

STANDING COMMITTEE ON PUBLIC ACCOUNTS
July 6, 1989

Mr. Chairman: — I'll call the meeting to order. Just before we get back to the discussion on the auditor's statement which offered a legal opinion, and also before the auditor puts before us another statement he wishes to make, I wonder if we might entertain a motion to cancel the meeting scheduled for Tuesday, July 15.

The reason that I suggest this is that Mr. Muirhead — excuse me, Tuesday, July 11 — Mr. Muirhead, myself, Mr. Lutz, and Mr. Robert will all be in Edmonton for the Canadian Public Accounts Committee convention. Moved by Mr. Martin. Any discussion on the motion? Agreed.

Next, Mr. Lutz advises me that he would like to make a statement to the committee.

Mr. Lutz: — Thank you, Mr. Chairman.

Statements made at recent Public Accounts Committee meetings appear to indicate clarification is required concerning the content of my 1988 annual report. A review of the verbatim indicates the following views regarding the propriety of the information contained in my annual report. Page 446 of the verbatim indicates:

Mr. Muirhead: — . . . your linen should be washed in your department and within the agencies, and not out in the public . . .

Page 357 of the verbatim indicates:

Mr. Muirhead: — . . . this has got to come to an end, this business of making public accusations about the Crowns . . .

The purpose of this statement is to substantiate the propriety of my comments.

1988 ANNUAL REPORT.

The matters reported in my annual report for '88 are matters that are required by law to be reported to ensure I fulfil my statutory duties. Questions of many members have centred around statements contained in paragraphs 2.08 to 2.24 of my 1988 annual report about my ability to effectively serve the Legislative Assembly. I would like to explain what paragraphs 2.08 to 2.24 of my annual report mean.

Paragraphs 2.08 to 2.19 are the background to the comment in 2.20 that:

The Provincial Auditor can no longer effectively serve the (Legislative) Assembly . . .

Paragraph 2.08 indicates this is the first report after the 1987 changes to the Act. Paragraph 2.09 states that:

Under the law, the Provincial Auditor is responsible for the audit of 100 per cent of the public purse . . .

and is permitted to rely on the work and reports of appointed auditors to fulfil his responsibilities.

Paragraph 2.10 explains that the procedures I have employed to determine reliance on the appointed auditors did not extend to a first hand examination of the books and records of any Crown corporations except for the minutes of some of the boards of directors.

My original plan to enable me to rely on the appointed auditors included the following procedures (see my Special Report of September 30, 1987).

1. A communication of my requirements to the appointed auditors. This communication was intended to ensure that when the appointed auditor's work was completed, I should be in a position to rely on his work and report.
2. A review of the appointed auditor's working papers.
3. A first hand examination of the Board of Director's minutes.
4. A first hand examination of audit evidence whenever I deemed it necessary based upon either my review of the appointed auditor's working papers or the examination of the board of director's minutes.

The original plan contained these minimum procedures for reliance because such a significant portion of the public purse was being examined by appointed auditors.

The reason these minimum procedures were planned was:

1. I had no reason to believe I would not receive full co-operation.
2. The minimum procedures were all I could perform given the level of funding for my office (See my Special Report of September 30, 1987).

The background information provided in 2.11 to 2.19 explains why it would be important for the Provincial Auditor to examine financial transactions first hand. The reasons given are:

1. The appointed auditors and the Provincial Auditor serve different clients.
2. Because they have different clients, different interpretations may be applied to the same financial transactions. Examples of different interpretations are given in Chapters 5, 19, 29 and 31.

Paragraph 2.20 provides the reasons why I can no longer effectively serve the Legislative Assembly as Provincial Auditor. The reasons are:

1. I only see first hand the financial transactions for about 50 per cent of the public spending.
2. Where reliance on the appointed auditor is not justified, I can not carry out all the procedures not done by the appointed auditor.
3. I am being denied access to information.

Paragraph 2.21 expresses the opinion that the accountability process must be repaired so the Provincial Auditor can effectively serve the Legislative Assembly. This paragraph contains the recommendation that the Provincial Auditor and the appointed auditors work together as joint auditors or with some similar arrangement.

Paragraphs 2.22 and 2.23 explain why the ability of the Provincial Auditor to conduct his own procedures, when reliance is not justified, does not solve the problem of being unable to be an effective servant of the Legislative Assembly. The reasons given are:

1. Since I can not determine if I can rely on an appointed auditor until after the year end, it may not be possible for me to carry out the work not done by the appointed auditor. Examples of this are given in Chapters 29, 30 and 31.
2. The financial resources to conduct the necessary procedures were taken from my appropriation.
3. The process would be disruptive to the Crown corporations.
4. The process would lead to conflict with the appointed auditors.

Paragraph 2.24 is stating that because I have a statutory duty to audit and report, if the only way to fulfil that duty is to conduct my own examinations, I will have to request the resources in future if current circumstances prevail.

ATTEMPTS TO CLARIFY THE PROPRIETY OF COMMENTS IN MY ANNUAL REPORT

1. I made the following statement to the committee on June 13, 1989:

I received a copy of a memorandum from the Premier to all cabinet ministers, directing that all departments and agencies provide the Provincial Auditor with all necessary co-operation to permit him to fulfil his duties, and to advise their appointed auditors of the directive. In the memorandum he also provided for a process for me to obtain information if I am refused information in the future.

I am confident that this memorandum will correct matters included in paragraphs 208 to 257 in my report as they pertain to access to information and co-operation. I do, however, continue to have a concern regarding the manner in which funding is provided to my office to carry out my duties.

The Premier did not question that I had been refused access to information. He has taken appropriate action to ensure that this situation should not continue in the future.

2. I have tabled a statement about the roles of auditors. I have indicated that I have been advised by my legal counsel, concurred in by the Legislative Counsel and Law

Clerk, that as a matter of law:

- 1) I am the officer of the Legislative Assembly responsible for the audit of all public money.
- 2) Unless I am able to rely on an appointed auditor, there is no appointed auditor who has a responsibility to provide an audit for the Legislative Assembly.

I am further advised by the Legislative Counsel and Law Clerk that the relationship of an appointed auditor to the Provincial Auditor is one contemplating the Provincial Auditor as being the final authority in the resolution of any differences between them on a professional basis.

4. I have tabled the legal opinion of the Legislative Counsel and Law Clerk. The Legislative Counsel and Law Clerk concluded the following:

It is the responsibility of the Provincial Auditor solely to report to the Legislative Assembly.

The Provincial Auditor is specifically charged to be the auditor of the accounts of the Government of Saskatchewan.

In no event can an appointed auditor be given the responsibility to provide an audit for the Legislative Assembly under the provisions of The Provincial Auditor Act.

The relationship of an appointed auditor to the Provincial Auditor is one contemplating the Provincial Auditor as being the final authority in the resolution of any differences between them on a professional basis.

5. By order in council 885/87, the Lieutenant Governor in Council (the executive government) appointed Price Waterhouse as the appointed auditor of Agdevco. Price Waterhouse's client is therefore the executive government and not the Legislative Assembly. Therefore, the Provincial Auditor and Price Waterhouse serve different clients.

6. I stated on page 431 of the verbatim that when Price Waterhouse examined the management control systems at Agdevco, they initially determined that the management control systems to safeguard and control public money were adequate. When my staff examined Price Waterhouse's documentation, they determined that it was inconclusive in this regard. After additional consultation, Price Waterhouse decided to revise their opinion.

It is clear that when my interpretations were applied to the same matters, differences arose. When these differences were subsequently resolved, my annual report described an important concern that might not otherwise have been reported.

Also, there are other matters contained in my annual reports which directly support the statements contained in paragraph 2.18 of my annual report.

7. The Provincial Auditor Act requires me to prepare an annual report to the Legislative Assembly which includes the reasons why I was unable to rely on the reports of the appointed auditors.

In summary, my annual report contains matters required to be reported to the Legislative Assembly to ensure I fulfil my statutory duties as Provincial Auditor.

Based upon the additional information I have supplied to the committee, the testimony of the witnesses, the advice of the Legislative Counsel and Law Clerk, the statements made in my annual report are substantiated and the opinions I have expressed fulfil my statutory duty to report to the Legislative Assembly.

The Provincial Auditor Act requires the Provincial Auditor to form professional opinions and to report matters to the Legislative Assembly. The Provincial Auditor is required, by law, to form these professional opinions without having consideration as to whether or not these opinions will be universally agreed with. The substantive matter is that the report is factual to the best of my knowledge. It reports the matters required for the Provincial Auditor to fulfil his statutory duties.

Thank you, Mr. Chairman.

Mr. Chairman: — Thank you, Mr. Lutz.

When we last left off we were considering an earlier report by the Provincial Auditor regarding a legal opinion from the Legislative Counsel and Law Clerk, and I believe, Mr. Wolfe, you had the floor, followed by Mr. Anguish and Mr. Lyons. And if it's the committee's wish, then we'll commence with Mr. Wolfe.

Mr. Wolfe: — I was wondering if maybe we could have five minutes just to go through what's presented to the committee.

Mr. Chairman: — By all means, yes.

Mr. Wolfe: — Thank you.

Mr. Chairman: — Have members had an opportunity now to review this statement, and do they wish to proceed? I hear no dissenting voices, so therefore I would suggest that we're back to a consideration of the legal opinion which was reported to us the other day by the auditor. And Mr. Wolfe, and then Mr. Anguish.

Public Hearing: Agricultural Development Corporation

Mr. Wolfe: — Since we're dealing with the legal opinion and Agdevco, I'm curious about the statement made and the statement to the Standing Committee on Public Accounts, roles of auditors, that was ... if I am unable to rely on appointed auditors' work and report, I must perform additional procedures to form my audit opinions.

I'm curious if the Provincial Auditor had any problems with doing any additional audit work as it related to Agdevco in the year under review?

Mr. Lutz: — Mr. Chairman, in the case of Agdevco, I

relied upon the appointed auditor, therefore no additional work was necessary.

Mr. Wolfe: — And the additional work that ... or communications that were documented aren't a form of additional work?

Mr. Lutz: — Mr. Chairman, that is additional work, but not the additional work contemplated by the Act.

Mr. Wolfe: — The additional work that might be contemplated by the Act would involve what kind of things, Mr. Lutz?

Mr. Lutz: — Whatever additional work, in my view, I would have to do to form my audit opinions.

Mr. Wolfe: — And what kind of work might that include?

Mr. Lutz: — Mr. Chairman, that would depend on the circumstances. It could include going into Agdevco and doing my own audit of the books and records.

Mr. Wolfe: — If you were to go into Agdevco and do your own examination of the records, how would you be funded; who would you bill?

Mr. Lutz: — Mr. Chairman, as I told the committee earlier, my fees for my work is represented by my appropriation voted by the legislature. I wouldn't bill anybody.

Mr. Wolfe: — How would you include that additional audit work or the possibility of doing that audit work in your budget?

Mr. Lutz: — If this type of process became material, I would have to ask the government for a special warrant to employ additional personnel and resources.

Mr. Wolfe: — And who would you ask for this special warrant?

Mr. Lutz: — The executive government, Mr. Chairman.

Mr. Wolfe: — And has there been indication that if you requested to do that additional kinds of audit work in the year under review that you would be denied?

Mr. Lutz: — Mr. Chairman, I didn't request a special warrant in the year under review, so I really can't respond.

Mr. Wolfe: — So as I understand it, you weren't impaired in your ability to do additional audit work if it was necessary.

A Member: — On Agdevco in the year under review, Mr. Chairman, on Agdevco it wasn't necessary ... (inaudible) ... asked a number of times the same questions.

Mr. Chairman: — Do you want to raise a point of order?

Mr. Anguish: — Well on a point of order, Mr. Chairman, I don't know what the members opposite have done, whether they've taken their questions from before and

turned it over and turned it back and started it again . . .

A Member: — Is that on a point of order?

Mr. Anguish: — . . . but all the questions have been . . . Do you have a point of order?

A Member: — . . . (inaudible) . . . yours.

Mr. Anguish: — Then wait your turn and then you interject. But my point of order, Mr. Chairman, is all these questions have been asked before. In regard to extra work by Agdevco, the Provincial Auditor gave us a report, and there have been verbal questions on it before. And I don't see the . . . I don't see where the focus of the committee is going any longer by trying to ask the same question many different ways. To try and roast the Provincial Auditor's office or whatever the attempt of the government is, I don't know, but the repetitiveness of the questions, I think, is unnecessary for the due regard of work within the committee, Mr. Chairman.

Mr. Wolfe: — Mr. Chairman, I'd like to speak to that point. I'd like to have the member opposite clearly document where those questions have been asked before.

Mr. Anguish: — Well can we stop the work of the committee for a couple of days and I'll just . . . (inaudible) . . . transcript.

A Member: — Do your homework?

A Member: — If you're going to make a point of order, you should have your homework done before you make a point of order.

Mr. Chairman: — If I can just have a moment to respond to Mr. Anguish's point. The point of order that's raised by Mr. Anguish is an interesting one, and it may have application here. I would not go so far as to say that it would have application in this specific instance with respect to Mr. Wolfe, but I would certainly point out to Mr. Wolfe and to all members of the committee that we are bound, to the extent that it's possible, by the rules of Assembly. One of those rules, I point out, in our rules of debate, 25(2):

The Speaker, or the Chairman, after having called the attention of the Assembly, or of the committee, to the conduct of a Member who persists in irrelevance, or tedious repetition, either of his own arguments or of the arguments or the arguments used by other Members in debate, may direct him to discontinue his speech . . .

Now we're not making speeches; we are asking questions. But if the questions, so it seems to me, tend to be repetitious and do not elicit new information, that is to say, the questions, even though they may be slightly differently put, elicit the same answers, then it seems to me that the committee should move on into a new line of questioning that might elicit additional and new information.

So I think Mr. Anguish makes a good point. It doesn't serve us well if we ask the same questions over and over again, even if they might be phrased slightly differently each time, but the answer is the same, the issues are the same. Again, as I stated at the last meeting, there may be differences of opinion sometimes, and no matter how many times we ask the question it won't necessarily change the answer. And we just have to recognize that there is a difference and we should move on.

Again, the questioning should try to elicit new information that'll be helpful, certainly, one would hope, to the member who is asking it, but to the whole committee. So that even though I would not rule at this point that Mr. Wolfe's comments or his questions are out of order, I think Mr. Anguish raises a good point, and is one that we are all well advised to take into account as we question witnesses before the committee.

Mr. Wolfe: — Thank you, Mr. Chairman. I'll ask Mr. Lutz to respond to that question.

Mr. Lutz: — Mr. Chairman, I wonder if I could get the question repeated so I can maybe get a grasp as to what you're after here.

Mr. Chairman: — Well in this case, okay.

Mr. Wolfe: — The concern that I have is that it might be repetitious. But keeping that in mind, what I would like to know is if the Provincial Auditor has been impaired in his ability to perform additional audit work if he deemed it be necessary to deal with Agdevco? He's stated to us that he did some additional audit work and there wasn't a problem with Agdevco.

I've asked him who would fund the additional audit work, how he might go about seeking that funding, and if there was any indication that he would be denied funding if it had been requested. I've also asked him how he might budget for that. And I'd just like to have him respond to that for the benefit of the whole committee.

Mr. Lutz: — Mr. Chairman, as it relates to Agdevco, there was no additional work done pursuant to section 11(2) of the Act, 11(1)(2).

Mr. Wolfe: — There was an estimate that \$1,500 worth of work was done earlier, and I'd just like the auditor to possibly comment on that.

Mr. Lutz: — That amount was absorbed in my appropriation.

Mr. Wolfe: — Okay. Now if in your role as Provincial Auditor, and as Provincial Auditor you might anticipate the need for additional audit work in dealing with . . .

Mr. Rolfes: — Point of order, Mr. Speaker. Hypothetical question. He said, if the Provincial Auditor anticipated. It's a hypothetical question; it's not in order.

Mr. Chairman: — Well the point of order is not well taken. This is not a court of law.

Mr. Rolfes: — You ruled those out of order in the past. Now they're in order.

Mr. Chairman: — No, we can pose hypothetical situations to witnesses and ask them to comment on them. It's . . .

Mr. Rolfes: — Go ahead, go ahead. Go ahead. No, go ahead. Don't waste our time.

Mr. Chairman: — There is a big difference between a court of law, where hypothetical situations might perhaps not be dealt with, and in this situation.

Mr. Rolfes: — No, let him go ahead.

Mr. Chairman: — So the point of order is not well taken.

Mr. Lutz: — Could I have the question again please, Mr. Chairman. Let's hear the question again.

Mr. Wolfe: — If there was a need to do additional audit work other than that which you've explained to us that you've already done and accommodated through your general appropriations, how would you budget for that? How would you go about that procedure, since accountability and responsibility is so important to us all?

Mr. Lutz: — Mr. Chairman, you wouldn't budget for an anticipated thing like this because you don't know it's going to happen until it happens.

Mr. Wolfe: — How would you do it, how would you fund it if you feel or felt that it was necessary?

Mr. Lutz: — Mr. Chairman, hypothetically, if it's not too material you might absorb it in your present vote; if it became material, hypothetically you would then go for a special warrant if the House is not in session.

Mr. Wolfe: — And that special warrant would come from Executive Council?

Mr. Lutz: — That's right.

Mr. Wolfe: — So as I understand it, you didn't have any problems with Agdevco; you did additional work, and that came from your appropriations. If you'd had concerns, additional concerns about being able to rely on them, then you could have gone to Executive Council and requested additional funding to get hands-on ability in doing your audit or reviewing the audit done by Price Waterhouse.

Mr. Lutz: — As it relates to Agdevco, we did not have a problem with doing any additional work under section 11 of the Act. Our co-operation with the firm of auditors was good. We resolved our minor differences and Agdevco was settled.

I don't quite know where your question is going. Would you like to repeat it or clarify it?

Mr. Wolfe: — Keeping in mind the previous comments by the chairman not to be repetitive, I will try to do that to clarify as much as I can. What I would like to know is how

you as Provincial Auditor would fund additional audit work if it was necessary, if you felt that you couldn't rely on the work of an appointed auditor at any time. How would you do that?

Mr. Chairman: — You just asked that question.

Mr. Wolfe: — I know, but I haven't got an answer, and he's asked me to repeat it. I've asked it three times. I've asked the questions about 50 per cent three and four times and never got an answer.

Mr. Lutz: — Mr. Chairman, hypothetically I will either absorb it in my vote if it is not material in amount, or hypothetically, I will go for a special warrant.

Mr. Wolfe: — And have you ever had any indication that you might be denied funding if you requested a special warrant?

Mr. Anguish: — . . . (inaudible) . . . you and the former vice-chairman, Mr. Muller, went and saw the Minister of Finance to ask for extra money for help for the auditor. Maybe that would shed some light on it for you, Mr. Chairman.

Mr. Chairman: — Mr. Anguish, you're next in the order, and you'll certainly have an opportunity to raise questions.

Mr. Anguish: — I was only trying to be helpful from past experience that you had to . . . (inaudible) . . . and Mr. Wolfe is new, Mr. Chairman, to the committee.

Mr. Chairman: — I appreciate that, but why don't we let Mr. Lutz answer the questions.

Mr. Lutz: — Mr. Chairman, is this pertaining to the year under review?

Mr. Wolfe: — Most definitely.

Mr. Lutz: — I didn't ask for one in the year under review, so I can't comment.

Mr. Wolfe: — That's the point of asking the question. There's 50 per cent of the funding, there's 50 per cent of the expenditures of this government that haven't been seen, as you've stated, because of appointed auditors and about not being able to have firsthand or hands-on look at books, and that's why I'm asking the question.

Your responsibility, as I understand it, is to the Legislative Assembly; your responsibility is to the people of this province. And if you had those kinds of concerns, then I'm curious why you might not request additional funding to go in and have a look at that 40 per cent that's such a large concern of yours and everybody in this room?

Mr. Lutz: — Mr. Chairman, if I may, in my special report to the Legislative Assembly on September 30, 1987, I did indeed ask for a budget: option A, privatization with full responsibility with reporting to the Assembly; and option B, privatization with no responsibility. And my request for the full responsibility in the oversee ability was denied, and I was given a lesser amount.

Mr. Wolfe: — Now as I understand The Provincial Auditor Act, you have the ability to go in and do additional audit work at any time, and you have a mechanism to seek additional funding if you felt that it was necessary to do that kind of additional audit work. And my question is to you, that as Provincial Auditor, why did not you go in and ask for special warrants to pursue the information, to pursue the access to the information, and to pursue your role as Provincial Auditor if it's such a large concern of yours?

Mr. Chairman: — I wonder if I just might stop the proceedings at this point to make a comment, and that is that, Mr. Wolfe, you've done a lot of questioning and that's fine, but very few of the questions, as I can see it, have been related in any way to the witnesses that are before us. I'm sure that, as an aside, they must wonder about their usefulness and attendance at these meetings, eager as they are to be here.

And I think the auditor has made it clear, I don't know how many times now, that with respect to Agdevco he's had no difficulty, hasn't had any . . . certainly hasn't indicated any need to ask for additional funds to check the work of the auditors that were appointed by the government. I guess what I'm getting at, can you begin to relate your questions a little bit more to Agdevco?

Mr. Wolfe: — I guess I've tried to do that, and the reason I've asked those questions while Agdevco is here is that if the Provincial Auditor has any concerns about additional funding or about how additional audit work would be funded or how it might be done, I think it would be in the best interests of the appointed auditors that are here that they would know that that mechanism is in place.

I'd also like to possibly have them comment how they might go ahead and proceed with additional audit work if they felt that it was necessary and if the budget or the estimates that they'd come up with in pursuing the contract to do the original audit work weren't adequate. And that's the reason for the line of questioning, Mr. Chairman.

Mr. Rolfes: — Mr. Chairman, I'd like to speak to your comments as you permitted . . .

Mr. Chairman: — Well you can raise a point of order if you . . .

Mr. Rolfes: — Well he didn't raise a point of order; you let him speak.

Mr. Chairman: — Let me just say this. I appreciate — if I might — I appreciate, Mr. Wolfe, that you're trying to elicit a clear understanding for Agdevco's auditors as to how the procedures with respect to auditing work. But frankly, that's not quite the role of the committee. It's not quite the role of the committee for us to get it perfectly clear as to what kinds of rules or constraints these people should operate under.

Mr. Wolfe: — Well, Mr. Chairman, as I understand it, the role of the committee is one of accountability. And I believe that if funding is crucial to accountability, then

this line of questioning is very appropriate.

Mr. Chairman: — Mr. Rolfes, if you want to . . .

Mr. Rolfes: — No, it's fine, Mr. Chairman. Go ahead.

Mr. Lutz: — Mr. Chairman, all of the funding in the world will not help if I'm being denied information.

Mr. Wolfe: — As I understand it, there wasn't a problem with denying information as it related to Agdevco, and my question to you is that if you had a need to do additional audit work, over and above the additional audit work which you've explained to us, if you had a need to do that, is there any indication that you might be denied funding to do that? You've said that you haven't requested it, and my question to you is, why haven't you requested additional funding if you felt that it was needed?

Mr. Rolfes: — Mr. Chairman, on a point of order. As it pertains to Agdevco, the Provincial Auditor has made it very clear in his statement that he provided the committee:

Because of the full co-operation of Price Waterhouse, I was able to rely on their work and report. In this case, I was able to carry out my duties and the (Legislative) Assembly was served in the most cost-effective manner because I did not have to duplicate audit work and conduct my own audit procedures at the corporation.

He made it very clear he had no difficulties with Agdevco. I can't understand how you can allow a question like that over and over and over again and badgering the Provincial Auditor. He made it clear he had no difficulties with Price Waterhouse and Agdevco. I therefore ask you to rule whether that question is in order.

Mr. Chairman: — I think the point of order is well taken. Mr. Wolfe, I'm not quite clear just what new information you're trying to obtain for the committee about Agdevco in terms of your question. And therefore I would have to rule that, you know, you should move on and get a new line of questioning or inquiry.

Mr. Wolfe: — Just further to the point of order. It's the role of this committee to pursue accountability. And if there's a problem with accountability because of funding, which has been suggested . . .

A Member: — There isn't any with Agdevco, so let them go. Do you not understand?

Mr. Chairman: — I've made my ruling, and even though Mr. Anguish isn't on the floor, he made a good point. Yes, we're concerned about accountability and all those things, but they really, frankly, after I don't know how many meetings now, don't seem to have much relevance with respect to Agdevco.

There may well be departments where this is more of an immediate concern, or a concern, but based on all the information that's before us, there doesn't seem to be any concern with respect to Agdevco. There was a matter

reported concerning Agdevco. It seems to be sort of accepted by committee members that Agdevco officials are making the appropriate moves to rectify that. I'm just wondering if there's anything new with respect to Agdevco. If there is, then ask those questions, but you're not . . .

Mr. Wolfe: — I'd like to respect your opinion and I'll do my best to do that, Mr. Chairman, keeping in mind that the Provincial Auditor has said that he requested additional funding in 1987 and for some reason didn't have it. And also keeping in mind the fact that a request for additional money to pursue areas of concern wasn't denied the Provincial Auditor, because it was never asked. I'll also keep that in mind, unless the Provincial Auditor is to enlighten me any different.

I guess I would like to ask Price Waterhouse if the funding that they had requested was adequate enough to perform the duties as they saw them, for the year under review.

Mr. Pittman: — Perhaps I can respond to that. In the year under review we had submitted a tender for the audit and carried out the audit based . . . and billed a client based on that tender. And, quite frankly, we carried out the audit in order to enable us to express an opinion on the financial statements regardless of the fee, because we had gone in there on a tender basis.

Mr. Wolfe: — If during the year under review you had had a problem or a concern about funding and the amount of work that needed to be done, how might you have gone about seeking that additional funding to ensure that the work that needed to be done was done?

Mr. Pittman: — I think in this case it would have had to be something quite extraordinary for us to do that because as I say, we had submitted a tender, and when we submit a tender on an audit examination, then we would normally stick to that tender.

If something unforeseen . . . and I can't think of what that might have been except perhaps the records were destroyed or something else like that happened that was completely outside of what might have been considered usual, that we should have known about. When we do a tender we go in and look at the books and records, we talk to the officers of the company, we find out what transactions are taking place . . .

Mr. Chairman: — This is a follow-up, Mr. Pittman. How did you do that first year? You submitted a tender based on your expectation of the work that was going to be done there?

Mr. Pittman: — That's correct.

Mr. Chairman: — Did you do okay or did you lose your shirt?

Mr. Pittman: — We didn't do all that well in the first year. But there's a lot of other points to be made in regards to that, because in a first year examination you don't expect to recover full face. And the reason that you don't expect to recover full face is there's a lot of permanent file type information that you have to collect about the client and

about the Acts related to that client, the business that it's in. There's a learning process that goes into the first year of examination, and we normally would absorb that time during that first year examination.

Mr. Wolfe: — Was there any time in the year under review that you had any problems with accessing information from Agdevco officials?

Mr. Pittman: — No, we didn't.

Mr. Wolfe: — Was there any time during the year under review that you were contacted by the Provincial Auditor to have him seek additional audit information?

Mr. Drayton: — No, other than the Provincial Auditor did make a request to review the minutes directly and asked that a copy of the minutes be provided to his office.

Mr. Chairman: — I wonder, Mr. Wolfe, it seems to me we asked a lot of these questions the first couple of days these officials were here. Now I stand to be corrected on that, but I want you to think about the questions and whether we're asking . . . it may seem like a long time since we were putting questions to these officials, and in fact it has been a long time and therefore some of these matters may not always be fresh. But I want you to think carefully about whether we're asking questions again that were asked maybe four or five meetings ago.

Mr. Wolfe: — Well I don't mean to be repetitious. At the same time I would like to get to the heart of the problem, and that being accountability.

The minutes of the meetings were requested from the Provincial Auditor, as I understand it. Is that correct?

Mr. Drayton: — Were requested.

Mr. Wolfe: — By the Provincial Auditor?

Mr. Drayton: — Yes.

Mr. Wolfe: — I guess my next question is to the Provincial Auditor. Did you have any problem with accessing any of that information from the appointed auditors?

Mr. Lutz: — Mr. Chairman, I have answered this question. I have said we had full co-operation from Price Waterhouse.

Mr. Wolfe: — Could you tell me for the benefit of the committee, if you could feel comfortable about saying that Price Waterhouse acted as your eyes and your ears in the year under review?

Mr. Lutz: — Mr. Chairman, I have answered that question several times. Price Waterhouse is my eyes and ears, but not my only eyes and ears.

Mr. Wolfe: — What are your other eyes and ears?

Mr. Lutz: — My staff.

Mr. Wolfe: — And how are they funded?

Mr. Chairman: — Mr. Wolfe, I think on a point of order, you asked a question that's been answered a number of times. You asked another question which has been answered before. Then you're asking a question about how his staff were funded. I mean that's hardly new information. I'm going to give you one more chance, Mr. Wolfe, or I'm going to turn it over to the next person.

Mr. Wolfe: — Okay, Mr. Chairman, just to be clear about this, because it seems like we do go around and around but we never do get an answer.

Mr. Chairman: — Sometimes we do, yes.

Mr. Wolfe: — Okay, but we never do get an answer. The suggestion has been that there's been a difference of opinion. The fact of the matter is, there hasn't been an answer. Think about section 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.

2:12 With the appointment of more private sector auditors (i.e. Price Waterhouse) 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.

Mr. Chairman: — Well, we've dealt with that matter with . . .

Mr. Wolfe: — This relates to Price Waterhouse.

Mr. Chairman: — Mr. Wolfe, we've dealt with that matter with respect to Agdevco, and I don't know if there's any new information to come out in that matter of. . .

Mr. Wolfe: — Mr. Chairman, I would really like you to give the auditor, the Provincial Auditor, an opportunity to answer the question. And I would like the members opposite to give the Provincial Auditor the opportunity of answering that question — for the first time.

Mr. Chairman: — Mr. Wolfe, again the department before us is Agdevco. The concern that you raise and the matter that you say you've been asking questions about, I don't know if there's any new information to come out with respect to Agdevco.

Mr. Wolfe: — Well would you give the Provincial Auditor the opportunity to answer the question.

Mr. Chairman: — If you can put for me a specific question related to Agdevco that you want the auditor to answer, that hasn't already been asked, then please do that and do it now.

Mr. Wolfe: — Keeping in mind that Price Waterhouse is a private sector auditor, as I understand it; and keeping in mind the fact that there was a good working relationship; and keeping in mind that these kinds of good working

relationships can be cost-effective to the government and the people that we serve, I think it's in the best interests of this committee and the public at large that we clarify it.

Is there a problem with private sector auditors? If there isn't a problem with private sector auditors, is there a problem with obtaining firsthand audit information about the books and records of Crown corporations, i.e., Agdevco; and was there a problem in the year under review, and if so, what was it? If there wasn't, then why the comment about 50 per cent of expenditures not being seen?

Mr. Chairman: — No. That question is not in order, and I'm going to turn it over to Mr. Anguish. I don't know how many times, Mr. Wolfe, the comment has been made by the auditor that there was no problem with respect to Agdevco, that he had full co-operation. Now there may well be other departments that you want to ask these questions, or other auditors where you want to ask these questions, and these questions will be entirely appropriate.

But with respect to Agdevco, I think it can be safely said that we have ascertained that there was nothing but the fullest of co-operation between Price Waterhouse and the Provincial Auditor. Price Waterhouse says it; the Provincial Auditor says it. All the information that's been tabled before the committee would seem to indicate that as well.

You're asking now, was there a problem? And I would say that answer's been, you know, that question has been answered many times, and therefore I'm going to suggest that we go to Mr. Anguish. You're certainly free to get on the order again and to put more questions at that time. I will not deny you that. But maybe you want to examine the line of questioning and see where we might get some new information for the committee.

Mr. Wolfe: — Well I'd just like to raise the point of personal privilege, Mr. Chairman. I really would. I feel that my questions are appropriate. I feel that I am being impaired with my ability to function as a member of this committee and as a representative of this province. I feel that the Provincial Auditor is being impaired in his ability to answer these questions for the benefit of this committee and for the public, and I'd just like you to give him an opportunity to answer the question I've put forth, for the benefit of everyone.

Mr. Chairman: — Mr. Wolfe, points of order about relevance and repetition are not sort of matters for privilege. And again I don't think that it can be said that I refuse to recognize members who want to put questions. I might say this is the second time that you've been on this particular item, and certainly you can get on the paper again to . . . you can certainly get on my order again to ask questions again. Just, the questions that you're putting at this point are not eliciting any new information that is helpful to the committee. I'm going to suggest that we give Mr. Anguish an opportunity to ask some questions now.

Mr. Rolfes: — Mr. Chairman, I move that we take a five-minute break.

Mr. Chairman: — And Mr. Rolfes moves that we take a five-minute break and I agree with that, and when we come back, Mr. Anguish will have the floor.

The committee recessed briefly.

Mr. Chairman: — Before we get to Mr. Anguish, I just want to relate to members a comment that was made on June 13 in this committee, page 372. These are not my words, but these are the words of Mr. Martens at the point that we considered a motion as to how we should proceed in this committee. And Mr. Martens says:

I think, Mr. Chairman, that that's where we come to the place where we have a whole lot of repetition. And I have no problem with you taking each one of these identified issues and dealing with it in the context of those ideas mentioned in the various departments and Crown corporations and dealing with it there. Ask him, the auditor that is, to be specific at that time — where does this qualification of your report show up in the first part of your itemized concern list, you might say, and where does that identify itself? And he obviously knows so that he could identify it specifically, individually.

I think that's the point that I was making, that the auditor makes comments. If there is a concern in chapter 2 that you want to ask about in the context of this department, that's fine and appropriate, and we've done that. But I don't think that there is any really new information that the previous questioner was able to elicit, and we were getting repetitious, and we should not be.

Therefore I'm encouraging Mr. Anguish now to take the floor and to . . . (inaudible interjection) . . . I didn't quite hear that comment and I won't ask you to restate it, Mr. Muirhead.

Mr. Anguish: — Thank you, Mr. Chairman. Mr. MacKenzie, what does your firm charge as an hourly rate?

Mr. Pittman: — The hourly rate varies from staff person to staff person. I would have to refer to Mr. Drayton here as to the hourly rate that we quoted on Agdevco.

Mr. Drayton: — With respect to Agdevco and our tender proposal in 1987, we quoted that we would fix . . . or established that we would fix our hourly billing rate at \$60 per hour for a three-year period.

Mr. Anguish: — So it wouldn't matter whether it was a senior partner, or a partner, or a chartered accountant, you would charge for their time, \$60 per hour?

Mr. Drayton: — As an average billing rate, that's what we would bill, yes.

Mr. Anguish: — As an average billing rate.

Mr. Drayton: — Yes.

Mr. Anguish: — Well could you give me a high and a low?

Mr. Drayton: — Well as Mr. Pittman mentioned that our billing rates vary between level of experience within our individual staff, so a person with one year's experience, the billing rate would be quite low relative to that of a senior manager or a partner. And depending on the complexity of the job, the mix of hours between senior people and junior people may vary, and we try and estimate that mix in our proposal process. And as I say, for Agdevco our estimate was that our average billing rate would be \$60 an hour.

Mr. Anguish: — Well, Mr. Drayton, what does Price Waterhouse charge for your time?

Mr. Drayton: — My billing rate is \$125 an hour.

A Member: — Very expensive.

Mr. Drayton: — I do good work.

Mr. Anguish: — I wasn't questioning your ability at all. I'm sure you do very good work. Could you also tell us, Mr. Drayton, what did the firm Price Waterhouse charge for Mr. Lyle Pittman, per hour?

Mr. Pittman: — My rate is \$185 per hour.

Mr. Anguish: — 185?

Mr. Pittman: — That's correct. I should . . . there's a lot of difference between charging and collecting.

Mr. Anguish: — I'll get to that, Mr. Pittman. I was wondering if one of you could tell us what the charge rate is for Mr. MacKenzie per hour?

Mr. Pittman: — I think Mr. MacKenzie's rate is 165, but I could be corrected on that. But that's close.

Mr. Anguish: — This average of \$60 per hour — someone with a lot less experience, I'm sure, and less status within your firm would have to be engaged to doing the day-to-day work when you're doing the audit for Agdevco, to get it down to \$60 per hour.

I'm wondering about this particular committee meeting. We have here the first time Price Waterhouse appeared was on June 15 in this committee, and there were two members of the Price Waterhouse firm here. Again on June 20 there were two members from the Price Waterhouse firm here. Again on June 22 there were two members of the Price Waterhouse firm here; again on June 27 there were two members of the Price Waterhouse firm here; and today, July 6, there are again two members from the firm, Price Waterhouse, appearing as expert witnesses before this committee. The people who have appeared are Mr. Drayton, Mr. Pittman and Mr. MacKenzie, and we have a low there of \$125 per hour for very excellent work, and \$185 an hour is the high for, again I'm sure, very excellent work.

Now in total, the time that Price Waterhouse has been before this committee, representing the interests of Agdevco and providing expert testimony to the committee, would amount to a total accumulation at this

point in time of some number of hours — so we would have four, four, four, four, 16 — about 18 hours. Could you tell us where you'll bill your time in Price Waterhouse to for your appearance at this committee?

Mr. Pittman: — I would assume that our time would be billed to Agdevco for our appearances before this committee. We have not had discussions with Agdevco at this point.

Mr. Anguish: — But you'll certainly be billing your time somewhere, I assume. I don't imagine that other partners within Price Waterhouse would be very happy if they had some 18 hours — by the time today's over it will be 20 hours — of very valuable time spent. I'm sure that it will be charged somewhere, will it not?

Mr. Pittman: — What do you mean, charged somewhere? I'm not sure I understand that question.

Mr. Anguish: — Well, I don't think Price Waterhouse, the firm, and your partners would want you coming here out of the goodness of your heart.

Mr. Pittman: — No, I don't come here out of the goodness of my heart, but also we don't necessarily charge every hour that we spend on a client to that particular client.

Mr. Anguish: — Well do you intend on charging someone for the 20 hours? When today is concluded, your firm will have spent 20 person-hours in this committee. And the people who've appeared here range in the price from \$165 an hour . . . or \$185 an hour, pardon me, to \$ 125 an hour. Do Price Waterhouse intend on charging someone for the time that the people from Price Waterhouse have spent before this committee?

Mr. Pittman: — We will enter into discussions with Agdevco in that regard and settle that with them. That would be our intention. That would be our normal way of handling that type of a situation.

Mr. Anguish: — Well what is your tally so far in terms of hours?

Mr. Pittman: — I haven't kept track of it on a day-to-day basis.

Mr. Anguish: — Who would keep track of that for you?

Mr. Pittman: — We keep track of it on a daily basis on our time reports and submit those, and they're collected on a "work in progress" system. But quite frankly I haven't referred to that before this meeting. But your numbers sound reasonable.

Mr. Drayton: — We can provide that information if you wish, but your numbers are reasonable. In fact, ours are probably a little higher for preparation for the meeting and that sort of thing, you know, an hour here or there.

Mr. Anguish: — So there could actually be more time when you submit your billing for time spent before this committee on your time expense management sheet, or however kind of a system you have set up in Price

Waterhouse. You could well be charging out or documenting more time than the 20 hours of person-time that you spent before this committee.

Mr. Drayton: — Perhaps, but not significantly more.

Mr. Anguish: - But it could perhaps be more?

Mr. Drayton: — Yes.

Mr. Pittman: — The other thing that we do look at is what is the benefit to the client, and I think we have to always consider that.

Mr. Anguish: — Could you maybe tell us the benefit to the client for having two of your firm here for a total of 20 person-hours.

A Member: — Considering that Mr. Anguish could be implying that . . .

Mr. Chairman: — Order, Mr. Wolfe. Order.

Mr. Anguish: — What was the order?

Mr. Chairman: — Oh, I'm not calling you to order. I was calling Mr. Wolfe to order and saying you've got the floor back.

Mr. Pittman: — Just to answer that question further, my understanding is that it's a requirement that we attend before this committee, that we really don't have any choice.

Mr. Anguish: — Well you bring up a very good point. The point I'm trying to make is that there will be a billing somewhere go around, whether or not you negotiate with Agdevco, for a few thousand dollars, while the members of the government side of this committee ask questions to try and pit you against the Provincial Auditor. And I suppose that I would ask you whether or not there was any problem in dealing with the office of the Provincial Auditor in the year under review concerning your audit proceedings of Agdevco?

A Member: — Point of order.

Mr. Chairman: — Point of order.

Mr. Martin: — What was that question . . .

Mr. Chairman: — What was the question he asked, and what was the question?

Mr. Martin: — Whether Agdevco had any problems with providing information, or whatever, with the Provincial Auditor. I mean, the question has been answered several times.

Mr. Anguish: — Mr. Chairman, in my own defence. I didn't ask Agdevco; I asked the private accounting firm of Price Waterhouse if it had any problems.

Mr. Martin: — Point of order, Mr. Chairman. I also asked the two representatives from Price Waterhouse that very same question.

Mr. Chairman: — Well I appreciate your raising that point of order, Mr. Martin. I was otherwise occupied. I didn't hear the question, and I'll certainly pay careful attention to any further question that Mr. Anguish might have to ensure that there's no irrelevancy or repetition.

Mr. Anguish: — I have no further questions.

Mr. Chairman: — No further questions at this point. I just might, if . . . so that we don't carry on on this line of questioning, the questions that Mr. Anguish put, although interesting, I don't know if they're particularly relevant. And a point of order wasn't raised, but if they're directly relevant to the year under review and the issues that are before us, and he didn't make a strong attempt to tie it in . . . So anyway, I listened. I thought that he might relate it more directly.

And so I'm just saying to committee members that we should not follow upon that line of questioning, because if you do I'll be encouraging you to demonstrate some relevancy to the year under review.

Mr. Anguish: — On that point of order, Mr. Chairman. What I was trying to point out is that this committee seems to have lost its focus, and there's been wide-ranging interventions by various members. We had in this committee, when we started meeting, a motion not to deal with the issues of current importance, and many of the questions that have been asked deal with issues of current importance.

There was a motion by the government members to move to the Agricultural Development Corporation of Saskatchewan, which in fact happened, and a lot of the questions that have been asked have nothing to do at this point with Agdevco. And I question the work of this committee to have spent a total, at the conclusion of today, of five days on agricultural development corporation. What is the point of having all these people here so that the government members . . .

Mr. Chairman: — I think we're getting back to a debate that's already taken place, and I sympathize with your concerns, Mr. Anguish, but that debate has taken place. What Price Waterhouse charges Agdevco is of no material concern to the committee at this point. It may well be of a material concern at some future time when we examine the public accounts for the year under review, but at this point it's not a matter of material concern.

Mr. Anguish: — Well I think it is a matter of material concern in the fact that in the year under review do we have assurance that any private sector auditor could expect that they would spend a total of some 20 person-hours before the committee . . . Would they reflect that in their tender that they would put in to the agricultural development corporation.

So I think, Mr. Chairman, that it is relevant, because it ties in to the year under review, because Price Waterhouse was the firm that did the accounting. And I was trying to establish, until I was interrupted by the government members, whether or not the charges ranging from \$125

per hour per person, to \$185 an hour per person, were reflected in the budget that they submitted or the tender price that they submitted to the agricultural development corporation.

Mr. Chairman: — Mr. Anguish, Mr. Anguish, I'm calling you to order. I'm calling you to order. Again I said that I sympathize with your concerns and I think many other committee members do as well. I just simply said that the line of questioning, that you had not made a strong attempt to tie it into the business before the committee which is to consider Agdevco. Although questions about what fees Price Waterhouse is charging Agdevco now for its appearance at the committee may be interesting, they are really of no material concern to the committee at this point in time. These people are here to provide us with answers to questions, and to go back over a debate that the committee has already engaged in is not particularly fruitful. But I note that you are finished with your questioning, and I have Mr. Rolfes next, and therefore I move to Mr. Rolfes.

A Member: — Is that the reason for this what you are doing is revenge of the nerds again, sir?

Mr. Chairman: — Mr. Anguish and Mr. Muirhead, I call you to order, and Mr. Rolfes you have the floor.

Mr. Rolfes: — Mr. Chairman, a number of days ago it was suggested by several members on this committee that since the Provincial Auditor had made a very clear and definitive statement that he had no difficulties with Agdevco or Price Waterhouse as it relates to Agdevco, some of us felt that well, if we spent an hour on Agdevco, we should move on to other items, and that is clearly documented in the minutes. And I think it was suggested by Mr. Martin at that time that we should finish up with Agdevco, and I certainly concurred with that at the time. I don't know why we are continuing with Agdevco when the Provincial Auditor has clearly indicated that he had no difficulties with it.

I want to move, therefore, a motion that we finish with Agdevco and move on to some of the other items that clearly relate to the Provincial Auditor's concern. And I therefore want to move, Mr. Chairman, that we conclude the hearings . . . Oh well, okay,

That the hearing of the Agricultural Development Corporation of Saskatchewan be concluded, subject to recall, if necessary, for further questions. We conclude our discussions of Agdevco.

Mr. Chairman: — That motion is certainly in order, Mr. Rolfes. Is there any discussion? Well we don't need a seconder but Mr. Muirhead wants to second it. But is there any discussion on the motion? All agreed?

Agreed

A Member: — Why didn't you do that before?

Mr. Chairman: — If I just might, Mr. Wolfe asked why didn't we do that before. It's because, Mr. Wolfe, you had the floor for a long time this morning, so it wasn't possible

for him to do that.

If I might, I just want to indicate to Mr. Hanson and the officials from Price Waterhouse that I appreciate your attendance at this committee. We're letting you go at this point, subject to recall, if necessary, for further questions. Somehow I don't think that's going to happen, but I did want to let you know that. And again thank you very much for your attendance.

I don't know if you've gained anything from these meetings, Mr. Hanson, but if anywhere in Agdevco, part of it you're exporting technology on committee meetings, well you've certainly gained a lot of knowledge in that area. Thank you very much for being here.

Mr. Rolfes: — And my apologies to Price Waterhouse.

Mr. Chairman: — At this point the meeting is adjourned and will meet again — unless the members have any pressing business they want to discuss now — will meet again on next week, Thursday the 13th, to deal with the Crown investments corporation.

Mr. Rolfes: — We're going to run into some serious difficulties in meetings with this committee because in July . . . isn't it the 24th the Duke and Duchess? And they're suggesting we not sit, I think, on the 24th . . . (inaudible — Tape malfunction)

Mr. Chairman: — It's been moved by Mr. Martens. Is there any discussion on the motion? All agreed?

The committee adjourned at 10:12 a.m.