ACS for the loan loss provision.

What I want to find out — and I want to make it clear to Mr. Wakabayashi and the officials here: I want to know on what technical reasons the figure of \$109 million was arrived; how it was that that figure was arrived; what is the formula, if you like. What is the . . . was it 10 per cent of projected outlay? Was it . . . I'm asking about the process of arriving at that figure independent, if you like, from the political considerations which surrounded that decision. And obviously if there was communication between Executive Council and the department regarding that, that would be privileged communication. I'm not asking for that. I'm asking just basically how it was that the department reached that figure in terms of its mandate.

**Mr. Neudorf:** — I believe it was about half an hour ago, I think, when we first of all made this point of order, and in the process we got back to a regular line of questioning, and I was going to address that regular line of questioning.

**Mr. Chairman:** — I know that some directly stuck to the point of order. Others, like Mr. Muirhead and Mr. Anguish, seem to be raising what I would call more exploratory questions which I thought might help us in dealing with this point of order. It certainly has been helpful to me, but go ahead.

**Mr. Neudorf:** — Well the only comment I would make then to the point of order is what my colleagues have already been saying, as well as the fact that we're starting to get into the issues as to . . . and I think the question was why the decisions were made and . . .

**An Hon. Member:** — No, not why.

**Mr. Neudorf:** — I wrote your comment down when you said, why the decisions were made.

**Mr. Lyons:** — Technical reasons for it, Mr. Neudorf.

**Mr. Neudorf:** — And because of that, I'm glad that Mr. Rolfes gives me the floor here. And because we're getting into the policy aspect of it again, I think maybe it's out of order.

**Mr. Hopfner:** — Well I'd just like to . . . just a short comment in saying that in rationale, or the technical explanation from the Department of Finance regarding ACC, it basically cannot be answered without getting into some policy decision making. And what I'm saying is that it's unfair to the Department of Finance officials to be here to discuss those kinds of things that should be asked of the minister himself as regarding policy of this government and the direction this government is taking. And they're here. They've duly noted that there is \$109 million spent to ACC and for the particular reasons identified by the

auditor's report, and we should stick to that.

**Mr. Martens:** — I think that we have to deal with this committee on two items: what the audit is, and what the authorization is, and the expenditure. And if we deal with process, we'll go back to the same discussion we had in the end of February where we dealt with process as a method that we can't handle in this committee, because we have two differing perspectives of what the outcome of process should be. And I don't think that we will get anywhere if we argue that we have to know what the process was in determination. I honestly don't believe that you're going to get anywhere, and I think that you have no choice, Mr. Chairman, but to rule that question out of order.

And process, from now on we will challenge that as a deterrent to the ideas that are generated within departments; ideas that are generated within the minister's perspective. And I don't think that the deputy has to answer that. If you want to ask the minister that, at any point in time, process is his responsibility and he can answer that, but not under the kinds of mandates that this committee is given and the authority that we have as a committee. Process is not a requirement.

**Mr. Rolfes:** — Mr. Chairman, I wish to make a point. I think the auditor has clearly indicated in his report — and that's why we have asked the question — clearly indicated in his report that the loans outstanding on the loan production program and the livestock cash advance program was \$135.5 million. Doesn't it seem rather strange to anybody in this committee then that the Department of Finance would make a loan to ACS of \$109 million? I would think the logical question then is: what about the difference? Why is there a difference of \$25 million?

Why did they not advance \$ 135.5 million? Or does one have to assume from that, because it's just a logical deduction from it that they have written off the rest, that they have simply written off the rest and that the advance that has been made from the Department of Finance to the Department of Agriculture . . . pardon me, through the Department of Agriculture, ACS has simply been written off?

And I think we, as a committee, this then comes down to: is the money expended in the right fashion? And we have to hold the deputy minister responsible because he makes the decision. He is the top civil servant. He is the top civil servant that advises the minister, and as such we would like to know why a decision was made for \$109 million rather than \$135.5 million. There have to be some arguments had to be advanced. And what were those arguments from Department of Agriculture?

I assume the Department of Agriculture is not a political department, and I assume the Department of Finance is not a political department, and I assume that this was discussed from deputy to deputy. That's not a political decision, therefore it has nothing to do with politics. It simply has to do is what did the deputy minister of Finance put forward as arguments to the deputy minister . . . pardon me, deputy minister of Agriculture put forward to deputy minister of Finance to give him \$109 million

rather than \$135 million.

**Mr. Wakabayashi:** — I'll ask the comptroller to clarify this figure of 135 million because in terms of the program, the production loan program, I don't have the exact figure, but I thought the outstanding loans of that whole program is not 135 million but closer to \$1.2 billion. I think that's what I thought was the overall program. But could I ask the comptroller to clarify the 135 million.

**Mr. Kraus:** — I think probably the auditor will want to speak to this too, because we've got two sets of numbers and it is a bit difficult to keep it straight, even for those of us that know what the numbers are. Because the auditor was qualifying on some values that he had established, I suppose it would be based on the end of '86. I believe the auditor might agree with me there. They were using numbers I think, or at least numbers that were based at some point in time which were not as current as the numbers that we eventually used.

In other words, the positions of some of these corporations and so on, by the time we wrote them off, had come around another year . . . wrote them down, or provided for them. I shouldn't say write them off, necessarily, but at least provided for losses.

And when you're taking the number of \$135,550,000, you've really got there a qualification by the auditor where he felt that Sask Forest Products should be written down or provided for to the tune of twenty-one million, five hundred and ten; the transportation corporation 7.4; Sask Economic Development Corporation, 16.2; giving you a total of 45,550,000.

The numbers he had then indicated that perhaps at least at March 31, '86, he said that there should have been a provision for agricultural credit corporation of ninety million three, which would give you a value of 135 or a total of 135,550,000 as at March 31, '86.

We were doing our evaluation much later than that. I mean, some of these . . . This became apparent that we should provide for some of these Crown corporations, just not agricultural credit corporation, in about January, February, 1987. And so then, of course, we provided slightly different amounts for forest products, transportation, economic development corporation. I believe you can find it in the financial statements.

We provided \$56 million in total for that group instead of the 45 million that Mr. Lutz had been concerned about approximately a year earlier. And then our agricultural credit corporation, instead of being a \$90 million figure, time had passed on a bit, and I believe then we settled on 109 million. So that's the problem, trying to relate these numbers. We're not talking about the same numbers, and we're talking about different points in time. And I think the auditor might confirm that.

**Mr. Wendel:** — I guess if I could, Mr. Chairman. I think if you go to our report on page 58, the '87 annual report, and paragraph 12.04 would be the one at issue, and 12.05.

. . . the audit report is advising the reader of the

financial statements that the deficits in the crown corporations set out in paragraph two of my auditor's report have not been recorded in the 1986 financial statements . . .

And it was our view that they should have been recorded in 1986. Now it goes on to say:

The government has taken the position that they wish the losses to be recorded in the 1987 fiscal year.

And that's what's at issue, is the years that they're recorded in.

**Mr. Rolfes:** — So, okay, let me reread this then. What you're saying then is, if I read this correctly, that the . . . No, can't find that in here either, because it's just not . . . Okay, let me ask the question then. Now the deputy minister won't answer, I suppose. But what was the indicated debt loss under the year under review for the production loan program and the life-styles events program, as you knew it?

**Mr. Chairman:** — Herman, is this in the point of order?

**Mr. Rolfes:** — Yes, I need to know.

**Mr. Wakabayashi:** — Mr. Chairman, I don't have the information as to what . . . The question was what we estimated was the debt loss for the corporation as at March 31, '87, compared to the debt loss of presumably 90.3 million of the previous fiscal year. No, I don't have that information. Presumably again the question is in determination of the . . . No, I'm just speculating when I'm saying I'm guessing. Maybe the 109 million was based on the estimated deficits, but I don't know.

**Mr. Rolfes:** — Mr. Chairman, is there any possibility that the Department of Finance can provide that to us for the next meeting? The Provincial Auditor has indicated what the loan losses were as of March 31, '86. I would like to know, in the year under review, what were those loan losses as of March 31, 1987 for next stage.

**Mr. Wakabayashi:** — I presume, Mr. Chairman, that we have the statement of what the actual financial position of the agricultural corporation was as at March 31, '87. We'd have an actual number, wouldn't we? But I don't know what it is. We could get that.

**Mr. Rolfes:** — Yes, if you could get the production loan program and the livestock advance program. Not accumulated but separate.

**Mr. Wakabayashi:** — I'm not familiar with the statement. Are the statements . . . separate out the accumulated deficit by those programs? I mean, obviously we can certainly get the accumulated deficit of the corporation as of March 31, '87, but I don't know if the statements break it down by the programs asked by Mr. Rolfes. I don't think so.

**Mr. Lyons:** — Well I don't know if this is on the point of order or not. I mean, I want to put it back to the point of order because I'd like a ruling. The question that is before

us is a very concrete request for a specific piece of information which relates to the accountability questions which have been raised by the Provincial Auditor as to the disbursement of moneys from the Department of Finance to the agricultural credit corporation.

All I'm asking for, Mr. Chairman, is that they provide the documentation. The agricultural credit corporation made a request for a certain amount of money to be provided for loan loss. There must have been a rationale for that request. The Department of Finance then dispersed a sum of money based on their determination of what the loan loss provisions should be. What I want to get from the Department of Finance, from Mr. Wakabayashi and his official, is what was the rationale to disperse that amount of money for loan loss provisions?

Now it doesn't seem to me that that's a question of policy or political direction or anything. It seems to me that that's a very kind of specific question relating to how the Department of Finance accounts for the accountability in regards to the disbursement of moneys. Because the other part of the question I will ask for is, having made the determination that this amount of money was to be provided to ACS for loan loss provision, how is it that the Department of Finance accounts for the loan losses incurred by ACC (agricultural credit corporation)?

And it seems to me that those questions are perfectly within the purview of this committee. What we're talking about is how does the Department of Finance keep count of the dollars and cents that are provided to it by the taxpayers of this province, put out into various and sundry government departments and organizations and Crown corporations, and how does it, as the Department of Finance, account for the expenditures and to keep track of how things are going in terms of the overall financial picture of the province.

That is not a political question; that is an accounting question. That is a technical accounting question of precisely how does it keep charge. Does it have a computer program in which the departments are hooked on-line, for example, in which the statements from the department are put to it on a weekly basis or a monthly basis or a quarterly basis or a semi-annual basis or whatever?

What I'm asking, Mr. Chairman, is for a ruling that this is a technical question dealing with accounting accountability and no more. So I would ask you that my question is in order and that the department provide me . . . provide myself and the other members of the committee with that information.

**Mr. Chairman:** — Members of the committee, I know there's a number of people on the speaking order, but do they have any comments to make particularly, specifically to the point of order at this point? First of all, Mr. Muirhead, do you?

**Mr. Muirhead:** — I pass.

**Mr. Chairman:** — Mr. Anguish, do you? To the point of order. Mr. Neudorf?

**Mr. Neudorf:** — I guess the only thing I want to bring out is a caution to the last two members that have spoken here, and that is the fact that some of the statements made by those members are exactly the kinds of statements that got us into the situation that we were in in February and the breakdown of this committee.

When Mr. Rolfes makes the direct statement that we have to hold the deputy minister responsible, we're coming back to the fundamental premise of this committee again. You made that statement, and you made that statement directly. And I just cannot accept that, and this committee cannot accept that in a parliamentary democracy, that we can hold a deputy minister responsible. And that is just not acceptable whatsoever.

And relating to Mr. Lyons's comments on accountability and soon, of course I agree with him that we have to hold him accountable, but not accountable to the degree that anything that has to do with the decision making process again is going to be something that the deputy minister is responsible to this committee for. He is not. He's responsible to his minister, and if his minister decrees that this is a part of his decision making process, then the deputy minister has no right to be accountable and even to answer that type of question.

But just for my own clarification on some of these issues that have been brought up by the members opposite, I think I'll direct a question to the auditor to help me make up my mind as to some of the concerns that he may have. The members opposite are expressing concern that the Department of Finance has released moneys to the Saskatchewan ag corporation.

And I guess what you're wondering about and wanting to know is kind of an audit trail as to what has happened to that money specifically after it got into the ag credit corporation. And if I read the situation correctly, the deputy minister here is saying that once they have released the money to ag credit for the purpose of having some kind of a loan security, basically what it is, then it is up to the ag credit to use that money accordingly, and ag credit is going to be responsible to this committee to account for what they have done with that money.

Now my question to the provincial auditor is, is this a concern that you have expressed yourself that you feel that there is a lack of an audit trail whereby this money that has been released to ag credit is going to be lost? Do you have that concern? Did you express your concern in your audit? I've been trying, while this discussion was going on, to find some direct reference that you have made that corresponds to the concern of the members opposite. And if so, I would appreciate your directing me in your report to that particular concern so that I can read that and make a decision based on your answer.

**Mr. Lutz:** — Mr. Chairman, Mr. Neudorf, our concerns, as Mr. Wendel read in a little earlier, were directed precisely to the valuation that should be placed on certain loans in the main financial statements of the province. They have loans to Crown entities. And if you read the Note 1f, I believe, these statements are prepared by Mr. Kraus. He states therein . . .

**Mr. Neudorf:** — What book are you in?

**Mr. Lutz:** — I'm in the "Main Financial Statement," Volume 1, '86-87. This is what we are discussing here. Okay, it's Volume 1. It's the Consolidated Fund "Main Financial Statement."

**Mr. Hopfner:** — What page are you on?

**Mr. Lutz:** — Okay, just a minute. The balance sheet of the Consolidated Fund is on page 28, and in the assets of the Consolidated Fund they have certain loans to Crown entities. Okay. And our concern when we did this audit was that these loans be properly valued. And if you read Note 1f, in the "Significant Accounting Policies," which is on page 35, Note 1f states:

These are loans made for a period of greater than one year . . . Loans are valued at cost . . . In cases where the liabilities of a crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded . . . the loan will be written down.

Our concern when we did this audit was that we felt that the loans to Crown entities were overstated by these two amounts, 45 and 90, and that is why we qualified our audit certificate. We said the loans are overstated by 135 million, and subsequently, when the finance people dealt with this matter, I think they agreed with us. Then we had a problem of which year. But that really was the only problem we had, and this chapter on finance deals only with finance. We had no concern at this point with the audit trail.

Did I answer your question, Mr. Neudorf? I tried to.

**Mr. Neudorf:** — I have to admit that I didn't . . . I was trying desperately to follow you in the book.

**Mr. Lutz:** — Okay. On page 28, they have "Loans to Crown Entities" as an asset of \$6 billion. I think that's where these are located. And our concern on this audit, and this audit only, was that those loans appeared to be overvalued, if you looked at the financial condition of the borrowers. And so these were adjusted downwards in, we thought, the wrong year. But anyway, I think Mr. Kraus and I agreed that that's the way it should be.

Now if you're concerned with the Ag whatever, I guess you go to a different set of financial statements to see what happened over there.

**Mr. Neudorf:** — This was my concern.

**Mr. Lutz:** — I have no concern with an audit trail, no. Okay.

**Mr. Neudorf:** — Thank you very much.

**Mr. Lyons:** — Mr. Chairman, maybe this can clear it up because in terms of the valuation of the loans and the questions that Mr. Lutz did raise under that footnote, relates it seems to me to the question of how, not only of how valuation, but how loan loss provision was made. And this is a determination of the Department of Finance

and this was the rationale for the question.

So it seems to me that Mr. Wakabayashi is able to, given the discussion that is going on, is to provide us with the technical reasons for how the loan loss provisions were provided at, and also some of the other questions that will emerge later on as he appears before the committee.

**Mr. Chairman:** — I have Mr. Hopfner on the point of order.

**Mr. Hopfner:** — Thank you, Mr. Chairman. Mr. Chairman, the question is accountability and policy. We definitely have two different meanings here and when we're discussing the accountability of a particular department such as ACC to the Department of Finance, etc., the accountability still goes back to the department and the deputy minister and how they are expending those dollars under their particular legislation that governs that department.

And when we decide on this point of order, we're definitely deciding here that the accountability to the Department of Finance from another department is basically just that, but the policy does not enter into the discussion, or should not enter into the discussion in the committee regarding that accountability. That policy and the questions of the policy should be directed directly to the minister on the floor of the legislature, and therefore I am not in favour of having this committee go beyond their jurisdiction.

**Mr. Chairman:** — Thank you, Mr. Hopfner. Mr. Wakabayashi, if I might, Mr. Lyons asked you for some questions as to the financial, technical rationale, and by that, one could interpret him to ask for: well what was your policy, your rationale; why did you do things in a certain way? Or one might interpret his questions to say that: what information did you have at your disposal subject to a process that was in place? What information did you have at your disposal which led you to formulate or to agree with X amount for a budgetary provision?

It may well be that Mr. Lyons' question was badly worded, but I want to ask you: would you have problems in providing him with information, subject to any process that's already in place, which led you to conclude that yes, a certain budgetary provision was appropriate?

**Mr. Wakabayashi:** — Mr. Chairman, I think, as I understand it, what is not at issue is the legitimate authority for the Department of Agriculture to make this provision. I don't think there's been any discussion as to the rationale to make the provision for, and I think we've answered about the audit trail and the accounting.

So I think we're down to . . . the difficulty I see . . . I think the question is, relative to this transaction, what information, what presumably . . . presumably there was a request we received from agricultural . . . ag corporation, through the Department of Agriculture — keep in mind this is payment by the Department of Agriculture — and what other information did we look at at that time to arrive at a determination to (a) make the payment and the amount, the amount of 109 million. And I feel that this is the kind of information that I didn't think

is public information, that I feel it's part, as I say, part of the budgetary decision making process that we arrive at, whether it's for the determination of this particular amount or any other provisions in the budget on any other payments. So I would find it awkward to provide this type of information.

**Mr. Chairman:** —As I listened to Mr. Lyons, I understood him to be concerned about the effectiveness of the Department of Finance in determining whether or not the budgetary provision that was made was an adequate one.

And as I listened to him, I understood him to say that, or understood him to mean, that he needed to know what information you had at your disposal when you made your decision, so that he could determine whether or not that was an effective decision. But you're saying that information would . . . Your interpretation is that information should not then be provided to the committee.

**Mr. Wakabayashi:** — Yes.

**Mr. Martens:** — I think you've stated precisely the point that I raised. The process for the decision making is not in his purview to give to this committee. It is not our mandate as a committee to ask those questions. And we had the auditor say that the tracking of the audit was done, in his opinion, correctly. They had no problem in tracking it, and I think that that's the thing that we in this committee are authorized to do.

And I don't think that anyone has the right to ask for the process in the decision making and what defined that, and the areas of definition in that process. I don't think this committee has a mandate for that, and I will stick with that. And I haven't seen it happen so far, in all of the things that we have done, where we have allowed that, where that has been a part of it, and I don't think it ought to be.

**Mr. Chairman:** — The other question I just . . . Thank you, Mr. Martens. The other question I just want to ask you, Mr. Wakabayashi, is in determining, the year under review — and all questions have been relevant, I think, to the year under review — in determining the budgetary provision, was this a policy . . . you believe this to be a policy decision that did involve the minister? Was there a discussion with the minister on that?

**Mr. Wakabayashi:** — I'm just guessing, Mr. Chairman, but I presume the answer is yes. I mean it obviously is a significant, first of all, a significant item to start with in budgetary terms, so I'm speculating, I would say, yes, I presume that we went through the process. I presume that Finance established that there was a rationale or basis to make that provision, partly based on observations in the previous year by the Provincial Auditor about inadequate provision for loan losses.

I would say, yes, we've established that the Department of Agriculture had the legislative authority to make such a payment, and I presume all of these considerations were put to ministers to make this budgetary decision that we're addressing today.

**Mr. Chairman:** — I wouldn't want you to guess at this

because I know that you were not the deputy minister at that time, and you may want to consult with your officials, but I just want to again make it clear whether this is a matter of policy or whether it's just a matter of asking for some information that should be provided to the committee.

And it would be helpful for me to know is that if, in addition to the policy making process, to the process that's laid out for determining what the loan loss provision should be, was there a discussion with the minister on this particular budgetary provision? Subject to all the information that you received on it, was there a discussion between the deputy and the minister in this matter?

**Mr. Martens:** — You're trying to get around to the same kind of questions, only you're asking them in a different way, and I'm going to call you on a point of order. I don't think that the process — and you're asking for the deputy to make a decision on the basis of information that he is not entitled to. As a member of the cabinet they make decisions and the process is there. You're asking him to assume that he knows what was going on there, and I don't think you have a right to ask that. And that's a part of the process for decision making that you don't have the authority to ask, members of this committee don't have the right to ask.

And going back to the point I made before: authorization — we've had the auditor explain that, that the tracking was adequately done, and I don't think we have to deal with that. You're putting the deputy minister on the spot for things that he and his minister may have been discussing that is relevant to the cabinet, and I don't think you have the authority to do that.

**Mr. Chairman:** — To the contrary, Mr. Martens, I'm trying to get the deputy off the spot. I'm trying to get him off the spot.

**Mr. Anguish:** — Would it be helpful in getting the deputy off the spot — since we're not getting anywhere in this anyway, could we maybe move on to another line of questioning before the . . .

**Mr. Chairman:** — Oh, I think we're probably going to adjourn for the day before we do that.

**Mr. Neudorf:** — I would appreciate a ruling on this point of order.

**Mr. Chairman:** — I think at this point I would rather review the record and make a ruling before we meet again. I mean, whether the ruling is now or is on Thursday at 8:30 is hardly relevant, I think. But . . .

**Mr. Neudorf:** — Do you want to make a ruling before we meet again?

**Mr. Chairman:** — Let me . . .

**Mr. Lyons:** — Mr. Chairman, I wonder if I could just maybe, in helping you make this determination, if I could refer to The Financial Administration Act of the province.

Mr. Martens' comments that we're here to act as an audit committee is not correct. The mandate of the committee is far broader than as strictly an audit committee of the government. We have provincial comptrollers, and they have the Provincial Auditor to act as the auditor committee. The Minister of Finance, and hence the deputy minister of Finance, as responsible for . . . Excuse me, the Minister of Finance; I won't say the deputy minister of Finance . . .

**Mr. Chairman:** — I just wonder, before we get . . . it's three minutes before our adjournment time and before we get into . . . I appreciate you alerting me to that Act . . .

**Mr. Lyons:** — I'd just like you to read section 12 of The Financial Administration Act to see if it would provide some kind of a . . .

**Mr. Chairman:** — I appreciate that. I want to thank all the members for their contribution in this matter. I want to review the record now. I want to discuss this matter with the Clerk prior to making a decision. I think that's fair. Unless your observation is particularly germane to the point of order, Mr. Neudorf, I think we should . . .

**Mr. Neudorf:** — It's strictly germane. It seems to me that we went through a very difficult period of time in February, and now I just want to make the observation that we have two new members on this committee now, and we seem to be delving back right into the same fundamental questions that we were at, what I thought that we had disposed of so that we can get on with the business of the committee. So I don't want to get into that whole rigmarole and that whole business again that we were back in those times. So . . .

**Mr. Chairman:** — I appreciate your point. The only comment I would make on that is that as a result of our deliberations in February, the committee decided that political partisan discussion is to be excluded from the questioning of witnesses. I haven't yet heard any political partisan discussion in our questioning of the witnesses. If there was some other matter that led to the uproar in February, it certainly doesn't form part of the agreement that was reached.

**Mr. Neudorf:** — In addition to that, Mr. Chairman, to the role, and as the member from Regina Rosemont said, the role and the mandate of the committee, if you recall my motion that I wanted that to be resolved before we continued on.

**Mr. Chairman:** — Yes, there's an agreement that we would ask the Legislative Assembly, that we would provide a recommendation to the Assembly for a mandate review process. In the interim we've agreed that there should not be any political partisan discussion in the questioning of witnesses.

Now I don't know what you have in mind as an end product, Mr. Neudorf, as to the mandate of this committee, but the mandate is the same as it was then. The only thing that is different is that political partisan discussion is to be excluded from the questioning of the witnesses, and that certainly wasn't the questioning here this morning.

**Mr. Neudorf:** — . . . (inaudible) . . . and continue to be the way it was, then of course Mr. Lyons question's out of order. That's my whole point. And I suggest . . . (inaudible) . . .

**Mr. Chairman:** — I think we should adjourn. As to the point of order, I'll rule at 8:30 on Thursday morning. I want to review this with the Clerk. It's 10:30. I think we should adjourn now, meet again at 8:30 on Thursday morning with the Department of Finance, and I'll provide a ruling at that time.

Thank you.

The committee adjourned at 10:30 a.m.