

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**March 16, 1989**

**Public Hearing: Department of Finance (continued)**

**Mr. Chairman:** — I want to welcome you here this morning. We will be continuing with the questioning of the Department of Finance officials, and I would simply indicate to them that the comments that I made the previous day stand. That is to say that you're appearing as a witness before a legislative committee and your testimony is privileged, but you are expected to answer all questions.

Before we continue with the questioning, I want to rule on a matter that was brought to the chair's attention at the last meeting. On Tuesday, March 14, 1989, the member for Regina Rosemont asked a question approximately as follows: would the department provide the financial background information regarding how the amount of \$109 million for loan loss provision was determined?

The deputy minister responded that the requested information was part of the budgetary decision making process and thus was internal information which he was not able to provide. A point of order was raised, and after receiving considerable advice on the matter, I deferred my ruling.

I have now had an opportunity to review the matter and to review the precedents and practices of the committee. A brief review of some past committee verbatims reveals that the issue of what constitutes a question of policy or what information is internal and confidential has been the subject of debate in the committee many, many times over the years.

I wish to read into the record an excerpt from the seventh report of the Public Accounts Committee of the 20th legislature which was adopted by the Legislative Assembly on June 11, 1985. On page 7 of this report, under the heading "The Operations of the Committee," the committee described in some detail its understanding of how policy issues were dealt with by the committee as follows, and I quote:

The Committee's primary concern is with the cost of effectiveness of policy rather than its objectives. However, the Committee is becoming more interested in analysing the process by which those objectives are determined. This interest in policy determination is reflected in the Committee's close relationship with the Comptroller and the Provincial Auditor.

As a general rule the Committee does not question the adequacy of policies laid down by the government but is concerned with their implementation. However, for the purposes of its inquiries the Committee must have a clear understanding of the background and formulation of administrative policies that underlie the implementation of government policy. For this reason the Committee reserves the right to question public servants in depth on matters of administrative policy and to request, by Speaker's warrant if necessary, any information required to understand an issue. It does not, however, request

public servants to express opinions on the adequacy of government policy.

Administrative policy which is relevant to the efficient functioning of departments or authorities is clearly within the Committee's sphere of responsibility. Consequently, public servants have, of their own volition, expressed value judgements on the nature, purpose, and justification of departmental policies. There are occasions when the Committee has found serious inconsistencies between the government's policy and its implementation by the department concerned.

By adopting these principles the Committee has proved over the years that, although it is a Committee of the Legislative Assembly and an all-party Committee, it is able to work successfully. The acceptance of government policy avoids the risk of the Committee finding itself divided permanently on party lines which would tend to result in internal conflict and in ineffectual reporting.

And that is a quote from a report which was adopted by the Legislative Assembly on June 11, 1985.

I must say it is on these principles enunciated by the committee itself that I must base my ruling. After a careful reading of the verbatims, it is my understanding that the deputy minister of Finance declined to produce the documents which were provided to the Department of Finance by the agricultural credit corporation relating to the establishment of the figures for the loan loss provision.

Based on his specific interpretation of the question, I rule that the committee must accept the deputy's answer that the documents in question are internal and form part of the budgetary decision making process. Major budgetary decisions by their very nature are ultimately a ministerial or cabinet level decision. I find that this particular issue then is one that should be pursued with the minister.

However, there are a couple of further points that I want to make clear to the committee and to witnesses called before the committee. This ruling should not be interpreted as restricting the committee's right to ask related questions regarding whether the money provided for the loan loss provision was properly managed and efficiently spent, or whether the production loan program was administered properly, both of which are questions that should be put to the officials of the corporation itself.

The final point I wish to make is that each time a question such as this is refused by a deputy minister, the chair and committee will look very carefully at the particular circumstances before making a decision. What I do not want to see happen is for witnesses to find it convenient to hide behind a shield of policy. I am confident, however, that the professionalism of our public servants will ensure that they continue to be as forthright and helpful to the committee as in the past.

And that is my statement and ruling.

I had no speaking order when we last adjourned.

**Mr. Wakabayashi:** — Mr. Chairman, I can provide, based on the questioning on this particular transaction, supplementary though, information to verify my responses of the other day that I think might be helpful for the committee just on this particular transaction. I'm prepared to give this information.

**Mr. Chairman:** — All right. Well the committee will certainly appreciate any and all information that can be made available to it.

**Mr. Wakabayashi:** — Well, Mr. Chairman, I think the background leading up to the special warrant in question in the amount of 109 million — I've got the exact figure now — 144,800 dollars. The background, as was pointed out to members on our last meeting was, I think, basically as a result of audit opinion or observations when they had concluded the audit of the agricultural credit corporation's 1985-86 financial statements. The auditor clearly pointed out, in his opinion, that there was a significant understatement of the allowance for losses for — and we're talking about both the production loan program and the livestock cash advances program . . . and that the financial statements that was presented to the auditor, in his opinion did not present fairly the financial position of the corporation as at March 31, 1986.

So I can report to the committee, discussions were then held between Finance officials and the Provincial Auditor's office and the agricultural corporation which led to some sort of consensus or an agreement that a 10 per cent provision for losses for the loan disbursements of these two programs may be an acceptable amount.

So I can share with the committee that the special warrant in question was based on a 10 per cent provision for losses of these two programs, and it was based on what the estimated disbursements of these two programs would have been as at March 31, 1987.

The question raised was: how did we account for that particular provision? As you said, Mr. Chairman, that can be pursued with the agricultural corporation itself. But I can report to the committee that of the 109,144,800 it was applied as follows: that 90 million, and I'll round it out, \$90,700,000 was applied to the shortfall in the provision for the losses of these two programs in the previous fiscal year — that is, 1985-86. Then in the next fiscal year, based on the 10 per cent disbursements of, additional disbursements of these two programs, an additional \$17.3 million was applied for the fiscal year 1986-87.

But that only accounts for 108 million . . . I'm just rounding out. That accounts for \$108 million of the 109 million that was provided by way of special warrant, so that left an excess funding in the application of this over the two fiscal years of \$1.1 million. And I know this isn't under the year in review, but if you pursue this with the corporation in its 1987-88 fiscal year, that amount was repaid back to the province.

The question was raised with me the last as to . . . the

question specifically was, how much did the corporation actually write off on loans made under these two programs in the year under review, that is 1986-87. And again you can pursue this with the corporation, but I've ascertained that for the fiscal year '86-87 there were no write-offs undertaken by the corporation on these two programs. That is for the fiscal year '86-87. No write-offs were made against the provision for future losses in '86-87.

And then I think finally, the question that was put to me was, what was the accumulated deficit of the corporation as at March 31, 1987, bearing in mind that March 31, 1986, the corporation had an accumulated deficit of 90,303,000. I wasn't aware that the corporation, as at March 31, '87, as a result of all these transactions had an accumulated surplus of \$468,000.

**Mr. Chairman:** — Thank you, Mr. Wakabayashi.

**Mr. Lyons:** — Thank you, Mr. Wakabayashi. That's precisely the type of information that I was seeking, and if I phrased my question badly I'll . . . I wanted to know that that's precisely what I wanted. I think I remember asking him, the last committee meeting, was there a formula applied to the loss provision. And your formula of 10 per cent seems to satisfy that.

Rising out of that statement I'd like to ask three questions, and I'll ask them all at once. First of all, in terms of loan loss provisions, is it a departmental decision based on . . . the 10 per cent loan loss provision is that, as you've described it, a mutually acceptable compromise in terms of the amount? Is that the generally accepted practice within the department to allow 10 per cent for loan loss provisions? That's my first question.

The second question I have is relating to the information that you've provided the committee today, and that is: is that information as to the disbursement of loans made to Crown corporations and other entities in the . . . the tracking, if you like; is that available on an ongoing basis to the Department of Finance? And I notice that you had information; you were reading off a sheet there that contained what I presume to be the tracking of that particular amount of money.

And the third question relates to the *Public Accounts* document, '86-87 volume 1 of the main Financial Statements, on page 17 under the title "Government of the Province of Saskatchewan Combined Fund, Loans to Crown Entities," March 31, 1987, we see that a loan was made to the Agricultural Credit Corporation of Saskatchewan of \$1,263,843,000. Below it there's a loan made to the Crown investments corporation of Saskatchewan, 705,649,000, less provision for loss of some 56,565,000 — for a net amount of 649,084,000.

My question has to do with . . . Under the loan to the Agricultural Credit Corporation of Saskatchewan, was there some reason that the provision for loss was not placed on the *Public Accounts*? Those are the three questions I would like to ask.

**Mr. Wakabayashi:** — The first question, Mr. Chairman, as I understand it is: do we apply this same formula for

provision of losses for, say, other programs. And the answer is no, the provision for allowances for loan losses will vary depending on the particular program or the nature of the program. So I can confirm that the 10 per cent that I mentioned to the committee only applied to a consensus as to the adequacy of the provision of the loan losses for the two programs I mentioned; namely, the production loan program and the livestock advances program.

The second question, I think, general question was, again, to what extent does the Department of Finance sort of track or monitor the application of the nature of these payments. And I think, as I mentioned the other day, no, the department doesn't track the payments once a payment has been made, particularly in this case to a Crown corporation. We feel it's the Crown corporation then that's accountable to the legislature and to this committee as to the accounting of their financial payments. In the case of the information that I provided this committee, I of course obtained this information directly from the Crown corporation itself, in the light of the questions raised with me the other day.

On the third question as to why, in the case of the agricultural corporation, the member correctly pointed out we didn't show provision for losses. In the case of the agriculture corporation, the member correctly pointed out we didn't provide or didn't show provision for losses. In the case of the advances to the Crown Management Board, we do provide for the advances to show the provision for losses. I'd like to turn a response to that to the comptroller to explain.

**Mr. Kraus:** — I think all I would have to say on that is that in the case of the provision for loss for Crown investment corporation, we didn't provide them with a cash payment as we did with the credit corporation. So in the case of the agricultural credit corporation, there was a cash advance made to those people, and therefore the recognition of the potential loss is being made, in effect, to the fact that we paid them a grant. Therefore, it will show in the operating statement or the income statement, or I guess we call it our budgetary, in the budgetary stream. Whereas, with the Crown investments corporation, we are not providing them with cash; we are simply recognizing the provision for loss by reducing our accumulated net deficit and, at the same time, reducing the loan by an equivalent amount — the loan receivable from that corporation. I'm not sure if you can follow that, but we've accounted for it in two different ways.

**Mr. Chairman:** — Do you want to finish up on the auditor's report?

**Mr. Anguish:** — Mr. Chairman, I have a few questions on the auditor's report and then I would like to move on to something else, if that's your desire.

**Mr. Chairman:** — Yes.

**Mr. Anguish:** — I was wondering if the Department of Finance could tell us, on the last page for the Department of Finance, page 63 of the auditor's report, he calls attention to special warrants. And I was wondering if the department could tell us what the amount of money that

was actually spent in the '86-87 fiscal year by special warrants.

**Mr. Wakabayashi:** — Mr. Chairman, I'll ask Mr. Blackwell to respond to the question.

**Mr. Blackwell:** — Mr. Chairman, of course all special warrants are tabled as supplementary estimates in the legislature at the time of the upcoming budget, so for '86-87 they would have been tabled as supplementary estimates for the fiscal year ending March 31, 1987.

The amount that the . . . the question is comprised of several components. The special warrants for budgetary expenditures in the Consolidated Fund were \$1,162,640. There were certain non-budgetary special warrants which totalled \$406,100,440, and there was \$20 million worth of non-budgetary expenditure through the Heritage Fund.

As to the direct question, how much of those special warrants comprised expenditure, I don't have those details available because the special warrants merely provided incremental appropriation to the regular appropriations from which all expenditures are taken. So some of those special warrants may have lapsed at the end of the year due to non-expenditure of the funds by the department, the same way as normal appropriations would lapse if they are unspent. The special warrants merely provide incremental funding to that which isn't provided through the main estimates.

**Mr. Anguish:** — The Provincial Auditor states at 12.37 under special warrants:

The government is required to include special warrants as part of the next (year's) ensuing Appropriation Act."

Would that then mean that part of the money that was spent by special warrants would appear in the supplementary estimates and part of it would actually appear in the next year's budget?

**Mr. Blackwell:** — No, the way that works is that the next appropriation Act that is tabled has two components to it — a preliminary section which provides authorization for the special warrants passed relating to the prior year or the year that's just ending; and then it has the main component of The Appropriation Act which provides authority for the current or main estimates for the upcoming year. So when the 1987-88 main Appropriation Act was passed, there would have been two components, one for '86-87 supplementary estimates and then another section for the '87-88 main estimates.

So they are provided for in the next appropriation Act but they do not form part of the next set of estimates. They're maintained as two separate sets of funding, two separate documents.

**Mr. Anguish:** — The next thing I wanted to go on was the SaskPen, and the auditor states in here at 12.34:

For the year ended December 31, 1986 this

provision has not been complied with and, in my opinion, this constitutes non-compliance with this contractual agreement. Such information may be essential to the pension plan shareholders in assessing the overall performance and the inherent risk of their real estate investments.

And he's referring to here the appraisal, I believe, of the two properties. What role, I suppose, does the Department of Finance have in concern to SaskPen and non-compliance by not having the appraisal done, if any?

**Mr. Wakabayashi:** — Mr. Chairman, the question of the auditor's observation that there were no independent appraisals undertaken, I think my understanding of the situation is that at this particular period of time in the start-up of the development of the properties that SaskPen had a financial interest in, that in some cases the major properties were in the midst of sort of normal lease up during the transition period. And at the same time in that period there were several changes in ownership transpired on various properties during that period, so that we had some market basis of valuation of these transactions.

So the auditor was correct in drawing to the committee's attention that no formal independent appraisals were taken at that time in the year under review. Although while we're talking about the year under review, I can however report to the committee that during 1988, independent appraisals were done on all properties, and copies of these appraisals were provided to the Provincial Auditor.

**Mr. Anguish:** — I suppose then, Mr. Chairman, I'd ask the Provincial Auditor then, have appraisals been done? Is this section no longer really a concern to you, that the appraisal has been done and it complies with the Act?

**Mr. Lutz:** — Mr. Chairman, I would have Mr. Heffernan respond to this if he could, please.

**Mr. Heffernan:** — The appraisals are being done on all properties and we're satisfied that there is compliance with the agreement.

**Mr. Chairman:** — Okay. Could I just ask as follow-up to that, Mr. Anguish . . . I'll put you back on. You were not in a position to determine whether or not the SaskPen corporation would have to recognize a loss in the value of their two properties in the year under review. Have you been able to make any determination of that?

**Mr. Heffernan:** — Yes. Since that time we have done another audit, and we feel at this time there's no need for any provision for write-down.

**Mr. Anguish:** — I have no further questions, Mr. Chairman, in particular to SaskPen. I do have some other questions. I think maybe Mr. Lyons might have. Do you have any on SaskPen?

**Mr. Lyons:** — No, they were answered. Mr. Van Mulligen had my question answered.

**Mr. Chairman:** — I have a further question on SaskPen.

Maybe you and the auditor will want to answer this. But there is some concern about budgetary controls. The auditor observed that:

. . . no budget process was in place (for SaskPen) . . . there was no documentation of the review of the monthly financial statements by the Board as there were no Board minutes.

The auditor points out that:

Without the minutes of the Board of Directors significant decisions of the board are not documented . . . not possible to ascertain whether or not the transactions entered into by management are in compliance with the authority delegated to management by the Board.

And I'm just wondering, what is the status of that situation now?

**Mr. Wakabayashi:** — Mr. Chairman, again the Provincial Auditor's comments were valid at that time. The only explanation I can give is that when SaskPen was established, it was managed and operated by the Department of Finance itself, or officials. So during that period, Finance was managing the operations of SaskPen, and it was correctly pointed out we didn't establish formal board and management relationships at that time.

But again, I know this is not under the year under review, but I can report that in June of 1988 we have formally established a board of directors with representatives of the seven shareholders that in effect are shareholders of SaskPen. So we have now been in a position to establish the formal board of directors . . . are in place effective June of 1988. And we have established the kind of relationship that the Provincial Auditor observed.

**Mr. Chairman:** — I was just wondering . . . Let me get it clear now. There was no formal board of directors or a clear board of directors during the year under review?

**Mr. Wakabayashi:** — I believe the question is . . . Mr. Jones has corrected me. We did have a board, but the board was also Finance. The board was comprised of Finance officials at that time as well. So we had the situation in the start-up where Finance officials were both the board and managing SaskPen, and now we've now established a board comprised of representatives of each of the seven client shareholders. And that was put in place in June of 1988.

**Mr. Chairman:** — Was there any staff which was seconded to SaskPen or paid by SaskPen in the year under review?

**Mr. Wakabayashi:** — No, Mr. Chairman.

**Mr. Chairman:** — There was no staff at all.

**Mr. Wakabayashi:** — No, not seconded.

**Mr. Chairman:** — So any of the transactions that might have been involved during the year would have been then, officials from the Department of Finance?

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

**Mr. Chairman:** — Does the auditor have any question on this?

**Mr. Lutz:** — I don't think so, Mr. Chairman, thank you.

**Mr. Chairman:** — I have no further questions about SaskPen. Mr. Lyons?

**Mr. Lyons:** — No, I have none on SaskPen. I wonder if we can move on to the note that the auditor made regarding the Saskatchewan Property Management Corporation. If any of the other members have . . .

Mr. Wakabayashi notes that under items 12.17 to 12.19, the auditors raise questions over the manner in which the Saskatchewan Property Management Corporation entered into various contracts with individuals to provide services and the reservations that were raised regarding the payment of those. And in fact he termed it that the payments of 200,000 and 12,000 were not properly vouchered and certified. And I'm wondering how you respond to that criticism of the auditor . . . by the auditor, I should say. No one would have criticisms of the auditor.

**Mr. Wakabayashi:** — Mr. Chairman, we have reviewed the two payments or contracts in question, and I think we have to admit that these two . . . or we agree with the Provincial Auditor that these two contracts did not follow to the letter the requirements that ordinarily should apply to all contractual agreements as stated in the Provincial Auditor's report. The only observation I can make is that we have corrected that situation, and I don't know if I can . . . I guess one can never guarantee what will happen in future transactions, but I think we've taken steps to ensure that we comply with the requirements of all contractual agreements.

I could however add that in the case of particularly the larger item . . . or just a supplementary explanation to the particular \$200,000 contract to SPMC (Saskatchewan Property Management Corporation), we admit that we weren't in a position to detail out exactly what the requirements would be for that contract. It was to provide for . . . enhance the information technology capacity of the treasury board divisions, which we had earlier identified. But at the end of the day we received full value for the contract, and the system and equipment is all in place, so at the end of the day we received full value for the contract.

**Mr. Lyons:** — I wonder, Mr. Wakabayashi, if you would — under 12.18 the auditor lists a number of . . . five items that he thought essential in terms of what forms the basis of a contract that would be let. I wonder if you would provide us with the details now, from (a) to (e) under those terms, a detailed description of the goods and services that were to be provided.

**Mr. Wakabayashi:** — Yes, I will ask . . . yes, we can provide that now after the fact, and I'll ask Bob Blackwell to provide you with that answer, Mr. Chairman.

**Mr. Blackwell:** — The \$200,000 was the first payment

under a larger contract with SPMC to acquire information technology for the treasury board division. Basically what we were acquiring was a solution in, I guess, technical terms or buzz-words that they now use in the industry — a systems solution to our information processing problems that were defined for us.

As to what the detailed description of the goods and services that were to be provided, what we have now received is an individualized series of personal computers for all of our staff which is networked together to a host computer which basically acts as a network, and we've got personal work stations for all of our staff. It's a common office automation project in those terms.

At the time the contract was drawn up it was unclear as to exactly what products or individual goods and services would be delivered as the solution. So the contract provided that they would provide us with a solution to our problem. The time period within which the goods and services were to be provided, in fact they have been provided now and the system has been up and running for over a year. There was no specific time frame; we were working under as soon as possible as to the time frame.

The price for the goods and services to be provided. I believe the final contract price was in the neighbourhood of around 360 or \$365,000. Two hundred thousand was paid in the '86-87 year; the balance was paid in the '87-88 year.

Details of the terms of payments for services. The original contract was lacking in that it didn't have a total price for the contract because we weren't sure what we were in fact going to actually acquire in the final instance. It merely provided that the \$200,000 would be paid as an advance payment.

Terms and conditions to recover the payment. There were no provisions within the original contract to do for that. We were quite confident that we were dealing with an essentially internal government agency, that we would in fact have no trouble recovering our money from the corporation if we were not satisfied with the product they delivered to us.

Regarding the \$12,000 contract, it was a contract to provide a partial payment to have the corporation undertake a review of the issue of insurance on government assets. As the committee may be aware, much of the government's assets are what are called self-insured, that the government doesn't carry any real insurance on those assets; the government bears the risk itself.

The corporation was interested in undertaking a much larger study of all of the assets that it now manages — the real estate, vehicles, those types of things. And the Department of Finance was interested from a broader policy perspective of having some influence into where that study went. And so we participated in a small contract with them to fund them hiring a consultant to undertake that. That project is still under way and there has been no final resolution of that issue. But there has been a number of initiatives undertaken, and the \$12,000 is merely our share of that undertaking.

**Mr. Lyons:** — I wonder, in regards to the hiring of consultants, in the first contract for \$200,000, all the work was done in-house by the computer people that are under the jurisdiction SPMC?

**Mr. Blackwell:** — No, it was a joint project between staff of the Department of Finance and the treasury board division. SPMC provided technical consulting services of project manager that dealt with the industry to find a solution for us. We defined our requirements in assistance with SPC (Saskatchewan Power Corporation), but they acted sort of as the interface as well with the industry.

**Mr. Lyons:** — So did they contract outside people to help them provide a system?

**Mr. Blackwell:** — No, they used their own in-house people.

**Mr. Lyons:** — No outside at all?

**Mr. Blackwell:** — No.

**Mr. Lyons:** — Okay. In regards to the consulting service in the area of insurance for government assets, who was the outside consultant hired? I understood that there was an outside consultant hired by SPMC.

**Mr. Blackwell:** — I believe so. I believe the gentleman was Dr. Hugh Walker who had previously been with the Department of Finance and had left the department and had gone to work on private sector and was under contract with SPMC for a short time. And that project has moved along with, I believe Eric . . . I don't have the details, but they are contracting with other insurance firms to do a much broader study for them.

**Mr. Lyons:** — Are they, SPMC — just to make this clear—that SPMC has gone to insurance firms to talk about insurance needs of the provincial government?

**Mr. Blackwell:** — I believe the phrase "insurance firms" would be, I guess, an inappropriate phrase. I'm not sure what the correct phrase would be there. Firms that deal in determining risk management in advising major corporations, the risk that various corporations run in the insurance — managing their assets, whether we should be insured, what would be the best way to do it.

**Mr. Lyons:** — I don't know whether this is going into the process of, or not, but I will throw the question out anyway. You made the statement that it was important for the Department of Finance to be involved and, given some of the implications of some of the decisions that may arise out of this particular study, I certainly think it probably is important for the Department of Finance to be involved in it. Has the department arrived at a position in regards to the thrust of the study, in other words, is that the government assets should be, or should not be, self-insured?

**Mr. Wakabayashi:** — No, I don't believe we have, Mr. Chairman, arrived at a policy position on this issue.

I should add what the current policy . . . The current policy, as I understand it, is to self-insure for losses. That's the current policy. But it's being re-examined in the light of, as Mr. Blackwell pointed out.

**Mr. Lyons:** — Do you have any idea as to when there may be a final report to present to Finance for the . . . and that may change that policy?

**Mr. Wakabayashi:** — No, we don't, no.

**Mr. Lyons:** — Okay. Thank you.

**Mr. Anguish:** — I have some other questions still concerning the property management corporation. On page 58 of the auditor's report, towards the top of the page, the auditor is referring to loans that had been given to Sask Forest Products, Sask Transportation Company, Sask Economic Development Corporation. In one sentence he states:

If the loans had been written down, the loans to crown entities would have been reduced by \$135,550,000 and the Province's net debt increased by \$135,550,000.

And down at the bottom page, the last sentence, the auditor is referring to the Sask Property Management Corporation. He says:

If these disbursements had been recognized as expenditures the short-term loans to crown entities would have been reduced by \$181,993,000 and excess of expenditure over revenue and Province's net debt would have been increased by \$181,993,000.

Now if you add those two amounts together, you come up with \$317,543,000. Do you in the Department of Finance concur with the Provincial Auditor that actually the province's total debt in the fiscal year under review should have been increased by that some-317 million dollars?

**Mr. Wakabayashi:** — Mr. Chairman, I think there are really two parts to the Provincial Auditor's observation, one dealing with the amount of \$135,550,000, and I'd like to ask the comptroller just to respond to that particular observation — and what at the end of the day we did relative to that particular amount.

**Mr. Kraus:** — Okay. Well as I said yesterday, the \$135 million is comprised of amounts respecting Sask Forest Products, the transportation corporation, SEDCO, and the Agricultural Credit Corporation of Saskatchewan. And what the auditor was concerned about was that this \$135 million was not recognized in some form by the province at March 31, '86. We didn't recognize that there might be the potential that we wouldn't recover loans in that amount from those particular corporations.

However, as I had said, we had been looking at this issue in the last quarter of 1987 and using more up-to-date information. We did in fact, in 1986-87, recognize these amounts, or at least we recognized the potential losses for those four corporations. The final numbers that we used

were for forest products, transportation and Sask Economic Development Corporation. In total we recognized \$56,565,000. That was, in fact, as we were talking earlier — we were just talking earlier about that amount which showed up in Volume 1.

So that amount was recognized in '86-87 as a reduction of the accumulated deficit of the province. And as I said, we then had funded directly as a cash grant, a hundred and nine, one forty-four, something like that, to agricultural credit corporation in that same year of '86-87.

So when you're looking at that number of 135, if you want to simplify it, really the auditor was concerned that we didn't recognize at the end of March 31, '86, but we did recognize it at March 31, '87, a larger amount, in fact. And I don't think that he has any concerns other than the fact that he felt we should have recorded it one year earlier.

**Mr. Anguish:** — Is that the case, Mr. Auditor?

**Mr. Lutz:** — Yes, that's the case.

**Mr. Anguish:** — Could you then explain, Mr. Kraus, the last one I referred to, the 181 million?

**Mr. Wakabayashi:** — On the second observation relative to disbursements to the Saskatchewan Crown Management corporation of 181,993 million, this was the comment I made, I think, at the last meeting, at our first meeting of the committee. There I think the auditor is in effect questioning the decision made by the government to change the method of financing capital expenditures, particularly of— let's see if I got clearly the categories — school construction, hospital construction, and general government buildings. General government buildings, including construction of hospitals and schools, which in previous were considered a budgetary expenditure like any other capital expenditure. And maybe I could use an example like, say, Highways capital expenditure where we appropriate as a budgetary expenditure what we spend on Highways capital.

In previous years presumably, when we financed a hospital construction project, we would show that as a budgetary expenditure. Now effective with the creation of the Saskatchewan Property Management Corporation, the government chose to, in effect, as I explained the other day, to in effect recognize the longer-term assets of these particular buildings, and were in effect amortizing the cost of these buildings over the estimated lifetime of the building.

So I think the auditor is raising an observation as to the effect of that decision in that particular fiscal year.

**Mr. Anguish:** — Then the department's rationale, Mr. Wakabayashi, would be going from a line department, supply and service, to a Crown corporation, Sask Property Management Corporation, and bring it more in line with reporting for other Crown corporations. Is that in effect what happened?

**Mr. Wakabayashi:** — Yes. The Saskatchewan Property

Management Corporation is considered as a Crown corporation.

**Mr. Anguish:** — I wonder if I could ask the department what branch or what division of the Department of Finance prepares the revenue and expenditure projections for the government?

**Mr. Wakabayashi:** — I think it's not sharply this breakdown, but I would say that the treasury board division of the Department of Finance is responsible for the provision of expenditure forecasts. And essentially, our taxation and economic policy division or branch is primarily responsible for the overall government's revenue forecast.

**Mr. Anguish:** — How often are those forecasts prepared?

**Mr. Wakabayashi:** — You're talking about the forecasts from our respective divisions?

**Mr. Anguish:** — Well from your respective divisions — I would assume that when those forecasts are done by the appropriate branch or division of the Department of Finance, they would come to, I would imagine, the deputy minister. And how often do those happen? Are they quarterly reports to the deputy minister, are they monthly reports, is there something done weekly, is it done every six months?

**Mr. Wakabayashi:** — I don't think I can give a precise . . . All I can say is we would get these — I can't say precisely whether it's monthly or quarterly; all I can say is it's on a periodic basis, on an irregular basis. It's not on a monthly basis or quarterly basis; it's really on a periodic basis that we will roll these up.

**Mr. Anguish:** — When those forecasts come to you, as deputy minister, are they provided in a form that you can look at the document and determine whether or not the revenue is meeting the projected budget for that point in the year; are the expenditures meeting that budget for that point in the year when you actually received them?

**Mr. Wakabayashi:** — I would say, generally, yes, keeping in mind, like on any projections, it's depending on what the time of the year is; that the earlier the year that we would receive the forecast, it's very preliminary, based on a number of assumptions. As we get in closer towards the end of the fiscal year, we . . . of course the overall impact becomes more evident.

**Mr. Anguish:** — More accurate.

**Mr. Wakabayashi:** — Well more accurate to the extent that they're still forecasts.

**Mr. Anguish:** — During the fiscal year '86-87, how many such reports were prepared by the department . . . the division, treasury board division that prepares the expenditure forecasts and the other division you mentioned that prepares the revenue side of it?

**Mr. Wakabayashi:** — I don't have exactly how many reports, but again I think I'm mindful of your earlier ruling, Mr. Chairman. I think again we're getting into an

area that is within the purview of your ruling this morning that this is — again, I try to be co-operative here with members of the committee, but I don't think I can indicate how often or how many or when we submitted our reports to the ministers.

**Mr. Anguish:** — Mr. Wakabayashi, I would think that you would consider something like that as budgetary control.

**Mr. Wakabayashi:** — Yes.

**Mr. Anguish:** — Well does this committee not have a right to know what kind of budgetary control goes on in the Department of Finance so we know that we're making over-expenditures or whether or not the revenue . . .

**Mr. Chairman:** — Point of order. A point of order is being raised.

**Mr. Hopfner:** — I'm not trying . . . I'm trying to be co-operative, too. Mr. Chairman, I think probably we are on a fine line here again because there are changes in expenditures from time to time, and that's due to policy of government and elected people, and the officials can't rule that. And basically, what the member from The Battlefords is getting at is just that; he's getting into a policy line of questioning again, and I'd like your ruling on that.

**Mr. Chairman:** — Is it to the point of order, Mr. Lyons?

**Mr. Lyons:** — Yes, it is, Mr. Chairman. I want to be very clear, and to the members of the committee, that the questions being put by Mr. Anguish have nothing to do with the policy, have nothing to do even with the content of the documents that Mr. Anguish alluded to, but in fact are requiring very simple answers that are not procedural in nature, that are not a question of process.

For example, what the question Mr. Anguish asked was, how many financial forecasts were prepared during the year under review by the Department of Finance. And I want to refer you and the other members of the committee to the Act establishing treasury board and the responsibility of treasury board, and that's section 10, The Financial Administration Act . . . pardon me, section 12, from the duties of the treasury board:

The board is responsible to the Lieutenant Governor in Council for all matters . . . (for all matters, Mr. Hopfner) relating to the finances, including revenues, expenditures and assets of the Government of Saskatchewan;

the evaluation of programs of the Government of Saskatchewan;

administrative policy and management practices and systems in the Governments of Saskatchewan;

the organization of all or any part of the Government of Saskatchewan; and

any matters, in addition to those described in clauses (a) to (e), that the Lieutenant Governor in

Council may assign to it.

It is our job to overlook — and we deal with the question of the administration of the Department of Finance — that those (a) to (e) issues fall within the purview of the committee in regards to the administration and the disbursement of funds.

What I would argue in regards to Mr. Hopfner's point of order, Mr. Chairman, is this: the asking of questions relating to the administration of the department — not to its policy, not to the policy established by the Executive Council, but in fact to the internal administrative practices of the department are within the purview of this committee. That was my point of my original question regarding the accessibility of information of the department in relation to loans provision, loan loss provisions to the ACC (Agricultural Credit Corporation) which we dealt with last time and which is precisely why I left raising the question of the chairman's ruling and the interpretation of that ruling until now.

We are in a position where we, as members of the committee, would be failing to do our duty as elected members if we were not able to ask questions regarding the administration of the Department of Finance.

The question Mr. Anguish asked relates specifically to the administration of that department: how many financial reports are prepared during the year under review?

Mr. Wakabayashi, in his response that we're getting into the area of political policy, I don't think falls within the purview of the ruling. It falls, in fact, under the question of section 12 of The Financial Administration Act, and it would be my opinion, Mr. Chairman, that we are quite within our rights as members of the committee, particularly in light of that which you read out regarding what the committee struck out as its mandate in this question in 1985, and I think that Mr. Anguish's question is well put and is certainly within the parameters defined by that 1985 ruling.

**Mr. Hopfner:** — Mr. Chairman, I'd like to indicate I thank the member for his legal interpretation of the Act, but I think it's a fairly broad interpretation. What I am indicating here, Mr. Chairman, is basically that when you're . . . when the question was asked in the steps of administration and administration of funds — and no one argues that there's not an administration in place in any various, different department that handles the various different funding levels — but what I am indicating here is that that administration also follows into policy.

And the member from Battleford was indicating that through his questioning that he would need from that an explanation of access of information which definitely is in the political nature and the policy of a government. And therefore when Mr. Lyons had indicated that, as members of this committee, that that's the duty of all elected members of this committee to have access to that information, I can't agree with that. I absolutely can't agree with that.

Treasury board, as he well knows, is made up of elected officials, and from that board then there's a request of



funds, and that is a political decision, and that is made up of information that a government receives from time to time to time. And basically when it comes to a request for funds, etc., that had been an administrative decision of treasury board, Executive Council, political, government, and you're getting into that line of questioning . . . (inaudible interjection) . . .

**Mr. Chairman:** — Order, please. Order.

**Mr. Hopfner:** — I'll answer the question because the question had been answered. It was answered: periodically. But you're going beyond that question and answer now, and you're wanting to know what the information is.

**Mr. Lyons:** — We want to know what a quantitative . . . (inaudible) . . . periodically has to be . . .

**Mr. Chairman:** — Order, please.

**Mr. Anguish:** — . . . you've been anticipating this for two years; you finally got the chance to make your speech.

**Mr. Chairman:** — I appreciate it when you address your comments through the chair as Mr. Hopfner has been doing. Are you finished, Mr. Hopfner?

**Mr. Hopfner:** — I'll pass for now.

**Mr. Martens:** — I just wonder — I've got two points to make — I wonder if Bob would read that over again, that section that he had there, and then I'll make my observations after.

**Mr. Lyons:** — No, I've got a comment I want to make . . .

**Mr. Chairman:** — No, no. Read the section and he'll want to comment . . . And I'll put you back on the order.

**Mr. Lyons:** — Oh, I'm sorry. Here, take it right here, Harold.

**A Member:** — You read it.

**Mr. Lyons:** — No go ahead.

**Mr. Martens:** — Okay, I'll paraphrase what I heard when you read it, just to make sure that we're clear. The observation that I have about that section is that the treasury branch is responsible to give to the Executive Council clear indication, as Michael was saying, of the impacts of the various kinds of decisions that they make so that there is clear understanding between the treasury board and the executive branch of government.

And I have sat here quite a while and I have never, ever heard where that requirement has ever been asked by this committee, that the kinds of information that would be supplied to the Public Accounts Committee would be that of what the treasury branch was giving to Executive Council in its recommendations, in its approval for various funds. I have never had that process be a part of what we're doing, and that is exactly what he read out of there.

And I believe that Mr. Hopfner is exactly right on what he has indicated, that we don't have a right to ask those questions because they are privileged to the two areas that we're dealing with, and one is the treasury board and the other is the Executive Council and the cabinet.

**Mr. Anguish:** — Well just to explain the line of questioning and where we got to, I thought it reasonable to ask if the Department of Finance was in fact complying with the requirements of the Act. And the question was how many times these reports had arrived to the deputy minister. I never even asked if he had passed them on to Executive Council. The question was never asked. And I would think . . .

**Mr. Wakabayashi:** — Mr. Chairman, I can answer that question. I thought the question was, how often and when, or how many times did we provide a report to treasury board, which I thought was the issue. If the question was when we received it, I can answer that.

**Mr. Anguish:** — We can review the record as to what I actually said, but I'm sure that what I asked is how many times you received it. I never at all once asked when it was passed on to anyone else.

**Mr. Wakabayashi:** — Oh, Mr. Chairman, that's my fault. My apology. I thought the question was, how often and when did we submit our report to treasury board or ministers. If the question is, when does the Department of Finance receive forecasts from departments, I certainly am in a position to answer that. And essentially it's monthly we receive expenditure forecasts from departments, and quarterly on revenues, as a general rule, from departments to the Department of Finance.

**Mr. Anguish:** — Can we then dispose of the point of order?

**Mr. Hopfner:** — Mr. Chairman, if that was his interpretation, I'll withdraw my point of order.

**Mr. Anguish:** — It wasn't my interpretation; those are the words I said. I think there was great anticipation on the part of the . . .

**Mr. Hopfner:** — No, I misunderstood you too. I'm sorry, Mr. Anguish.

**Mr. Chairman:** — I just might say as your chairman that when I find you members jaw-boning and working through these things, I'm very happy, too. Please proceed.

**Mr. Anguish:** — I would think then the expenditure forecasts would be collated with the revenue forecasts on a quarterly basis. I'm assuming that. Is that correct?

**Mr. Wakabayashi:** — No, in terms of our collation, as I said earlier to what I thought was your earlier question, is we do it on a periodic basis. We don't have a set schedule as to how many or how often we do the roll-up and when we submit our report, say, to ministers.

**Mr. Anguish:** — How many times then, Mr. Wakabayashi, did that take place in the year under

review, did you collate the information recognizing that there was some kind of a problem there?

**Mr. Wakabayashi:** — Mr. Chairman, I think the only answer I can give is: periodically we provide the roll-up.

**Mr. Anguish:** — I would think, Mr. Wakabayashi, that it would be more periodically some years than in other years. And I would think the year under review it was likely to be done more periodically than in some other years, if the department is actually fulfilling their mandate and responsibilities to the government, to Executive Council, and to the people in the province.

The reason I say that you would likely do it more periodically in the '86-87 fiscal year is because the original estimate on the budget was for a deficit of some \$389 million. But when we find the Public Accounts come out, we're looking at one thousand, two hundred million, or \$1.2 billion deficit.

So would you agree with me that in that year under review, '86-87, that it would be done more periodically than in a year where the monthly forecasts for expenditures and the quarterly forecasts for revenue would be bang on target? Because I would also have to assume that you can tell when you receive these monthly and quarterly forecasts, that you know whether or not the true economic picture was reflected, in fact, in the budget.

**Mr. Hopfner:** — Point of order. Mr. Chairman, again the member from Battlefords, Mr. Anguish, is asking for Mr. Wakabayashi to answer something that basically again is administrative information and policy of government, and he's asking for . . . thank you, an opinion of why numbers have changed from . . . in that particular fiscal year in regards to a deficit.

And from time to time various different situations arise from department to department, and if there's a request of fundings from treasury board to Department of Finance, it's beyond his control and therefore it leads into policy. And I don't think we should allow that kind of . . . or expect those kinds of answers and opinions to have to come from the Department of Finance.

**Mr. Chairman:** — I didn't sense that Mr. Anguish was asking for any opinion.

**Mr. Hopfner:** — Yes, he definitely stated . . .

**Mr. Anguish:** — I would agree; I did ask for an opinion, and I'll withdraw my request for an opinion of the Department of Finance. I'd rather deal in hard, cold facts as to how we went from a \$389 million projected deficit to a \$1.2 billion deficit. You know, whoops, misjudged. So I don't think I should be asking that opinion. I respect your point of order and I withdraw the question.

**Mr. Lyons:** — Mr. Wakabayashi, I understand the position that you're in, and you don't want to give answers that are . . . that may have political implications, but I would suggest, sir, that the questions I'm about to ask deal specifically with the internal correlation of documents, not what you passed on to the minister, or not

what was passed on to any member of Executive Council, and I'm not asking you for that information.

What I would like to ask is this. First of all, you did made the statement that the expenditures of the department are received monthly and the revenues, the actual revenues of the government, are received on a quarterly basis. Could you outline for the committee in the year under review which months the revenue side of the government accounts were received? What four times a year, what months were they received?

**Mr. Wakabayashi:** — Mr. Chairman, I don't know precisely when these forecasts are due, whether it's . . . Like your first question was, or one of them, when are the . . . when do we expect departments to submit to us, say, the first quarterly estimates of revenues?

**Mr. Lyons:** — Not what I asked, Mr. Wakabayashi.

**Mr. Wakabayashi:** — Oh, I'm sorry.

**Mr. Lyons:** — I asked, in the year under review, what months, in what months did you receive the expenditures from the departments, which I understood you to say earlier were on a monthly basis; and in what months — and I understood you to say quarterly — did you receive the revenue figures for the province? Which months in the year under review did you receive the revenue figures for the province?

**Mr. Wakabayashi:** — I'm not sure exactly, but you mean from the departments?

**Mr. Lyons:** — No. No. You have . . . there are revenue that come in, well, from taxation, economic policy, the revenues of the province. You made the statement to the committee that the revenue reports are received on a quarterly basis.

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Okay. Perhaps you may want to clear up some of the confusion. You tell us what those revenues, combined revenues are, what form they take, and from whom do they come? In other words, obviously from the department of revenue you receive taxation income and a taxation income report from certain other . . . for example, the Heritage Fund and so on and so forth, all those things that gathers money into the province, reports are submitted to the Department of Finance on a quarterly basis is what I understand you to say. Would you please tell us what those reports are and how often you received them in the year under review?

**Mr. Hopfner:** — Mr. Chairman, can I get clarification here from Mr. Lyons? The answer was given by Mr. Wakabayashi earlier that various requests to Finance come periodically and . . .

**Mr. Lyons:** — Nothing to do with it, Mikey. That's not what I'm asking . . . (inaudible) . . .

**Mr. Hopfner:** — . . . (inaudible) . . . for clarification.

**Mr. Lyons:** — No.

**Mr. Chairman:** — Mr. Hopfner is asking for clarification. Maybe if he could ask what it is he wants to ask . . . (inaudible) . . .

**Mr. Hopfner:** — What are you asking as your specific? Like, I can't understand your line of questioning either. You're ask . . . The question was answered that it . . . the requests come in periodically . . . (inaudible) . . . different changes.

**Mr. Lyons:** — I didn't say requests — reports, reports. Mr. Wakabayashi has told the committee, Mr. Hopfner, that the reports are received monthly, in terms of the expenditures of the departments, and that's a normal accounting and reporting procedure.

**Mr. Hopfner:** — Okay.

**Mr. Lyons:** — Okay? Another part of the normal accounting and reporting procedure is the revenue side, you know, there is expenditure. The government spends money; it takes in money. What I'm asking Mr. Wakabayashi is: in the year under review, what months did he receive those revenue reports, and from what sources did he receive those revenue reports?

**Mr. Hopfner:** — So normal reporting is what you're asking about.

**Mr. Lyons:** — That's right.

**Mr. Hopfner:** — Okay.

**Mr. Wakabayashi:** — Mr. Chairman, I don't know precisely when the deputy minister would receive the . . . That's the question. When the deputy minister receives the roll-ups of the . . . all of the information we obtain at least on a quarterly basis.

**Mr. Lyons:** — Mr. Wakabayashi, I asked you the department. I didn't say the deputy minister. Now I'm not asking you, and I understand the position that you're in, but I don't want stonewalling here. I'm asking you, based on a statement that you've already provided the committee that expenditures are reported to the department on a monthly basis, and revenue is reported, too, on a quarterly basis.

I want to know in the year under review, and you're obliged to answer this question: when did you receive the revenue reports? When did the department receive those reports that you alluded to earlier? Now the end of the quarter of the fiscal year under review it would seem to me normally would be June, September, December and March. Is that correct?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Then am I to take it from your statement earlier on that the revenues received, these reports on the revenues received were received by your department in June, September, December and March. Would that be a fair statement to make?

**Mr. Wakabayashi:** — What I don't know precisely, Mr.

Chairman, is when we actually . . . when we say quarterly report, say from a department, including our department, is April, May, June, I don't know precisely when we received those. They could have been maybe July 31st, or . . . that's what I'm not . . .

**Mr. Chairman:** — Couldn't you research your records on that and provide the information to the member, to the committee?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Okay. Mr. Wakabayashi, in the year under review the information that you received on a monthly basis in terms of expenditures, on a quarterly basis in terms of revenue, would be put together to form a financial picture of the province as required under section 15 of The Financial Administrations Act as you're required by law.

Now you said that in the year under review that financial picture was drawn up on a periodic basis. Without going into to whom those reports were presented, in the year under review, how many times were those collations done?

**Mr. Wakabayashi:** — Mr. Chairman, could I get clarification on your reference to section 15. Those are financial statements I thought we were talking about. The question is forecasts of revenues and expenditures. I think section 15 refers to the accounting of, the financial accounting of revenues and expenditures.

**Mr. Lyons:** — Well, Mr. Wakabayashi . . . and before I refer to section 15 again, let me put it this way. The accounts of the Government of Saskatchewan are made up of reports received on the expenditure side and the revenue side. Is that not right?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Okay. You've already told the committee that the expenditures were made in the month — or expenditures are reported monthly by the departments and that revenues are reported to the department and are collated by the department on a quarterly basis.

**Mr. Wakabayashi:** — Again, Mr. Chairman, I want to make a distinction between the actual accounting for revenues and expenditures and the forecasts of revenue and expenditures. I thought all the questioning here is regarding the process by which we obtain the forecasts of revenue and expenditures.

We certainly do the accounting of revenues and expenditures, and in that light, you know, we receive, of course, monthly statements of the actual receipts and expenditures. The financial statements are done on at least a monthly basis, but I thought you're talking about exactly when do we obtain from the departments, forecasts of revenue and expenditures.

And I can't provide the committee, or I'll have to research further as to when did we in fact receive monthly and quarterly revenue forecasts from the departments. I don't know whether we received them, you know, July 31 for

the first quarter. They probably come in at various times depending on how fast the departments respond to the request.

**Mr. Lyons:** — If I may ask again then, Mr. Wakabayashi, did I just hear you say that the Government of Saskatchewan receives actual reports on its financial condition on a monthly basis in terms of the accounting?

**Mr. Wakabayashi:** — By financial condition, if you mean, yes, the total actual receipts received and the actual expenditures recorded, yes, I get those from the comptroller's office monthly.

**Mr. Lyons:** — Okay, so the comptroller sits, knows exactly how much money is coming in, or how much money came in . . .

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — . . . and how much money went out.

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — So that the actual financial position of the province is known on a monthly basis.

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — So that based on those actual monthly figures, the Government of Saskatchewan in the year under review would have known month to month the amount of the provincial deficit.

**Mr. Wakabayashi:** — Yes.

**Mr. Muirhead:** — Just a comment while they look up that answer. I think that Mr. Lyons is trying to confuse the deputy and confuse the committee here by not distinguishing very clearly each question he asks, whether he means factual or whether he means forecast, because he changes . . . I've been writing down some of the questions he asks and then when it comes back, he's changing it to forecast.

I would ask that he would, to be fair to the deputy that has to answer these questions . . .

**Mr. Lyons:** — The deputy understands, Mr. Muirhead.

**Mr. Muirhead:** — I have the floor . . . be fair to him to make it clear, and be clear to us, so we . . . because every question is different. At one time it's to the factual; the next time it's forecast. How can he possibly know how to answer the questions of what he's asking if we don't understand.

He thinks it's clear to himself, but it's not clear to us and it's not clear to the deputy, so what chance has he got?

**Mr. Chairman:** — Thank you, Mr. Muirhead. Mr. Lyons, you wanted to . . .

**Mr. Lyons:** — Well I think Mr. Wakabayashi is certainly skilled and intelligent enough to speak to himself whether or not he understands my question, Mr. Muirhead, and he

understands the reference to the actual accounting figures and the fact that it was the comptroller who knows on a month-by-month basis the actual financial situation of the province. That's the line of questioning that I'm pursuing, and I'd ask him to respond to the question.

**Mr. Wakabayashi:** — Mr. Chairman, again I want to make it clear that my response was yes, we do have . . . we receive from the comptroller's office a monthly statement of the actual cash and the actual expenditures made. The inference, though, was that from that statement one can project what the financial situation is.

Obviously that's one piece of information, but more important is — I thought the other question raised is more important: what is the forecast of revenues and expenditures. And certainly what we receive as actual cash . . . what we actually cash spent is an important factor, and I'm just trying to make that distinction.

**Mr. Chairman:** — Yes. I wonder if — you know, I understand what you're saying, and that maybe for the committee . . . if you can, maybe take a few minutes to explain to us the information that you as a deputy would receive. And by this . . . the deputy . . . you're in the fiscal year under review — if it's the same process now, then you won't have any problem — but to explain just what information you do get about the province's finances on an ongoing basis.

And I understand you get an indication every month from the comptroller about the amount of cash that he's brought in or has gotten in, and the amount that he's sent out, but you get other information from your taxation and economic policy people about . . . well, notwithstanding that those revenues are coming in, as the comptroller is saying, we see some troubles on the horizon here that you may want to take into account. And I wonder if maybe you wanted to provide sort of a clarification of what information you do get as a deputy minister, and maybe that will help the committee all to understand just where we're going.

**Mr. Wakabayashi:** — Yes, Mr. Chairman, that's a fair question. Let me explain my understanding of the process, to again repeat that we do receive, on a monthly basis, expenditure forecasts from the departments and revenue forecasts on a quarterly basis — and I'm saying that as a general rule — and we receive, of course, the financial situation in terms of actual cash and actual expenditures received.

Then the question is . . . another factor of course, as you get these in the earlier part of, let's take for example the first quarter. It's pretty preliminary information, particularly looking at the revenue side. It depends on the underlying assumptions that departments have submitted and we ourselves have looked at. And it's usually — I'd say as a general rule, it's not until we get into . . . really the first quarter information is pretty preliminary. I'm speaking as a general rule here; I think that's your question.

Once we get into second quarter, then of course trends start emerging, and at some point in time we will undertake to provide ministers, certainly Minister of

Finance and treasury board, with our best forecasts of the overall — in this case we're talking about the overall financial position of the government — and provide the information we received from the departments in our own assessment. And they're . . . I can't say how often that takes place or when we submit this type of information to ministers.

Then of course ministers have available to them our best assessment of revenues and expenditure, and by source and by departments. And then in normal process it becomes a consideration by ministers as to how they respond to the information we provide. They could go various ways. Maybe they wanted to put on expenditures, mid-year expenditures restraint program. In some cases maybe they want to wait it out until we get firmer estimates. Certainly on the revenue side, really not until we almost get into the fourth quarter do we really become even clear ourselves as to how the revenues will come out, even from the Department of Finance's perspective.

So that, I think, overall is my understanding of the process. I would assume that that process is in place generally every year including the current fiscal year.

**Mr. Chairman:** — Could I just ask, do you have a little alarm system built into that process anywhere? Is there a point after the first quarter where you see that your revenues — use a . . . (inaudible) . . . where you get the information. You said, you know our revenues aren't going to be what they might be; our expenditures seem to be up. The difference is X percentage or whatever, and therefore some warning signals need to go out here to the departments, to people in the department, the Department of Finance, about what's taking place out there. And if we want to maintain the projected budget, you know, the variance between expenditure and revenue, some mid-course corrections are required here? Do you have a little alarm system like that built in, and can you describe for us how that works?

**Mr. Wakabayashi:** — Well I don't know about building in the alarm system, but certainly in the process as I described we would, of course . . . or I think it would be our responsibility to provide for, once we've identified a major departure, then I think we would provide that information to the ministers.

And again, as I say, I would say generally speaking the first quarter is too preliminary, but I don't want to say that the first quarter doesn't necessarily provide that alarm system. But the first quarter is very preliminary even on the revenue side. But I would say as a general rule, once we get the second quarterly the picture starts emerging, I would think, as a general rule.

I think we have to respond to the particular situation as it arises each year.

**Mr. Chairman:** — Can I just again, for my clarification, if I could. The first quarter, there would be revenue items that are consistently ongoing and therefore in the first quarter you might not get much of an indication that things might tail off in a revenue item, say in September or October, or whenever. But certainly one of the revenue items . . . maybe you can clarify this for me. One of the revenue

items that you would have a good handle on in the first quarter would be revenues from income taxes. Am I correct in that?

**Mr. Wakabayashi:** — Again, it's hard for me to be precise on this. Actually on the income tax we really don't have a fix almost until towards the end of the fiscal year because there are so many adjustments that come into effect on our share of the income tax. We keep getting revised estimates from the federal government continuously.

And I think the same applies on the equalization payments. I don't know the technicalities, but they're based on estimates from previous years which then become adjusted as they get the actual results from previous years — a whole series of adjustments on our income tax and equalization payments. So to just respond to that particular source, the returns from our personal income tax, corporate income tax and equalization payments are subject to so many adjustments that it's difficult to get a fix on what we'll actually obtain.

**Mr. Chairman:** — Pleased to know that.

**Mr. Martens:** — I just want to thank Mr. Wakabayashi for that last . . . those observations. It reminds me of my farm, and what you do is you project. You put the seed in the ground, and you fertilize, and you do all the things right, and it doesn't rain and then you get the harvest in the fall and it's 50 per cent of what you expected.

That's kind of what we're talking about, because he just indicated the income tax side. You indicate that when that comes into place, you indicate all of the federal government involvement and how that comes back. I think that that's the kind of thing that we have to expect on a dynamic that we're talking about because we're dealing, I believe, on a concept that deals with percentage of income as it relates to the province, and you can't project that. And I know from experience in the agriculture sector that you can't do that.

So if I sell my calves in December, which I usually do, and I get 20,000 or 40,000 or 30,000, one way or another it directly impacts on what . . . and that's right at the year end.

**Mr. Anguish:** — I appreciate the analogy of Mr. Martens. I think there are a few basic differences though. I think there's . . . I would at least hope there are more certainties in the economic management by the Department of Finance and the government than there could be on your farm, and I don't say that as a criticism to you at all.

I think a more appropriate analogy would be that you could do . . .

**Mr. Martens:** — I have to wait until I get my deficiency payment in order to see what . . . (inaudible) . . .

**Mr. Anguish:** — Well it would be more accurate if you had enough people on your farm that you could nurture every seed on a one-to-one basis. Your farm would do much better. I think that that would be more accurate than the example that you throw out, of the uncertainties of farming as opposed to the uncertainties of financial

matters.

**Mr. Chairman:** — I wonder if we might get back to the questions. I'm sure that the Department of Finance officials appreciate our insights into the economic forecasting, but they're here to answer questions.

**Mr. Anguish:** — Mr. Wakabayashi, I don't know if this is more appropriate to you or whether it's to Mr. Kraus; whichever one wishes to answer would be fine with me.

Can you tell us what the variances were on a quarterly basis between what was budgeted and what the actual expenditures were, and what the revenues were that were projected and what the revenues actually were?

**Mr. Wakabayashi:** — I don't think I could provide that information, Mr. Chairman. The actual variances . . . as I say, the comptroller's report doesn't give the variances, it simply reports the actual cash received and actual expenditures received and gives a sort of a comparable from the previous years. That is, it . . . but it doesn't . . . to get at a variance again comes back to the forecasts.

So what I'm saying is that the . . . let's see if I got this right. If you're referring to the comptroller's statements, it's a factual recording of what cash we actually received by source, and what was actually paid out or expended, you know, by department. And that's it, you know; that's the total. And then we compare it with what was actually received and what was actually spent, you know, a year ago, and that's essentially what the financial statement displayed. It doesn't do anything more or less than that.

**Mr. Anguish:** — Let's go back to the forecast then. And without holding you to an exact week or an exact day, is it accurate that financial forecasts were done in the months of June of '86, September '86, December '86, and March of '87?

**Mr. Wakabayashi:** — No. No.

**Mr. Anguish:** — Could you tell me which months they were then?

**Mr. Wakabayashi:** — I think I have to do further research on this. As I say, I'm not clear on a previous question by Mr. Lyons as to exactly when we received all of the forecasts from the roll-up. My guess is that certainly on the expenditure side, we've probably got those, I would probably assume, by July 31, and my guess would be that we would have done a roll-up by mid-August. But I don't have that exact information, say, on the first quarter.

**Mr. Anguish:** — Was that based on mid-August roll-up, then?

**Mr. Wakabayashi:** — Or based on the first quarter.

**Mr. Anguish:** — Tell that to me again, please.

**Mr. Wakabayashi:** — Well as I say, I don't know precisely, but let me make an assumption. I would guess that we probably would have the . . . that the expenditures will come in . . . we probably received them, say, a month later. Like say, the April forecast we probably would get

that maybe by the end of May. But I'm just generalizing here. And similarly with . . .

So when you ask about the quarterly revenue forecast, I would presume we would have all that in hand, say, for the first quarter to the end of June, we probably would have that all in hand by say the end of July, you know, based on the actuals and expenditure. Then presumably we'd then do a roll-up, an internal roll-up in Finance, and my guess is we'd probably do that roll-up by, say, about mid-August. But I'd need to confirm that.

Then I think the question is then at what point we would provide this kind of information to ministers. And there I think I can't . . . or I don't feel I could provide that information.

**Mr. Anguish:** — Yes, we understand that. We appreciate that you have no obligation to provide us with this. But what we would like you to provide, and I think you've indicated you would, are the actual dates how this process occurs. The report from April, received sometime in May; in July you're doing your roll-up; in August you've got a picture.

So you can provide us with precise dates as to how that took place or the dates . . .

**Mr. Wakabayashi:** — I don't know how precise the date . . . I think we can maybe give a general picture of timing, and then in terms of the internal process.

**Mr. Anguish:** — And you'll provide that to us in writing then? We don't have to call you back until that's completed? You'll provide it in writing to the chairman of the committee?

**Mr. Wakabayashi:** — I have to first check to see if we can provide this information. What I'm not clear on is whether we can provide precisely this kind of information.

**Mr. Anguish:** — Why? Because it's not mechanically possible to do it?

**Mr. Wakabayashi:** — Not that we . . . as I mentioned earlier, the business of doing these roll-ups that are done periodically. We don't have a precise regular process of doing these roll-ups.

**Mr. Anguish:** — Well, Mr. Wakabayashi, there must be certain people who are involved on a regular basis, and they would know and their superiors in the department would know when these are taking place.

**Mr. Wakabayashi:** — Well as I say, I'm trying to make a distinction between one thing, you know, financial statements — we know we get those from the comptroller's office monthly. That's precise. What I'm saying is that I'm not sure how precise we are in terms of when we've done the roll-ups of information we received. When we actually put a report together, we don't have a precise date that we say, by such and such a date we're going to do a roll-up on any fiscal year under review. That's what I don't have.

**Mr. Anguish:** — Well, I appreciate you will try and provide that to us.

Mr. Kraus, I have a question I'd like to ask of you. Since it's under your authority and your responsibility that you provide the monthly statements, would you refer to them as statements?

**Mr. Kraus:** — I think we call them monthly financial statements.

**Mr. Anguish:** — Monthly financial statements. Can you tell us then, as of July 31, 1986, what were the total expenditures of the province of Saskatchewan?

**Mr. Kraus:** — Mr. Chairman, we believe that those monthly financial statements that I do send to senior officials in Finance as well as the treasury board, the ministers of treasury board, are considered to be internal documents like, not unlike the information that is provided in the form of forecasts, although . . . (inaudible) . . .

**Mr. Anguish:** — I wasn't asking you for a forecast. You have as your responsibility, monthly statements that you provide to the Department of Finance, and all I'm asking you for is what the expenditures of the government were as of July 31. I'm not asking you to forecast anything; I'm asking you for hard facts. And I think that you as comptroller, deal in hard facts.

**Mr. Kraus:** — My responsibilities are laid out in either The Department of Finance Act, or The Revenue and Financial Services Act, and they are to prepare an annual accounting for — the Minister of Finance is to direct me, and I obviously do that — an annual accounting and prepare the public accounts that's to be tabled ultimately by the Minister of Finance in the legislature.

But I do not believe I'm required to provide . . . Or rather, and it's been a government policy as far as I know — that that would be the time at which you would get the information, but that there is no interim, the interim results are not provided to the public.

**Mr. Anguish:** — Mr. Kraus, the statements that you provide monthly, does each month stand alone as a financial statement, or do you have accumulative information in there?

**Mr. Kraus:** — It's accumulative information. It's the end of each . . . (inaudible) . . . That's right, first month, then second. It's cumulative.

**Mr. Anguish:** — Well, okay. So a person looking at the July statement would not have to review past months. They could get a fairly accurate picture by just reviewing the July statement.

**Mr. Kraus:** — They would get an accurate picture of the cash flow, and it is important to distinguish between cash flow and forecast because the cash flow is then at a totally different rate than . . .

**Mr. Anguish:** — I wasn't asking you about that; I was asking you about the hard cold facts that I assume you've

got.

**Mr. Kraus:** — Yes.

**Mr. Anguish:** — I would ask the Provincial Auditor if the Provincial Auditor has access to the monthly statements that are done by the comptroller.

**Mr. Lutz:** — The answer is yes, Mr. Chairman. I'm informed, yes.

**Mr. Anguish:** — Well could you explain to us, Mr. Kraus, why the officer of the legislature would have access to those documents, and we as members of the legislature who in fact Mr. Lutz is accountable to, why we can't have access to that and Mr. Lutz can?

**Mr. Lutz:** — Mr. Chairman, if I may respond. Mr. Anguish, there's very few documents to which we do not have access; a tremendous number of documents that we have access where no one else will have access, except the originator. So the fact that I do indeed get these — I wouldn't like you to misconstrue what I've just said. We have many documents which no one else will ever see simply because they're in my office and they are confidential documents.

Now I don't know how Mr. Kraus is going to classify his. I'm just telling you that I get things that no one else sees. I don't want you to misunderstand my answer.

**Mr. Anguish:** — Well I can appreciate that, but the usual argument has been in here that there's some competitive edge by seeing those documents, or something like that. What competitive edge could there be, or what market regularity or advantage would there be from us not having that information?

I can understand us not having access to those kinds of documents that would have serious harm inflicted on a Crown corporation or on a business doing business with the government. But in terms of the accounts of the province of Saskatchewan, I think it's irresponsible of all of you not to provide hard cold facts that are done by the comptroller, passed on to the Department of Finance, reviewed by the auditor. And you're saying we as members of the legislature shouldn't have access to those kinds of documents?

I don't think that you can allow us to function properly as a Public Accounts Committee that are responsible, ultimately more than you people are, to the taxpayers of the province of Saskatchewan. You say we can't have the information. Is that what you're saying, Mr. Kraus, that we can't have that information?

**Mr. Chairman:** — Point of order here from Mr. Hopfner.

**Mr. Hopfner:** — I think the member from Battlefords is trying to break down our accounting policy in a very digital type of way, and basically we're going to have mounds and mounds and mounds of paper in front of us if that was the practice of government.

I know that if he looked back when they were government that it was basically not a practice to table that kind of

information to the public accounts and allow any kind of radical members or any radical elected individuals maybe to want to go out into the general public and displace this kind of information.

**Mr. Chairman:** — I'm not sure that we're on a point of order here. I'm not sure that . . .

**Mr. Hopfner:** — Well you can rule as you wish, Mr. Chairman, but I would indicate that we are definitely putting again the auditor, as he indicated, and as well as the comptroller and Department of Finance individual, in a kind of a precarious kind of situation if we're insisting on that kind of information to come to this committee.

**Mr. Kraus:** — Could I make one point, because obviously I want to co-operate with the committee as well. But I mean, this interim reporting, if I can use that term, is a policy decision of the government and they have . . . we have not provided . . . or the government has not decided to make that information available. Rather, as we've done for I don't know how many years, long before I've been here, that information is provided on an annual basis only through the *Public Accounts*.

The reason that Mr. Lutz of course would have access to that information is because he's the auditor, and by virtue of his job, he must be able to analyse and do his audit throughout the year, and he does receive the information in confidence, as well. But it has been government policy as far back as I can remember, and before that to only provide this information once a year through the *Public Accounts*. And unless the government changes its policy, I don't believe it would be appropriate for us to provide that.

**Mr. Anguish:** — I'm sure that it must be to protect us members of the legislature from the vast paper burden that Mr. Hopfner referred to would be the only reason to not provide that. I would submit to you, Mr. Kraus, that the auditor does not have any mandate for value-for-money auditing. He looks at whether or not government departments and Crowns and agencies have the authority to spend what they spend.

This committee is charged with economy, efficiency, and effectiveness, and how can we have due regard for economy, efficiency, and effectiveness if you don't provide us with hard, cold facts? We're not asking you people to make any judgements. We're not asking you to make any forecasts. All we want is at July 31, 1986, what were the expenditures of the Government of Saskatchewan. Very simple hard, cold facts and I don't know . . . It's beyond me why we can't have that information.

**Mr. Chairman:** — Can I just interject here? You asked a question; Mr. Kraus gave a response. You know, if you have problems with that then you should indicate that to the committee, and the committee . . . you know, you raise it as a point of order or whatever, and we'll rule on it. But at this point, it's 10:30. I'd like to adjourn the meeting. I have some further questions of Finance, and I don't know if other members do but . . .

**A Member:** — Yes, I do.

**Mr. Chairman:** — So therefore I would encourage, or I would ask you all to come back then next Tuesday at 8:30 a.m., and if there's any points of order at that point, we'll deal with them then.

The meeting adjourned at 10:30 a.m.



## **CORRIGENDA**

Please note the following in the *Minutes and Verbatim* of the Public Accounts Committee No. 1 Tuesday, March 14, 1989: Page 17, left-hand column, sixth paragraph — for "political parties and discussion," please read "political partisan discussion," and ninth paragraph — for "that certainly was in the questioning," please read "that certainly wasn't the questioning."

[NOTE: The online transcript for March 14, 1989 has been corrected.]