

STANDING COMMITTEE ON PUBLIC ACCOUNTS

June 27, 1989

Mr. Chairman: — We're ready to start with the meeting. We'll proceed.

When we left off the other day, we were discussing the report by the Provincial Auditor regarding a legal opinion from the Legislative Counsel and Law Clerk.

We had a speaking order which now consists of Mr. Hopfner, Mr. Muirhead, Mr. Rolfes, Mr. Wolfe, and Mr. Anguish.

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

Mr. Neudorf: — Would it be appropriate for us to . . . seeing as we've been handed two special reports by the auditor, would it be appropriate at this time to peruse those or take them up as we go along, because I do have some questions on the report that I requested.

Mr. Chairman: — Yes, my sense would be as that we're dealing with the auditor's statement we should try and get through that, resolve it, and then move on to any other material that might have been distributed this morning. I have a bit of a fear that we're going to get into a backlog but, you know, it's up to the committee . . . (inaudible interjection) . . . Well it's neither here nor there but . . . (inaudible interjection) . . . We're on the statement.

I know that the other materials have been tabled, but my feeling is we should get through the material that was tabled yesterday, clear that off, and then deal with any material that was tabled here this morning. But if you want to take a few minutes to discuss it . . .

Mr. Neudorf: — Quite frankly, Mr. Chairman, I have the same problem as I heard Mr. Rolfes . . . overheard Mr. Rolfes saying to you that he's got to leave early and that he's going to get this over with. So I can do the same.

Mr. Chairman: — Let Mr. Hopfner proceed here, or Mr. Anguish.

Mr. Anguish: — I just was wondering if maybe we should start by the important questions of Agdevco that the government member has so we can get that out of the way and Agdevco can go back to work.

Mr. Chairman: — If I remember correctly, we put that suggestion out to the members last time, and they felt that even though we were discussing the report of the auditor with respect to the legal opinion, that someone felt that they might have questions of the officials and therefore wanted the officials to remain.

Mr. Hopfner: — I would like to try and begin my questioning without having to read back in the verbatim thoroughly and getting . . . and I may miss some questioning.

But I have a question to the Agdevco people. Do you people have now a procedure manual in place or . . . I take it now also again by the remarks of the appointed auditor, they found that you had not had this in place or they weren't satisfied that you had this in place.

Mr. Hanson: — It's the policies and procedures manual. We have been working on it over the months and years and it is now 90 per cent complete. It's in draft form and we'll be presenting it to our board at the next meeting for their ratification.

Mr. Hopfner: — Now when you said 90 . . . when you say 90 per cent then, what steps do you have to be taking to get it completed, like 100 per cent?

Mr. Hanson: — Basically we want to . . . within Agdevco just go through and review them, the staff that's there, and make sure it meets our final approval and everyone agrees on it before we submit it. Oh, and review of our auditors.

Mr. Hopfner: — . . . (inaudible) . . . Then you are 90 per cent now. Say last year, what were you at this particular time last year then?

Mr. Hanson: — It would be around about 30 per cent. What we have is, we've had some components of policy and procedures that apply to certain parts of our operation that we've had in place for a long time. And what they are really doing now is putting the overall policy and procedures, binding them all together for the whole corporation.

Mr. Hopfner: — So you have been basically increased that overall 60 per cent, and then, now to finalize it, and you'll have a policy manual to work with there.

Mr. Hanson: — Yes.

Mr. Hopfner: — I noticed also that there was, in the report by the Provincial Auditor . . . I'd ask Mr. Lutz here, you had stated on February 1, '89, that when you were talking with a Mr. Drayton, he also indicated that he had become convinced that the lack of a policy and procedures manual could result in material error. Was there any material error? Did you find any material error then under that year under review?

Mr. Lutz: — Mr. Chairman, in the year under review we're not aware of any material error, or it would have been reported.

Mr. Hopfner: — That clarifies that particular part. So when you stated in your report that there was the concern of the procedures manual then, that that point is fairly well cleared up in your own mind then, is it?

Mr. Lutz: — Mr. Chairman, are we discussing '88, the year under review, '87, the year under review, or '89?

Mr. Hopfner: — '88.

Mr. Lutz: — Mr. Chairman, we haven't looked at '88's working papers yet, so . . .

Mr. Hopfner: — Well it would be '87-88, is what I'm saying, '87-88 . . . There was 30 per cent at that time, I believe. There was no error . . . you didn't . . .

Mr. Lutz: — Mr. Chairman, it wasn't the matter of an error

or not an error. It was a matter of the presence or absence of a procedure manual. And I believe the Agdevco people have told us that there was not a procedures manual, and they have told us they are almost complete on a new procedure manual. And that's where it stands now. You'll have to ask the gentleman from Agdevco if you want more detail on that.

Mr. Hopfner: — They gave you the same answer then they gave me, I take it. When we were listening to questioning on Thursday of last week, it would have been a lot nicer if we could have gotten into the line of questioning right off the bat. I'm going to have to try and go back and think this out.

But I had been under the impression that if you're hiring your own auditors, you could possibly influence an auditor. That's what I got from the gist of the conversation last Thursday. I would like to ask you people straight out: do you try to influence your hired auditors, or do you try to . . . have you tried this, to suggest they do their workings in some particular form or another? Or do you let them go with a free hand and do what they want and give them the information, and so on?

Mr. Hanson: — They have a totally free hand to do whatever they do. We regard them as independent professionals whose job is to do their own independent professional review of their books. Any influence we try and do is done when it comes to the price and cost of the thing.

Mr. Hopfner: — Then I ask the question to Price Waterhouse: did you feel that you were trying to be influenced by any particular ways or means by the department when you were carrying out your audit on that particular department?

Mr. MacKenzie: — There was no pressure from management to change any of our procedures.

Mr. Hopfner: — Do you feel that there's, Mr. Lutz, that there's a particular chance that an appointed auditor could be influenced by a department that has hired these appointed auditors?

Mr. Lutz: — Mr. Chairman, I don't really know how to answer this question. I guess I'd have to say that if the client hires an auditor to do a certain task, and if the auditor does that task, then I suppose you could say he was influenced to do that task because he was hired to do that task. But I would doubt very much if you're going to find very many auditors operating under generally accepted auditing standards being influenced by anybody.

Mr. Hopfner: — I mean, basically that statement would hold true for your auditors as well, because they're not going to be unprofessional or anything like that as well, right? So they're going to carry out the . . . You're hired to do that for the Assembly, and you're going to carry out that duty and go ahead and prepare a report for us. Is that not correct?

Mr. Lutz: — Mr. Chairman, I always have.

Mr. Hopfner: — So basically it's the same for you as it would be for the appointed auditor?

Mr. Chairman: — I would encourage the member to speak up. I think some of the people around the table are having a hard time hearing him.

Mr. Hopfner: — What I'm trying to establish here is because on Thursday of last week it was very apparent that with comments on 423 . . . on page 423 when . . . at the top where, and prior to '82, Mr. Chairman, prior to '82 we still had the ability to into any one of the agencies that were being audited by an appointed auditor and do whatever procedure we felt we had to do.

What I'm trying to do, I guess, probably, is trying to find out from everyone concerned whether there was a satisfactory in the . . . any satisfactory in the procedures that have been taking place . . . with the particular audit that had taken place, because actually the appointed auditor, according to the auditor's Act, is supposed to carry out the duties of auditing that particular department just as the Provincial Auditor's department would, other than maybe, I guess, filing the final report. Then if you're not completely satisfied, you have the right to go into any one department and . . . the Provincial Auditor has the right to go into any one department as he so feels.

There was the idea that on that same answer from you, Mr. Lutz, then, that you were not satisfied that the executive government is deciding who your eyes and ears are. And I feel that's fairly strongly worded when you indicate that executive government is deciding who your eyes and ears are, when you have no problem with appointed auditors, and you have indicated that executive government is still a problem for you. I would like you to kind of clarify that a little bit more if I could get that clarification from you.

Mr. Lutz: — Mr. Chairman, what I did say, I believe, was that the appointed auditor represents my eyes and ears out there, but the appointed auditor is not my only eyes and ears out there. There are some things I must do. And I think I also said that the executive government is trying to decide what I can or cannot do outside of my eyes and ears.

They are trying to determine what I can or cannot see, but you must remember that the private sector auditor, the appointed auditor, is indeed my eyes and ears out there when he's doing that audit. But I have got to do other things in addition to what he may have done for me.

Mr. Hopfner: — Okay. That's what I wanted to clarify. Can you tell me what the executive government then had prevented you from seeing or hear out there? That's relative to the department, that's for sure.

Mr. Lutz: — On page 13 of my report, Mr. Chairman, paragraph 2.55, I identify cases.

Mr. Hopfner: — What page was that?

Mr. Lutz: — Page 13, item 2.55.

Mr. Hopfner: — But again I don't see Agdevco in here.

Can you give me an area where Agdevco's named?

Mr. Lutz: — Mr. Chairman, Agdevco was never a problem. It wouldn't be here.

Mr. Hopfner: — Well you had indicated then that the only problem is of a procedural manual. That's your only problem then that you have with Agdevco?

Mr. Lutz: — That is the only problem we reported in Agdevco; as shown on page 22.

Mr. Hopfner: — Then with basically the other answering on concerns of an appointed auditor and dealing with the agency, then you are . . . other than the fact that you are opposed to the appointed auditors, you are completely satisfied with the department?

Mr. Lutz: — Mr. Chairman, the appointed auditors are not at the nub of my problem. I am not opposed to the appointed auditors. I had tremendous co-operation from Mr. Mackenzie and Price Waterhouse. The nub of the problem is that the executive was deciding what audit evidence I could examine and how I could examine that evidence.

Mr. Chairman, I'm not sure whether this questioning is trying to determine that there is or is not a problem. Normally when we have a problem and the problem is fixed, that's the end of it. Now I believe that when Mr. Premier wrote his memo, which I tabled here, or which I referred to here, that the problem was fixed. I further think the memo indicated that there was indeed a problem. I don't quite understand how this questioning is arising or just what it means.

Mr. Hopfner: — No, but I wasn't the one making . . .

Mr. Lyons: — Point of order. Mr. Chairman, with all due respect to my colleague from Cut Knife-Lloydminster, I would say that there is an element of tendentious in the questioning bordering on badgering. There is the question of repetition — and we all know the rules as applied to repetition. All members from the Conservative side of the Public Accounts Committee have asked questions to the Provincial Auditor regarding whether or not appointed auditors were a problem. I believe each and every member has asked him that.

Mr. Chairman: — Now you're getting into debate, I think.

Mr. Lyons: — There is the question of repetition, and I wonder whether or not it may be more fruitful again to deal with the question of whether or not there's a problem with Agdevco. Given that the agenda has been set . . .

Mr. Chairman: — Mr. Lyons, I've listened to the point of order, and you're making it extremely well. But having listened to Mr. Hopfner, I don't feel that he is out of order, and your points are not well taken. Certainly all members of the committee should be encouraged to focus their remarks and to pay attention to questions that have been asked before so that we're not covering the same ground over and over again. These are things that will make the committee function well, efficiently, and work in the best interests of the taxpayers.

Mr. Hopfner: — Thank you. I'll shorten my questions up for the member from Rosemont. But I'll ask Mr. Lutz then: do you and your department feel slighted by the fact of possibly . . .

Mr. Lyons: — Point of order.

Mr. Chairman: — Point of order.

Mr. Lyons: — The feelings of the Provincial Auditor don't have any bearings in regards to the proceedings of the Public Accounts Committee. It's a question of the audit dealing with Agdevco. Well it's not a question of whether or not they feel slighted.

Mr. Chairman: — Mr. Lyons, you can always put your name down on the speaking list and make your comments. That's not a point of order. If Mr. Hopfner wants to ask the auditor if he feels slighted for some reason, he's perfectly free to do so.

Mr. Hopfner: — Well just to finish, do you people feel slighted in your department by the appointment of private auditors to various different departments? The reason I'm asking it is, I guess, probably you feel you have a particular timetable, but there is no real timetable set out in any kind of . . . there is no scheduled timetable set out according to you filing and finishing your report, or anything like that. So do you feel that the private auditors aren't doing a particular job in regards to the auditing in a timely fashion?

Mr. Chairman: — Order, please.

Mr. Lutz: — Mr. Chairman, no we don't feel really slighted. We're getting too much attention to feel slighted. I will say though that when the appointed auditor has not done the work, and if then we can't go back because it's too late to do the work he didn't do, then we have a problem.

Mr. Hopfner: — What do you feel is too late? Like, there is no particular timetable that you've established and given to this committee that a particular report had to be filed on some certain date by some certain deadline. What is the deadline then in your mind, and what is the particular date in a timely kind of fashion in your mind then?

Mr. Lutz: — Mr. Chairman, I think we have to get the "too late" into context. The legislative audit requires an audit for compliance, a review of the systems in place. You voted to the protection of the assets when the audit is being done; or actually for the systems work, you have to do it during the year when the system is being applied. Our problem arises if the auditor comes in, the appointed auditor comes in after a year end and does the attest audit. He can do the compliance audit, but if he has not done his systems audit when that system was being used, employed, or however applied, then it's usually too late, or it will be too late to go back after a year end and try to do that work because the year end is passed. That is too late.

If the engagement hasn't included a review of the systems

during a year to see if they are indeed working, to see if they are being applied, then it's too late to go back and do that work on the systems. This is our "too late."

Mr. Hopfner: — All right, but have you taken it upon yourself to send your officials over to make sure that this was being complied with? I mean, you have that right to, over and above any appointed auditor, that if you feel they're not doing that particular job and following out on that particular procedure . . . Have you sent your people over to do that particular procedure?

Mr. Lutz: — That's the point of our problem, I believe, Mr. Chairman. By the time we find out that the appointed auditor hasn't done that work, the year end has passed and it is too late.

Mr. Hopfner: — But you said you had met with Price Waterhouse and laid out the kinds of things that you would like to see done so that you could do your Provincial Auditor's report, finalize it, and have it done properly. And now you're saying you didn't discuss this with the appointed auditor.

Mr. Lutz: — Mr. Chairman, when I meet with the appointed auditor, or I write to him as the case may be, and I advise him what my reporting requirements are from him, if he complies with my request and does these systems reviews and gives me my reports so that I can form my opinions, there will be probably no problem. Now are we specifically talking about Agdevco . . .

Mr. Hopfner: — Yes.

Mr. Lutz: — . . . or is this a general wide-ranging question?

Mr. Hopfner: — No. Agdevco. I imagine it would be a general discussion with all auditors, but I'm asking, did you have this meeting, and did you indicate that with the appointed auditors of Agdevco? I'm going to be asking you this question on every department, so I'd like to know of Price Waterhouse and Agdevco.

Mr. Lutz: — When Price Waterhouse was appointed auditor of Agdevco, I sent to Mr. Mackenzie my requirements. I got a report back which, in my mind, wasn't adequate.

Mr. Hopfner: — Wasn't or was?

Mr. Lutz: — Wasn't.

Mr. Hopfner: — Okay.

Mr. Lutz: — I went and did some more meeting with Mr. Mackenzie and his people. I went and reviewed the situation with him. I got from him a new report I could then rely on.

Mr. Hopfner: — Okay. So it wasn't too late then.

Mr. Lutz: — In this case, no, because he had done his review some time when he had to do it to form his opinion.

Mr. Hopfner: — So if it was Price Waterhouse that has been newly appointed, then you would sit down with them and say, now these are my requirements; this is what I'd like you to follow, and this is what I must have in order to fulfil my duties and report to the Assembly. Correct?

Mr. Lutz: — Mr. Chairman, I sent them my requirements by mail, and in the same letter where I sent my requirements, I made the offer to sit down and assist them in their planning if it was their wish.

Mr. Hopfner: — A question to the Agdevco auditors. When you did your audit, did you comply with the Provincial Auditor in how he would like to see an audit carried out? Or have you had your own kind of auditing system far, far away from the graphs of the Provincial Auditor's?

Mr. MacKenzie: — Basically we do have our own system, but having worked with the Provincial Auditor for many years, we knew the type of work that he would want us to do. I believe that we by telephone discussed what we intended to do, that it was in accordance with the way we have done other Crown audits. And to the best of our knowledge, we did the work basically the same way that his staff would have done the work.

Mr. Hopfner: — So then, with that in mind then, do you feel that when you're doing the audit for Agdevco here, do you feel like you are the employee of the Assembly or the employee and the eyes and ears of the Provincial Auditor? Or do you feel that you're not?

Mr. MacKenzie: — Well our ultimate responsibility is to the legislature, but we are aware that our files will be reviewed carefully by the Provincial Auditor and we design our work so that he'll be happy with that review. So it's both, I guess.

Mr. Hopfner: — So I guess the question then to you, Mr. Lutz, is do you feel that when the appointed auditor is doing this work that they're your employees?

Mr. Lutz: — Mr. Chairman, the audit Act contains statutory direction to the appointed auditor to do certain things, but in my view, the appointed auditor is responsible to his client.

Mr. Hopfner: — Well, the Act, under The Provincial Auditor Act, specifically outlines the fact that they are, I guess, probably responsible to the Assembly as well as yourself. I don't imagine that . . . the reason I was asking some of these questions was to just actually clarify this particular thing, because from last Thursday, I was almost convinced that they were working for the client too. But they keep insisting, Price Waterhouse keeps insisting they're working for the Assembly.

You keep insisting that they're working for the client. The client says no, they're not influencing them whatsoever. They get a full access to any information that they so desire for them to fulfil the report to the Assembly.

I mean, things just aren't coming out in this committee as a full answer. They're either . . . there's got to be a cut and

dried answer to this, and I would like to try and get to that. That's why I had asked you those various questions, on all parties, those various questions. I'd like to get to the bottom of what we feel about all these reports that are coming to this committee. Are they true audited reports and are we dealing with them as a true audited report?

Mr. Lutz: — Mr. Chairman, I think perhaps . . . this to me sounds like a legal question, and I think perhaps I'm not equipped to deal with legal questions, so maybe the Legislative Law Clerk should be up here to answer these.

Mr. Hopfner: — Well maybe he ought to be here because I want to get an answer to this.

Mr. Chairman: — I think that's appropriate inasmuch as the item we're discussing is the legal opinion from the Legislative Counsel and Law Clerk. And therefore if Mr. Cosman is here and wants to resume his seat at the table, you may want to rephrase the question again to Mr. Cosman once he receives his seat.

Mr. Hopfner: — I'd like to pose the question to you then. You're the Legislative Law Clerk and should be able to give an interpretation of this provincial Act. You heard the question that I posed before?

Mr. Cosman: — Yes I did. I'm just, in reviewing my opinion which I have before me, of June 14, 1989 to Mr. Lutz, I notice that I've pretty well outlined that it's my opinion that it's the responsibility of the Provincial Auditor, solely, to report to the Legislative Assembly; that in no event can an appointed auditor be given the direct responsibility of providing an audit to the Legislative Assembly, under my reading of The Provincial Auditor Act.

There's clear wording in the Act at section 12(1.1) and (1.2), contemplating the flow of material and to whom various people are to report. At (1.1):

On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

That to me clearly outlines that it's the role of the appointed auditor to submit the report to the Provincial Auditor. I don't see it as an employer/employee type of situation, but that is the . . .

Mr. Hopfner: — But if you back up into section 11 (1) on The Provincial Auditor Act, it indicates in there that the appointed auditors are responsible for carrying out the procedures of . . . in a duly fashion for the Legislative Assembly. Is that not correct, or would that not be the way of interpreting that? Now that's from (a) to (d), section 11(1), (a) to (d). That outlines all the . . . and then that would be basically the same procedures that the Provincial Auditor would carry forth as well, other than the fact of putting out the final report, right?

Mr. Cosman: — Yes, I don't see 11(2) as actually giving the appointed auditor full and direct responsibility to

report to the Legislative Assembly.

Mr. Hopfner: — I'm not saying that; I'm just saying that to carry out a proper audit. I mean there, under the Act, that Act gives them the rights to go into the departments that they're appointed to to carry out their auditing practice, to find out and make sure that each department is doing things that they're supposedly supposed to be doing, and if not, reporting accordingly. And they have the same rights and powers of the Provincial Auditor's office because they are acting, in fact, on behalf of the Provincial Auditor. And that Act lays it out there very strongly and is very strongly worded. Is that not correct?

Mr. Cosman: — I disagree to an extent.

Mr. Hopfner: — Well, let's back up then and go through it clause by clause, where you'd disagree where the appointed auditor does not have the . . . where, in The Provincial Auditor Act, it does not give the appointed auditors those particular powers. And I'm not saying that. . . and while we're doing it, I'm not suggesting for a minute that they are the ones to finalize that report, okay? Just keep that in mind.

Have you got a copy of that? I just brought my sections. I've written down the sections. Have you got a copy? Yes, here I am. Okay, here we go.

The provincial auditor is the auditor of the accounts of the Government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

- (a) the accounts have been faithfully and properly kept;
- (b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- (c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

And then where it goes 11(2):

An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

Same responsibilities.

Mr. Cosman: — No, that's where we disagree. My interpretation of 11(2) is that the appointed auditor is given a . . .

Mr. Hopfner: — Let's put it this way. The appointed

auditor is subject to the examination responsibilities prescribed in clauses (l)(a) to (d); the accounts have been faithfully and properly kept; (b), and I can reread it into the record — I won't, but I'm just saying is that you're just repeating the same format here. Now where does it say anything different?

Mr. Cosman: — The fact that subsection (2) does not include subsection (1) in totality . . .

Mr. Hopfner: — Where is it . . .

Mr. Cosman: — It merely refers to clauses (l)(a) to (d), and therefore the appointed auditor is being directed to be subject to the examination responsibilities (a) to (d). It is not giving the appointed auditor the role of being the auditor of the accounts of the Government of Saskatchewan and having the power or direction to examine all accounts related to public money, and to form an opinion with respect to (a) to (d).

Mr. Hopfner: — Yes, right. I didn't say that he was going to form an opinion. He had to report his findings to the Provincial Auditor for the final outcome, right?

Mr. Cosman: — Yes.

Mr. Hopfner: — All right. Now that was a question here in the debate under Agdevco here where in some of the verbatim that I've been listening to over the past couple of days, by questions posed to the various auditors and Agdevco people here, it was apparent that there was a misunderstanding of the fact.

But as you've read out here from (a) then, as we've discussed from 11(1) through to (d) and into 11(2), the responsibilities of the appointed auditor, other than making the final report to the Assembly, the procedures of auditing are the same, right.

Mr. Cosman: — Yes.

Mr. Hopfner: — Okay. Now then, when the appointed auditor, according to this, is doing these (a), (b), (c), (d) of the Act and he finishes the (a), (b), (c), (d) of the Act he gives his findings to the Provincial Auditor, if the Provincial Auditor is not completely happy with the (a), (b), (c), (d), he can go back to the department then and find these things?

Mr. Cosman: — Yes.

Mr. Hopfner: — Okay. Now when (a), (b), (c), (d) are done, Mr. Lutz, is that done at year end or is that done during the year? When is all this work done?

Mr. Lutz: — Mr. Chairman, some during the year, some after the year end.

Mr. Hopfner: — Okay. So at the end of the government fiscal year, which is March, then you would go in and do your final report, right?

Mr. Lutz: — What's the year end for Agdevco?

Mr. Hanson: — Calendar year.

Mr. Lutz: — So some time after December 31, Mr. MacKenzie would go in and complete his financial audit, if you will. He can probably do his compliance audit then, if he wishes, or he could have done it during the year. But to do your systems work you would have to, I think, do an interim audit some time in the year.

Mr. Hopfner: — Do you do a system audit during the year, some time during the year, or do you wait till the year end?

Mr. MacKenzie: — No, Mr. Chairman, normally the audit would be carried out in two basic visits: one during the year to check the controls in place, as they're actually operating, and the other to do our year-end work which includes a bit of follow-up on the first audit.

Mr. Chairman: — Mr. Hopfner, I wonder if we might take a break at this point and then come back in five minutes.

Mr. Hopfner: — Yes, okay.

Mr. Chairman: — We'll take a break now.

The committee recessed briefly.

Mr. Chairman: — I might call the meeting back to order. Mr. Martin, Mr. Lyons.

Just before we resume the questioning, I had an opportunity to reflect on the line of questioning this morning, and far be it from me to suggest what questions members should or should not ask, but I'm getting a sense that perhaps we have matters in which there can be no agreement. We have an opinion of the Legislative Counsel, an opinion that's shared by Mr. Lutz, and we've had a number of questions to both Mr. Lutz and to Mr. Cosman. My interpretation of the opinion is that it's unwavering.

We have had other members who, although have not expressed disagreement as such, nevertheless do not seem to accept the opinion. That's fine and that's legitimate, but I really wonder whether continued questioning will necessarily find an agreement where there may not be any agreement, and that perhaps at some point we should take the position that there are matters on which we may, to use the phrase, agree to disagree, and move on to more fruitful areas of discussion for the committee.

And again, far be it from me to suggest what questions members should or should not ask, but I certainly would encourage you that if a line of questioning is not being fruitful, then perhaps we may want to think of another line of questioning or area to focus on.

Mr. Hopfner: — A question to Agdevco. Your year end was at the end of calendar year. At what point then was your particular department finalized in regards to the audit?

Mr. Hanson: — I didn't catch the second part of that.

Mr. Hopfner: — When was your audit completed then?

When was it finalized?

Mr. MacKenzie: — I'm not certain of the date the documents were tabled, but our report was dated March 10, '88.

Mr. Hopfner: — That's when it was presented to the Provincial Auditor, or when was it presented?

Mr. MacKenzie: — I'm not certain of when it was presented to the Provincial Auditor, but it was dated March 10, '88, which would have been the date that we finished our field work.

Mr. Hopfner: — All right. Then all I can say is in The Provincial Auditor Act it says that — section 11(1) on reliance — it says that the auditor then may or may not accept, I guess, your report. It's pretty vague in the wording there as far as he has to accept it or anything else like that.

So professionally, if there was a misunderstanding but you people felt that you did an adequate job in auditing and he said no — the Provincial Auditor said no — then you could go to your professional Act, I guess . . . professional chartered accountants, and you can have that discussed and a ruling come down. Is that binding then under the professionals Act whether . . .

Mr. MacKenzie: — No, I don't necessarily think that would be the way it would go. The Act doesn't say that Mr. Lutz has to rely . . .

Mr. Hopfner: — No, may, may rely.

Mr. MacKenzie: — It says he may, so in fact it seemed to me that he could choose to disregard our report. And because he is reporting to the Legislative Assembly himself, it would be incumbent on him to form his own opinion.

Mr. Hopfner: — But I understand though that you can, if you're not satisfied with that then, that you can challenge that under your professional Act that, you know, you've done an accurate auditing, you've used an accurate type of of auditing approach and . . .

Mr. MacKenzie: — I believe the process would be that the dissenting party could bring the matter to the discipline committee, and it would be up to that committee to do what it saw fit. But I don't think that would necessarily have any effect on the Legislative Assembly at all.

Mr. Hopfner: — Okay, I'm just trying to get that clarified in my own mind, because I don't know your professional Act and I just heard somebody talking about that the other day, that there was some things being ahead of your professional committee for clarifications. All right, I'm going to pass off on this stuff and let you go, Mr. Chairman.

Mr. Muirhead: — Thank you, Mr. Chairman. I've been waiting to say a few words since June 20th, a week ago.

Mr. Chairman: — It's always a pleasure.

Mr. Muirhead: — But, Mr. Chairman, seeing that a lot of the things that I have asked pertaining to happenings of June 20 — some of it's been covered and it would be repeating too much if I go over it again, but I do have a few points that I want to perhaps clarify, and I'm going to try and do it as quickly as possible, Mr. Chairman, so we can move on.

Mr. MacKenzie, on June 20 I understood you to make it quite . . . I didn't go back into your part in *Hansard*, but you made it quite clear that when you're doing an audit for the Legislative Assembly for any department or . . . excuse me, for any department, you do it the same as you're doing a commercial audit.

Mr. MacKenzie: — Mr. Chairman, the portion of our audit related to the financial statements we would do basically the same way that we would do a commercial audit. In doing the review of the internal controls, in most commercial audits we do not do a separate audit of that area. If we encounter problems in that area, we'll bring it to our client's attention, and if it's a serious problem we may have to qualify our report — our regular financial statement report. So that's the difference.

Mr. Muirhead: — But I also understood you — just to clarify, did you try to leave this feeling with us that when you're doing the audit you're doing it as a commercial audit but also to try to be under the rules of The Legislative Assembly Act?

Mr. MacKenzie: — Yes.

Mr. Muirhead: — Because you know it's going to go to Mr. Lutz. Do I understand that to be correct?

Mr. MacKenzie: — That's correct, yes.

Mr. Muirhead: — All right. A question to you, Mr. Lutz. That morning of June 20, you've clearly, as far as I am concerned, stated in your opinion, if you did not agree with the private auditors, that as far as you were concerned it just meant nothing to you. And I quote what you said:

The fact that Price Waterhouse has done the work is fine. If I agree with his opinion, if I concur in his opinion, that becomes my opinion. If I do not rely on his work and report and if I disagree with his opinion, then I say so, and his opinion . . . (means absolutely) nothing.

Do you not think, Mr. Lutz, that that's a pretty powerful statement coming from . . . a lot of power given to one person, or do you think that's reasonable, that if all of a sudden you don't like what they're saying or don't agree, you say it's worth nothing? Do you have the same opinion that with your own staff, who must be auditors also, Mr. Lutz; do you have the same opinion if you don't agree with them, that their statement means absolutely nothing? Or have you reconsidered what you said that morning and maybe that was a little harsh? I'd just like a comment from you, Mr. Lutz, on that.

Mr. Lutz: — Mr. Chairman, the opinions expressed in this

report must be my opinions. In law, what I am saying is that they must be my opinions, and if I do not agree with the appointed auditor, then his opinion cannot carry any weight in law. Now we had a problem with this item, so I went to the Legislative Counsel and Law Clerk and he concurred in my view. Perhaps my choice of words weren't the best — I don't know — but his opinion carries no weight if I do not rely on his opinion. These opinions are mine.

Mr. Muirhead: — You see, Mr. Lutz, it came across to us, and I think that people that heard your opinion — maybe you did put it pretty strong — that if I don't agree with anybody, well then I'm the dictator and that's the way it can be. That's just it. I'd have no . . . I don't take any stock in what you're saying at all.

Do you, Mr. Lutz, do you have the same opinion exactly with your own people in your own department? The auditors that work for you, you say that they're your eyes and your ears, and if you just don't agree some morning with some report they give you, do you say just to them, it's worth nothing? Do you say that to them? Because you said that to these gentlemen here. It's worth nothing. Is that what you say in your department? Because if it is, maybe that's why things aren't going good down there.

Mr. Lutz: — Mr. Chairman, I am required by law to audit the accounts of the province of Saskatchewan. These opinions must be my opinions. I've had nothing but co-operation from Price Waterhouse. However, if I do not agree with the opinion of another auditor, this becomes a professional matter perhaps, but certainly a matter of opinion, definitely. And I have got to express those opinions in my report to the Legislative Assembly. And if it happens that my opinion differs from that of the appointed auditor, then that's the way it is. My opinion must be the one that goes to the Assembly. I'm required by law to do that.

Mr. Muirhead: — All right, Mr. Lutz, I won't carry that on any further. You have given your opinion. I'm going to give you mine, which I have that right also.

I would not have a very good working relationship with any businesses I've been involved with, including my own farm, or anybody, if I just said, when somebody gives an opinion, it's worth nothing. It would be to a poor working relationship, and perhaps that's why you have a poor working relationship and are not getting your job done, Mr. Lutz.

I have another question I want to ask you, Mr. Lutz. Why did you make the statement that you can only pass . . . that you can only pass the judgement on a . . . and you said there's only 50 per cent of the government moneys that you've been able to look into. There's only 50 per cent. Why did you make that statement? Is that a correct statement, that you've only been able to see 50 per cent of government spending?

Mr. Chairman: — Point of order, Mr. Lyons.

Mr. Lyons: — Mr. Chairman, we have gone through a debate several days ago regarding what we're looking at and what we're not looking at in terms of the agenda.

Quite frankly, I'd be perfectly willing if the members were willing to go to the first 22 pages. However, we're dealing with Agdevco here, at the request of the Progressive Conservative members of this committee. There is no statement in the auditor's report such as made by Mr. Muirhead in regards to Agdevco.

A Member: — Current issues of importance.

Mr. Lyons: — That statement is contained under "Current Issues of Importance." And I think that unless we move to . . . and agree to reconsider a motion to reconsider, to go at those statements and deal with it, I think the comment's out of order.

I may say so, if Mr. Lutz is being put on trial by Mr. Muirhead in regards to the statements that he made in the first 20 pages, then I think that we will . . . that we should move and deal with those first 20 pages instead of trying to sneak in the back door, which Mr. Muirhead is trying to do, and which, as I understand, is a well-known Tory tactic.

Mr. Wolfe: — I think that the line of questioning does relate to Agdevco. I think it clearly relates to Agdevco. And the Provincial Auditor, in saying that he hasn't been able to see 50 per cent of public spending, is making comments which are really very relative to Agdevco and the auditing done by Price Waterhouse. So I think the questioning is in line with the agenda that's before us. Thank you, Mr. Chairman.

Mr. Chairman: — I find the point of order well taken. We took the position . . . No, Mr. Martin, you wait for me. We took the position that we would get on to a review of departments and we would, as we saw fit, bring in considerations from chapter 2 as these pertained to the departments under review. We would not do a review of chapter 2 per se, but that if matters from chapter 2 pertained to a particular department, we should not feel constrained, and we should be able to raise them in the context of a review of a department. And that's fair.

But in terms of your question, Mr. Muirhead, you wanted to get at the comment of 50 per cent. And perhaps the Chair has been lax in letting other considerations go on that one. But we've now had repeated assurances by Mr. Lutz and by Mr. MacKenzie that there is no problem with respect to Agdevco, so therefore that the comments that the auditor makes about not seeing 50 per cent, or that he's having problems, doesn't really apply in this case.

So I would encourage you to find some way to relate comments in chapter 2 to the matter at hand, to the department at hand. And if you tie it in, then you can go ahead. But I'd encourage you to find some way to tie it in.

Mr. Muirhead: — Thank you, Mr. Chairman. That's no problem. Mr. Chairman, I can definitely see why the members opposite would bring up a point of order, because naturally when we on this side get onto a subject that they don't like and upsets them, they go, point of order.

I've sat for last Tuesday, last Thursday, and today, Tuesday, and listened to the same kind of questioning . . .

yes, we'll read this:

With the appointment of more private sector auditors the Provincial Auditor now sees about 50 per cent of the expenditures from the public purse. In 1987 the Provincial Auditor saw about 90 per cent of the public purse.

And I asked my first question to the Provincial Auditor, and how do you know, Mr. Chairman, and members opposite, that I wasn't going to relate my questioning after he answered that right to this department? Does he say he hasn't seen 50 per cent of them, of their government money spending . . . (inaudible interjection) . . . Oh, we don't know. It isn't up to you to say; it's up to Mr. Lutz to say.

I can tie anything you want, Mr. Chairman, right to the departments or to the auditors here. So I don't . . . I didn't . . . (inaudible) . . . all the while abide by any chairman's ruling. I just say I didn't agree with you, but I still will abide by it.

Mr. Chairman: — Thank you. Mr. Muirhead has the chair, Mr. Anguish. Co ahead, Mr. Muirhead.

Mr. Muirhead: — Mr. Lutz, are you wanting to comment on what I'm saying?

Mr. Lutz: — Thank you, Mr. Chairman. The comments included in paragraph 2.12 of my report clearly state that:

With the appointment of more private sector auditors the Provincial Auditor now sees about 50 per cent of the expenditures from the public purse.

This comment relates to item 2.10, and that says:

The Provincial Auditor must conduct audit procedures to determine if reliance on an appointed auditor is justified. These procedures have not extended to a first hand audit of the books and records of any crown corporation except for the minutes of some of the Boards of Directors.

Mr. Chairman, the nub of the problem is that the executive government is trying to decide what I can or cannot see, and how I can or cannot examine. Now on June 13 I tabled a report with this committee which said I am confident these matters will be solved. I based my confidence on a memo from the Premier to all cabinet ministers.

I believe the existence of that minute demonstrates that there was indeed a problem. I believe that with that memo out there the problem will indeed be solved. And, Mr. Chairman, I have answered this question many times in various ways, and I don't see any future in answering it again.

Mr. Muirhead: — Well, Mr. Lutz, you're the one that's made the statement, and it can relate to any department, because you made the statement you only see 50 per cent of the government spending, whether it be this department or any other department. The question I asked you: why did you say that? I was going to . . . it's

going to lead to another question. I want to know why did you say that? Could you absolutely, under no circumstances, not see the other 50 per cent of government spending, in this department or any other?

Mr. Lyons: — Same question that he was ruled out of order before. It is apparent, Mr. Chairman, that the members want to discuss the first 20 to 22 pages of the report. I wonder if it would be in order to move a motion of reconsideration so that we could do that if we all agree that we want to examine the auditor's statement.

Mr. Martin: — Point of order, Mr. Chairman, to the point of order. I'd like to point out to the member from Regina Rosemont that Mr. Lutz is perfectly capable of looking after his own interests and is well ahead of the member from Regina Rosemont in that respect. Okay?

Mr. Chairman: — Well that's hardly apropos to a point of order, but . . .

Mr. Martin: — Well I wanted to get it in, that's all.

Mr. Martens: — Earlier on we came to the conclusion, and you came to the conclusion, that the reference to each department into the first three chapters, for each department, each Crown, was legitimate questioning. And I'm not sure which way Mr. Muirhead is going to be going with his questioning, but it does refer to those first three chapters. And in the context of dealing with that I think that in each one of the cases that we . . .

Mr. Chairman: — Excuse me, Mr. Martens. I'm trying to listen to you and both Mr. Wolfe and Mr. Lyons are interrupting and I find it, frankly, very difficult for the chair, and I would assume for others in the committee, as well, to pay attention to your remarks when that kind of side chatter is going on.

Mr. Martens: — The point that I would like to make, briefly, is that you have ruled on earlier occasions that reference to the first three chapters and in each of the items mentioned in here is a legitimate process. And we have worked that way in other areas, and I think in that sense that the point of order should not be well take . . . And if you exclude it here, then you will exclude it every place through the items that we have to deal with, and I think that that would be negative to the discussion that we have here today, or in the future.

Mr. Chairman: — My feeling is, just on the point of order, that the questioning . . . if one wants to delve into chapter 2, then the questioner should seek to establish some relationship with Agdevco, if at all possible, and I see Mr. Muirhead trying to do that and I'll have to let him proceed.

But I just might say, as I said earlier, that it also becomes apparent that no matter how many times the questions are put the answer is the same; or, if the question is put in slightly different ways, the answer still remains the same and that no amount of questioning will necessarily shed new light on the information before the committee. Far be it from me to say what the question should be, but again, if we feel that we're not getting anywhere in terms of resolving what may be a difference in opinion, then

perhaps we should move on.

So I will just say that and Mr. Muirhead, you have the chair.

Mr. Muirhead: — Thank you, Mr. Chairman. Mr. Lutz, do you not have the right to go into any department at any time if you're not satisfied — like with Agdevco here — if you're not satisfied? I know this is hypothetical, because we understand that you did have a good working relationship with them this year and it was only a couple . . . and by your statement this morning there was only a couple or two or three items that you had to clarify. But have you not got the right at any time to go into any department and do an audit . . . (inaudible interjection) . . .

Their department or anybody else. I don't see anything wrong with that question; that's the first time it's ever been asked.

Mr. Chairman: — It's a fair question.

Mr. Lutz: — Mr. Chairman, except in cases where I may be denied access, yes, I have the right to go in and audit any place. It wasn't necessary to go into Agdevco. I had the full co-operation of their appointed auditor and everything was fine.

Mr. Muirhead: — All right. Having said that, Mr. Lutz, you're still saying that if you were denied, is the only reason that you couldn't go in. Is there nothing in your Act that would just give you the right to go into any department of government? I understood here, from your own statement right here:

Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

So you have got the right. And what do you do when they deny? Do you do something about it? Do you go to the Premier? Do you go to wherever you have to go to, or do you go to the press and say, I can only see 50 per cent, and do nothing about it? What do you do, Mr. Provincial Auditor?

Mr. Lutz: — I do the same as I've done for several years now. I report it to the Legislative Assembly.

Mr. Muirhead: — I think I've made my point pertaining to that. I don't agree with his statement that he's been saying publicly in this province that departments . . . of private auditors . . . I can't . . . oh I can only see 50 per cent. You've got your full right to go into the department and it should be . . . your linen should be washed in your department and within the agencies and not out in the public, saying, I can only see 50 per cent of the government spending. I think that's an awful statement you said, Mr. Lutz, and I do not agree with you.

Mr. Cosman, I have . . . more or less, it's just a statement or just a . . . I want to say, and if you want to comment on it,

fine. I said how . . . what I'm saying to you: how could you or anyone else say that private auditors are answerable to their employers when their report goes to the Provincial Auditor and then to the Legislative Assembly, when the private auditors must know when they're doing an audit that they're not answerable to their employers when . . . if Mr. Lutz is not . . . the private auditor is not . . . the Provincial Auditor is not satisfied he goes right back to clarify.

So why wouldn't it automatically, just in common sense, that they, when they're doing an audit, they're answerable to him and the Legislative Assembly? Why have we been going through days and days here of these statements that, oh, they're answerable to their employers? Where any place in here that we heard a statement from Mr. Lutz, or any place in here, where they're answerable to their employers? They're answerable to the Provincial Auditor. If he's not satisfied, he's already said, I can go back, try to iron it out. If they deny me access, they have to work something out. But where do I ever see a report ever going to their employers? It goes to him. It's been said here many, many times, straight to him; he's answerable to the Legislative Assembly.

So just in my own feeling, I'd like to have a comment, maybe if you would like to. But why would they be making any report other than it's going to try to satisfy him and the Legislative Assembly? They have no . . . they're not answerable to their employers. They are answerable to him and the Legislative Assembly; thus that makes them, when they're doing the report, answerable to the Legislative Assembly. If not, it comes back to them.

Mr. Cosman: — I'm not sure that . . . Are you suggesting that I made the statement that they were answerable to their employers, being the Crown corporation had hired them?

Mr. Muirhead: — No, you didn't say that in your report, but Mr. Lutz has been always referring to that and the members opposite and everybody in general. That's all I've heard for a month around here, that private auditors are answerable to their employers. Members opposite have been saying it; people have been saying it; the press has been saying it. I want to clear it up. Who are they answerable to?

Mr. Cosman: — I'm not sure that I will be the definitive answer, but my interpretation of it would be that initially they're doing an audit for the agency that engaged them. Agdevco engaged Price Waterhouse, and I would understand — Mr. MacKenzie perhaps could correct me if I'm wrong — but I would understand that in effect you're preparing financial statements showing year-end situation for Agdevco, but knowing at the same time that you were going to be submitting a report to the Provincial Auditor for the purposes of his report to the Legislative Assembly. So perhaps you have a dual function when you do an audit.

Mr. Muirhead: — Well, we're getting closer. Maybe we're getting to the point here, because you're playing a little game here too, I mean, whether intentionally or not, I don't know, but it sure bothers me.

They're answerable . . . anybody's answerable to their employer. When he goes and sends his own auditors and his staff to any department, the people know that the auditors and the people in that department, that they're kind of answerable to that department. But in fact, where does it end up? Who's going to complain about these auditors or any others or any other department if it's not right? If he doesn't agree, who do they go to, the employers? Or do these two people deal, the private auditors and the public auditor? Do they settle their differences, or is the employer involved? Who's involved?

Mr. Cosman: — I should think as between the appointed auditor and the Provincial Auditor, that the two of them would be involved.

Mr. Muirhead: — Right. Then why do we even bring in the suggestion that they're answerable to their employers when they're not even involved? Why don't we get off that and settle this here disagreement we've had here for a month or more, is that it's settled between the private auditor and the Provincial Auditor. So that means that's why they're answerable to him through to the Legislative Assembly.

I think there's been too much game playing here. Whether it's you or somebody else, I don't want to say that, but it's coming out that way. Let's get off this thing and settle it once and for all, so the media sitting here know what we're talking about. Are they answerable to the media or to Agdevco or to him or the Legislative Assembly? You pretty well just summed it up a few minutes ago. You said they have to settle it, the private auditors and the Provincial Auditor. I think we don't need to say much more about it. Pretty clear. Unless you've got some more comments on that.

Mr. Cosman: — No, I have no further comment.

Mr. Muirhead: — Just don't talk about that part any more. If the media hasn't got that straight, well then they haven't got good ears either.

Thank you, Mr. Chairman.

Mr. Wolfe: — A couple of questions related to previous questions of last day, to the Provincial Auditor. There were concerns raised at that time that Executive Council was selecting the auditors, and that was a concern of yours. Today you've said that the concern that you have is that you must be able to do other things, and I'd like you to clarify those comments for me today.

Mr. Lutz: — Mr. Chairman, it's not a concern to me if Executive Council appoints other auditors. That does not concern me. Now was there a second half to this question?

Mr. Wolfe: — Further to that, Mr. Lutz, I'd like to remind you of June 22, page 425:

If the executive government does not decide whose eyes and ears I can use, I don't have a problem. It's when somebody says, no you can't

see that or you can't have that or you can't look at that or you'll have to take his word for it, then I do have a limitation in scope.

I'd like you to comment on that.

Mr. Lutz: — Mr. Chairman, what has happened is the statement is being made or the position has been adopted that if the private auditor has looked at something, then I should not be expected to be allowed to look at that as well. And what I have said is the private auditor cannot be my only eyes and ears.

Now if we go to item 2.20 in my report, this is just not a single problem:

The Provincial Auditor can no longer effectively serve the Assembly because:

(one) he now sees the financial transactions for about 50 per cent of the public spending;

when reliance on an appointed auditor is not justified, it is no longer possible to carry out the work not done by the appointed auditor; and

I am being denied access to information.

When you take those three things together, I am looking at a limitation in scope. That's my problem. It isn't in isolation any one item, it's when you put them all together in item 2.20.

Mr. Wolfe: — But the comments related to the 50 per cent being seen or not being seen by you have basically inferred that appointed auditors are a concern of yours, and that 50 per cent of expenditures are related to appointed auditors doing work for the Legislative Assembly for you, as I understand it.

Mr. Lutz: — It's part of the problem simply because the appointed auditor, while he is doing his job, once he's in place the executive is telling me I can't look at any of the stuff he's been dealing with. That's . . .

Mr. Wolfe: — Could you document for me today where executive government has impaired your ability to do the work on Agdevco.

Mr. Lutz: — Mr. Chairman, this is a general comment which you cannot relate to Agdevco; we didn't have a problem with Agdevco.

Mr. Wolfe: — But they were included in the 50 per cent figure, as I understand it, 50 per cent of expenditures that weren't being seen by the Provincial Auditor. And please correct me if I'm wrong.

Mr. Lutz: — Mr. Chairman, without having numbers before me, I would think Agdevco represents maybe 10 million on a total of 6.9 billion. It's hardly a representative . . .

Mr. Wolfe: — The questions asked earlier were ones about reliance, and your comments were that where you could rely on the

work done, where you could rely on the appointed auditor, you didn't have a concern. And yet your 50 per cent figure is related to some of those accounts and some of the auditing that you've relied on, as I understand it.

Mr. Lutz: — I continue to have a concern with the 50 per cent if I am not allowed to go in and look at what I want to see. But it's only part of the three items referred to in 2.20. You take them all together, you take them in context, and that is the problem. You can't isolate the 50 per cent and say that is the problem.

Mr. Wolfe: — Then why the comment in 2.12:

With the appointment of more private sector auditors the Provincial Auditor now sees about 50 per cent of the expenditures from the public purse. In 1987 the Provincial Auditor saw about 90 per cent of the public purse.

Which are the 10 per cent that you are referring to previous?

Mr. Chairman: — It's a fair question.

Mr. Lutz: — Mr. Chairman, I think maybe we could put this into some context. I am going to read to the committee certain items out of this book. I am starting at 2.08 under the heading, effectiveness:

2.08 This report represents the first year of operations under the 1987 changes to The Provincial Auditor Act and other related laws. The changes permit the appointment of more private sector auditors (appointed auditors).

2.09 Under the law, the Provincial Auditor is responsible for the audit of 100 per cent of the public purse. The law permits the Provincial Auditor to carry out his responsibilities by relying on the audit done by an appointed auditor. The law requires the Provincial Auditor to use his professional judgement to justify this reliance.

2.10 The Provincial Auditor must conduct audit procedures to determine if reliance on an appointed auditor is justified. These procedures have not extended to a first hand audit of the books and records of any crown corporation except for the minutes of some of the Boards of Directors.

2.11 Therefore, where a crown corporation has an appointed auditor the Provincial Auditor no longer sees the financial transactions of that crown corporation. With the present arrangements, the Provincial Auditor sees only what an appointed auditor chooses or is permitted by the crown corporation to show him.

2.12 With the appointment of more private sector auditors the Provincial Auditor now sees about 50 per cent of the expenditures from the public purse. In 1987 the Provincial Auditor saw about 90 per cent of the public purse.

I can now read 2.20:

The Provincial Auditor can no longer effectively serve the Assembly because:

- he now sees the financial transactions for about 50 per cent of the public spending;
- when reliance on an appointed auditor is not justified, it is no longer possible to carry out the work not done by the appointed auditor (see Chapters 29, 30, and 31); and
- I am being denied access to information. (See 2.25 to 2.57).

Mr. Wolfe: — My question to you then, is the 40 per cent increase a total matter of non-reliance or not . . . (inaudible interjection) . . . They're included.

Mr. Chairman: — If I just might review it, we're dealing with questioning related to a legal opinion from the Legislative Counsel and Law Clerk, which was provided to us in a report by the Provincial Auditor. That legal opinion revolves around a comment by Mr. MacKenzie where he stated: "Yes, in law we would be reporting to the Assembly, I believe." The questions here are related to that point and therefore in order.

Mr. Anguish: — Why don't we discuss issues of current importance and then go back to issues of current importance, Mr. Chairman.

Mr. Chairman: — Well if there's some way to relate them to what's happening, you know, arising out of Agdevco. It seems that a lot of matters are arising from a consideration of Agdevco, and so be it.

Mr. Lutz: — Mr. Chairman, I had a concern. Section 2.08 to 2.12 is trying to explain to the Legislative Assembly what my concern is, what is leading up to my concern. And 2.20 contains the gist of my concerns, and it's made up of three parts.

And yes, the 50 per cent concerns me as long as the executive government can decide what I can or cannot see. Yes, the 50 per cent concerns me, not because it's done by appointed auditors — they do a good job — but only because the executive government decides, if they have done it, I can't see any of it. That is what concerns me, as well as the other matters mentioned in 2.20.

Mr. Wolfe: — But as I understand it, Mr. Lutz, you have the power to go in and do additional audit work at any time. And you didn't have a problem, so I understand it — at least it wasn't serious problem, prior to this report, with the 10 per cent of the work that was being done by private auditors.

Mr. Lutz: — Mr. Chairman, The Provincial Auditor Act contains statutory direction to the appointed auditor on how he should conduct his audit so that I may rely upon him at the end of the day.

Now if the engagement of the private sector auditor doesn't include all of those things contemplated in the audit Act, certain matters which should be dealt with — if

we will, an interim audit — may not be done.

The point I make in 2.20, the second item, is:

- when reliance on an appointed auditor is not justified (for whatever reason), it is no longer possible to carry out the work not done . . . (because the year is gone.)

That is my point. If the engagement of the private sector auditor does not include all of the things that the audit Act contemplates he do, he may have been engaged to do nothing more than the normal financial audit. If that were the case, he wouldn't do the compliance, he wouldn't do the systems work because he was not hired to do so.

And if that's the case, I wouldn't know that until after that audit is done, because he doesn't report to me, as such, when he does that audit. I do not direct him. And if the year is gone and if the audit is done and if we find out then that he hasn't done the compliance or he hasn't done the systems review work for the protection of assets, it's now too late to go back and do the systems work. This is what I'm saying here. But something has fallen through the cracks in the floor.

Mr. Wolfe: — But at the same time you're referring to 50 per cent of the government expenditures at 2.12. And as I understand it, you're talking about references to three audits, chapters 29, 30, and 31, and the 50 per cent I don't believe can be tied to those three chapters and those three areas of concern.

Mr. Chairman: — Maybe we're getting a bit repetitious again. I just want to again restate the comment I made earlier, and that is, far be it from me to suggest what questions you should ask, but there may well be occasion when there are differences of opinion, and we should recognize them as such, and that no amount of questioning will necessarily resolve or create agreement where there is none.

Mr. Lutz: — Mr. Chairman, not many years ago there were a limited number of appointed auditors doing a limited number of Crown corporations. Mr. MacKenzie was one of them. The magnitude of the public exchequer being looked at by those private sector auditors was about 10 per cent, and when the magnitude of the problem is at 10 per cent, one does not maybe get too worried about it.

But the magnitude of the problem now is that appointed auditors are doing about 50 per cent and that — together with the fact that I'm not seeing these transactions firsthand, in fact, in cases I'm being prevented from seeing transactions — together with the fact that when reliance is not justified, you can't carry out the work, the year is gone; together with the fact that I am being denied access to information, causes me to report to the Assembly that I have some concerns.

Mr. Wolfe: — I would just like to remind you that earlier today you said you had no problem with the appointment of private auditors. But further to that, you've made comments earlier . . .

Mr. Chairman: — Mr. Wolfe, it's couple of minutes

before adjournment time and I wonder if you might save your questions for the next day, and before we adjourn I'd just like to make a couple of comments with respect to that.

It's my understand that the legislature will not be sitting on Monday, and therefore I suggest that the committee not meet on Tuesday morning, to give members an opportunity to travel to Regina. Also, it's not clear as to whether or not the Assembly will be sitting on Thursday morning — at least it's not clear to me — so I would suggest that . . . (inaudible interjection) . . . yes, this coming Thursday. So that if the Assembly does sit on Thursday morning, then the committee will not meet, meaning we will not be meeting again then until Thursday, July 6, but if the legislature does not sit on Thursday morning we will be here on Thursday morning, unless the committee wants to take a different position.

Mr. Martens: — Mr. Chairman, maybe in lieu of the fact that there is some indecision, maybe we should make a decision and then leave it at that. If we make a decision to sit on Thursday, and that's not in your hands nor in mine . . . But this is, and therefore I would suggest that we defer on Thursday and on Tuesday in light of the fact that we have other people who are dependent on other things to do.

Mr. Chairman: — Yes, sure. Do you want to make that a motion then that we not meet on Thursday and Tuesday?

An Hon. Member: — It is done.

Mr. Chairman: — Is it agreed . . . (inaudible interjection) . . . Just that we not meet this Thursday or the following Tuesday. So we would meet again then on Thursday, July 6. Is that agreed? All those in favour of the motion? Opposed to the motion?

Agreed

Mr. Chairman: — We'll meet again Thursday, July 6. Thank you very much.

The committee adjourned at 10:30 a.m.