

STANDING COMMITTEE ON PUBLIC ACCOUNTS
August 10, 1989

Public Hearing: Department of Agriculture

Mr. Chairman: — Order. We have Department of Agriculture people waiting outside. I for one would like to put some questions to the auditor before they're brought in; perhaps there are others.

In turning to page 28 of the auditor's report, there's a suggestion here: "there were incorrect payments to claimants because control procedures were not adequate." The question I have is: how much? What are we talking about here?

Mr. Hopfner: — What number was that?

Mr. Chairman: — On page 28, concerning the Canada-Saskatchewan water-fowl crop damage compensation program. And first there's the suggestion that there were incorrect payments; and then I gather you're suggesting also that . . . or perhaps that the rates weren't . . . one, there was incorrect payments; secondly, that the rates in some instances were not the appropriate rates?

Mr. Lutz: — That's correct, Mr. Chairman. The amount of the overpayment — we'll see if we can pull that out for you now — it was a bit of a breakdown in their checking processes. And once they got their claims in there was problems with processing them, there was problems with key punch errors, and there was not a good pre-check on the claims. And in the last instance, on winter wheat and fall rye, they paid incorrect rates.

Mr. Chairman, we do not audit every transaction. On our test of transactions audited we have projected that the overpayment would be approximately 196,000. I understand the department has done some after-the-fact checking of these same numbers, but I don't have their response, so perhaps the department could tell you how that turned out.

Mr. Chairman: — How much money would have been transacted therein during the course of that year?

Mr. Lutz: — Mr. Chairman, our claims for that year were approximate 1.7 million.

Mr. Chairman: — What you're saying then is out of \$1.7 million in pay-outs the error factor might have been close to 10 per cent.

Mr. Lutz: — Mr. Chairman, what we have done is projected our sample to the total population of transactions, and we calculate that it would have been 196,000 on 1.7 million. Yes, I guess that's about right, whatever number you use there.

Mr. Chairman: — Now secondly, you say that the rates in some instances for this winter wheat and fall rye were not as set out in the agreement. Were they paying a higher rate or lesser rate? Was there some subsidiary agreement with the Government of Canada that allowed for this variation?

Mr. Lutz: — In the case of winter wheat and fall rye, Mr.

Chairman, they were paying lower rates.

Mr. Chairman: — Was there any indication that there was agreement with the Government of Canada, informal or otherwise, on that?

Mr. Lutz: — No, we didn't become aware of any such arrangement, Mr. Chairman. They just applied incorrect rates, as nearly as we can tell.

Mr. Chairman: — Was this just a clerical type of error?

Mr. Lutz: — It's just an error, Mr. Chairman. I couldn't tell you why they did it that way. You'd have to ask the department.

Mr. Chairman: — Now I'd like to . . . We've determined that there were errors, or at least in your opinion. What has the department done to correct these things?

Mr. Lutz: — We haven't completed our '89 audit yet, Mr. Chairman, so I really can't comment on that at this time.

Mr. Chairman: — Okay. Anybody else want to . . .

Mr. Kraus: — I wanted to just comment that the notes that we have from the department indicate they did correct the situation. I believe it was underpayments they were making, and they have paid the correct amount now, the individuals concerned.

Mr. Chairman: — Okay. And what about the question of incorrect payments. Did they correct that?

Mr. Kraus: — Well we've been advised that they've changed the procedures to make sure that they don't do it again. I think what they were doing was in a couple of cases here they weren't . . . maybe Mr. Lutz mentioned it, but they weren't putting the right prices into the programs. They were . . . The prices changed twice during the year and they didn't update it twice. I guess they just went with the prior price.

Mr. Lutz: — Mr. Chairman, we have been in communication with the department during our current audit, which is not finished yet, and I'm advised that they actually went back and reprocessed these claims to pick up whatever discrepancies had occurred. As nearly as I can find out, they have reprocessed them. So I would presume each of these things will be addressed.

Mr. Muirhead: — Mr. Lutz, in that agreement, in section 8 of the agreement, is that a dollars and cents sign that's given from the federal government and that's to be paid out to the water-fowl? Is that what that is, just a straight dollars and cents? Nothing to do with how much each individual farmer gets. Was it not just X amount of dollars and cents that the federal government was allowing for the program?

As I used to understand the way it was, that the federal government would give so much money, and that's why it was always March or April before they could get their pay-out, because all claims had to be in and they had to divide the money into the claims, not the claims, not the

claims into the money. Is that the way it used to be, or still is?

Now my question might not be real relative to the exact here, but it should come . . .

Mr. Lutz: — Mr. Chairman, and Mr. Muirhead, I don't seem to have that agreement on this file, so I can't address your question. But I would think Mr. Drew will be able to speak to this subject. I thought we had the agreement out here, but we don't.

Mr. Muirhead: — Okay, thank you.

Mr. Neudorf: — Thank you, Mr. Chairman. I only have one point of clarification probably, and that is on page 30, dealing with the livestock investment tax credit where it is stated in the regulations that the individual, the producer, when he sells either hogs or beef, or whatever it may be, to his respective boards that:

. . . he shall retain the statement of settlement from the agency as documentation of the transaction.

And then you go on to say that some of these payments have actually . . . or these credits have been accredited to that producer without a statement of settlement where there's lack of documentation, I assume. I can understand that but I notice that you are . . . Well first of all, am I correct in assuming that there was another tax credit available to producers and that was the facilities tax credit, during this year under review? Like here we're dealing with the livestock investment tax.

Mr. Lutz: — Yes, there is, Mr. Chairman.

Mr. Neudorf: — Now, as I understand it, those programs are very, very similar, and yet there's a concern that you have in this one area but not in the other, and I'm kind of curious why it would happen in one but not in the other, since they are very similar.

Mr. Lutz: — Mr. Chairman, I will have to get back to you on that one. I can't answer you right now, unless of course the department can maybe respond to your question. I can't answer it right now, so I would rather get back to you. We'll make a note of the question.

Mr. Neudorf: — Sure, okay, thank you very much.

Mr. Lutz: — There's two . . . your question was, of the two aspects of the livestock investment tax credit, there's two phases to this program; why did we address just one and not the other?

Mr. Neudorf: — That's right.

Mr. Lutz: — Okay.

Mr. Neudorf: — I thought if it happened in one it probably should be happening in the other, and I was curious to see why the one was not being reported.

Mr. Lutz: — Mr. Chairman, we'll get back with that.

Mr. Chairman: — Just on this one, like how much money

are we looking at here? What percentage incidence did you come across that . . .

Mr. Lutz: — Mr. Chairman, the advice I get is pretty well in all cases. But they have now changed their regulations so this is not necessary any more. They're going to follow a different process of checking so it won't require the producer's statements.

Mr. Chairman: — Pursuant to the regulations though They won't be paying out any tax credit unless they get . . .

Mr. Lutz: — No, no. There would be no requirement to keep this documentation, this statement of settlement.

Mr. Chairman: — Oh, I see.

Mr. Lutz: — They have removed that from the regulations.

Mr. Hopfner: — Just a quick question on 6.13, page 29: I am unable to determine that the rules and procedures applied by the Department were sufficient to monitor the system established to ensure this public money was properly administered.

That's under The Farmers' Oil Royalty Refund Act. Can you explain what your problem is there.

Mr. Lutz: — Mr. Chairman, the Department of Agriculture is making these payments, therefore that department is responsible for the program no matter how the payment lists are originated, and we are merely telling the reader that they are not checking in their department whether or not the payments being made are correct. They're accepting a listing from another department and making the payments without doing any internal check.

Mr. Hopfner: — That listing comes from the Department of Finance?

Mr. Lutz: — Right.

Mr. Hopfner: — Did you follow up whether Department of Finance was checking that list and sending it through then for payment?

Mr. Lutz: — The problem is that since it is the Agriculture department's appropriation which is being charged with this money, we think they should be aware of how much is being paid out, for what reason, and have they checked it to make sure it's correct. It's their appropriation.

Mr. Hopfner: — So what you're saying, instead of the Department of Finance checking it, you want the Department of Agriculture to check it?

Mr. Lutz: — Well if they're responsible for their own appropriation, I think they should. That's the point we make here.

Mr. Hopfner: — Yes. Well it's no big deal with me; I'm just trying to clarify that in my own mind, is that with the appropriation being it is the Department of Agriculture's

appropriation, which I agree with you, it is still through that appropriation, and the Department of Finance is still responsible for dollars given to the Department of Agriculture. Is that not correct?

It's not a big thing; I'm just trying to find out whether we're not duplicating something. Is the Department of Finance at the same time required to double-check, as well then as you're asking the Department of Agriculture to double-check, or how would you like to basically see this, as an auditor?

Mr. Lutz: — Mr. Chairman, I don't think it's any different than the case where there is a central processing of departments' vouchers by Mr. Kraus. We think the department should still be required to check that the charges against their appropriation are correct, unless Mr. Kraus has something to add to this thing.

Mr. Kraus: — Well this is one of those issues where I'm not strong on it, as I have been on some of the other issues. I would support you on this one. I suppose I feel the Department of Finance, the revenue division in particular, has conducted these kinds of programs for 15 to 20 years, I suppose, and you're right, the moneys are being shown as a subvote in Agriculture. But in this particular case, because they feel Finance does a reasonably good job of these, I suppose I would question whether or not Agriculture has to check to make sure that Finance is doing a good job.

Notwithstanding that, I know that Agriculture is going to do some small random sample to just see that Finance is doing the job they should in relation to the concerns expressed by the auditor.

Mr. Chairman: — Can I just ask and follow up to that. It seems to me that this one has come before us on many occasions — the same concern has been stipulated. And there is no suggestion that there has been anything done wrong, that there's been any incorrect payments or any inaccuracies.

The only problem seems to be one is that you've got a department paying it out of someone else's appropriation, but this department whose money is being appropriated is not checking up on it.

Wouldn't it be a simple solution to have the department that's doing the payments also set up some system, you know, to have the appropriation come out of their department. You know, otherwise change the system so that . . . I mean, it's a silly thing to have this come up every year.

Mr. Kraus: — If you'd like me to respond to that, I think one thing that . . . the reason that the subvote is in Agriculture is because it was felt it was appropriate to show the moneys or the program in Agriculture because it's going to the farming people. And that's why it isn't in Finance.

I suppose that's the dilemma you get into: where do you show your expenditures? I suspect at one time it may have even been shown in Finance, as far as that goes, but they felt it was better to show it in Agriculture because it's an

agricultural subsidy or payment.

As far as who should then . . . could one group do the post-audit for the other group? Could Finance do it for Agriculture? I suppose that could be looked at.

Mr. Chairman: — I mean, you can second Department of Finance people as far as that goes to see that the payments are being made appropriately.

Mr. Kraus: — However, they do have a system in place, as you're aware. I mean, there's undoubtedly all these programs have their share of minor errors from time to time, but I'm not aware that this particular program has had any significant problems at all. I mean, it has its system of checks and balances like any other program does.

Mr. Lutz: — My problem on this particular one, Mr. Chairman, is stated in 6.13:

I am unable to determine that the rules and procedures applied by the Department . . . were sufficient to monitor the system established to ensure this public money was properly administered.

I believe that if you're going to have ministerial responsibility for a department, if you are spending that department's appropriated money — money appropriated by the legislature — then somebody in that department should know for what reasons they're spending this money and whether or not the amounts are correct.

I merely make the observation. They could just as easily have left the thing in Finance where it was in the first place, and that wouldn't have hurt either. But they chose to do it here. We think ministerial responsibility in a department requires some check of how the appropriation is being expended. That's the point I make.

Mr. Kraus: — . . . (inaudible) . . . Agriculture is going to do some random sample post-auditing just to alleviate your concerns.

Mr. Lutz: — Good. Good.

Mr. Chairman: — They've set that in place to do that under this program?

Mr. Kraus: — Yes. They're supposed to be, yes.

Mr. Chairman: — Is that the kind of thing that would ease your concerns, Mr. Lutz?

Mr. Lutz: — Sure. Should.

Mr. Hopfner: — To me, it seems like it's a dual administration system here that we're looking at. And if it's going to be flagged continually, shouldn't we exclude one administration aspect of it and allow one department, and which I would think would be the Department of Finance, handle the funding?

Maybe I'm wrong on this. Maybe I can't understand if that

would eliminate the problem for the auditor and then we would never see this again in the *Public Accounts* document here. If the Department of . . . My question then would be is, if we could eliminate one of the processes through the Department of Agriculture and have the farmers apply to the Department of Finance for that rebate direct, as it does, I believe, through the gas rebate in the province, could we not just eliminate the Department of Agriculture out of this completely?

And still . . . I guess probably it's a dual question because . . . and would that be the pleasure of the auditor to just have to go to one department then, Department of Finance . . . (inaudible) . . . funds? Because these funds, actually are just administrated through the province of Saskatchewan. That's all, right?

Mr. Lutz: — Mr. Chairman, I don't believe that in this particular instance, which we discuss here, it's a matter of a right or a matter of a wrong. What we are really proposing here is that the departmental people whose appropriation is being spent should have some system in place which would check that the amounts of money going out of their appropriation are in fact the proper amounts of money, the same as we have discussed with Mr. Kraus, where he has done his central pay system for a department on all of their expenditures. That department should know that when they sent a list to Mr. Kraus to get paid, he actually paid and charged their department only for those items and not for someone else's appropriation.

It's a case of make sure that your money is spent for the reason, and that's all we're saying here. I'm not arguing right-wrong. I think they need a system in place to make sure that the money that's spent is theirs, no one else's.

Mr. Hopfner: — Okay.

Mr. Chairman: — The department has got some system in place to do some checking. Maybe we'll just . . .

Mr. Kraus: — Well, we feel that the current system was just fine.

Mr. Chairman: — Yes, but obviously it keeps coming up in the report. Well let's see next year and where we're at on this one.

Mr. Martens: — I wonder, a lot of the discussion would be an asset to have the department here sitting and listening, if nothing else, and I think we're maybe duplicating what we're going to be doing in the next hour and a half or so. Why don't we get them in here and at least let them listen, and then maybe get the answers.

Mr. Chairman: — I wonder what Mr. Drew's comments would be on this last one. Sure, call them in.

We agree that we'll go through it from beginning to end?

A Member: — Sure.

Mr. Chairman: — Deal with one section, get that cleared up, and then go on to the next one. I want to welcome you here on behalf of the committee. Perhaps you could introduce your officials.

Mr. Drew: — Thank you, Mr. Chairman. On my right, Ken Petruic, an accountant in our administration branch; Wes Mazer, our director of administration; Les Bowd, assistant deputy minister.

Mr. Chairman: — Thank you very much. It seems like only yesterday that you were here, but I just want to make you aware that when you're appearing as a witness before a legislative committee your testimony is privileged in the sense that it cannot be the subject of a libel action or any criminal proceedings against you.

However, what you do say is published in the minutes and the verbatim report of this committee, and therefore is freely available as a public document. You are required to answer questions put to you by the committee. Where the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document.

I would just note on that, we received your information last year and it was very well documented, and we appreciate that.

And finally, I ask all members of the committee to address their comments to the chair.

We'd like to turn to the auditor's report if we could, and page 28. First there will be some questions on the Canada-Saskatchewan water-fowl crop damage compensation program. We were asking the auditor earlier, and he suggested that out of a total pay-out a year of probably about \$1.7 million, that he estimates, based on his tests, that . . . 196,000 is the figure he used, may have . . . there may have been incorrect payments to the extent of 196,000.

I'm just curious if you have any figures as to what the extent of these incorrect payments were, or any comments generally on the auditor's comments.

Mr. Drew: — Mr. Chairman, the Saskatchewan Crop Insurance Corporation is really not under our minister, and I am not really familiar with what, if any, discrepancies may have occurred. I do know generally, water-fowl degradation compensation is far from adequate, but that's all I know about that program really.

Mr. Chairman: — So what you're saying, we should be getting the officials from the crop insurance corporation in here.

Mr. Drew: — I would think so, Mr. Chairman.

Mr. Chairman: — We can do that. Does the committee have any further questions on that? We can always decide to call them in or get some written response from them beforehand to see what's going on. One way, you know, to avoid calling them in just for that, maybe Mr. Kraus could contact them and alert them to the questions we've been asking here, and you could let us know what they have to say and we can determine whether we want to bring them in or not.

Mr. Martens: — Now that's under the Minister of Rural Development. Why don't you ask him when we get the Rural Development stuff in here, then you can put that forward at that time?

Mr. Chairman: — We can do that too, if we get to them. Maybe let them know then that we're going to be asking him about this section of the auditor's report under Agriculture.

Mr. Muirhead: — He'd have to know, because he'd have to have a crop insurance official.

Mr. Chairman: — The section on contractual payments, there's suggestion that you're not in compliance with The Income Tax Act. It's probably not a rare occurrence for a lot of people, but I'm just wondering what the problem was here.

Mr. Drew: — I think, Mr. Chairman, that concern arose with the establishment of the Farm Land Security Board, I believe, where people serving on panels were hired under contract and we have subsequently — I believe they've changed. Now that agency is no longer reporting through the Department of Agriculture so I'm not intimately familiar with it. But I believe they've corrected all those concerns.

Mr. Chairman: — Do you have any comment on that, Mr. Lutz, or Mr. Kraus? We don't know if it's been corrected or . . .

Mr. Lutz: — We haven't completed our '89 audit yet so we really can't comment.

Mr. Kraus: — The only comment I have is that we did send a directive out clarifying how you determine whether or not the person is really a contractual . . . whether the person should have deductions made at source or not. We did that after some review of the income tax rules and so on, and we sent a directive out. And I can't say for sure whether the department here or the agency involved has complied 100 per cent. However, we've advised people to do so and we believe that there's been significant changes.

Mr. Chairman: — So has this gone to the farm land security branch? Which department would this then be?

Mr. Drew: — Department of Justice administers that program.

Mr. Rolfes: — Mr. Drew, could you tell me, on 6.08, the auditor does mention it was paid out to three individuals. Would you have the names of those individuals?

Mr. Drew: — Okay, Mr. Chairman, those three individuals included Fred Switzer, the chairman of the Farm Land Security Board; Sandra Allen in our communications branch; and Harvey Johnson, our director of communications.

Mr. Rolfes: — Did you say Harvey Johnson, director of communications?

Mr. Drew: — That's correct.

Mr. Rolfes: — And he was on a contractual basis?

Mr. Drew: — He is now fully employed as a full-time regular employee, but at that time he was under contract.

Mr. Rolfes: — For a whole year he was under contract.

Mr. Drew: — Yes, I believe it would be the whole fiscal year under review, yes.

Mr. Rolfes: — Any particular reason why an individual would be put on contract? I mean I can see that's a fairly high-paying job and a fairly responsible job. Is that common practice to put someone on contract at that level?

Mr. Drew: — No, it is not common practice, but we have given some people the option of what they would prefer to serve under, and some people for some reason would rather contract their services than be a regular employee.

Mr. Rolfes: — What would be the reason for that? I mean why would the government not want to have a . . . again I want to make clear that at that level, a director, that's a fairly high position. Why would the government not want someone that would be there for a long time? Any particular reason why this individual would not take a full-time job?

Mr. Drew: — No. We hoped he would be there for a long time. When he came on, that was the arrangement that we made, was that we would contract for his services rather than bring him on as a full-time employee.

Mr. Rolfes: — And during that time he was in full employment, full-time employment.

Mr. Drew: — Yes, and had no other activities, to my knowledge, at all.

Mr. Rolfes: — Okay.

Mr. Chairman: — So I guess on this one you might ask Department of Justice people then, if you sent them a memo, Mr. Kraus, you assume that what happened here has been corrected.

Mr. Kraus: — Yes, I do. We sent a letter out, back to all departments just to clarify the situation — make sure they understand when people are working, even though they're on contract, when they're essentially like a regular employee in many respects, for all practical purposes, they're coming in at 8 and leaving at 5 or whatever, and they report to a boss just like someone else in the office, that they should have the UIC and CPP and income tax and so on deducted at source.

Mr. Chairman: — It's not often that these things are drawn to our attention, I think, but maybe you could or someone could let the Department of Justice people know that if and when they do come here, we may ask them about this part of the Agriculture department, as far as the auditor's report is concerned.

Any other questions on this section? We'll turn to The

Farmers' Oil Royalty Refund Act.

Mr. Rolfes: — Mr. Chairman, I have a few questions I want to ask under that. First of all, Mr. Drew, can you tell me when that program was moved from Finance to Agriculture?

Mr. Drew: — Mr. Chairman, it was never really moved from anywhere. Agriculture budgets for the fuel rebate; Finance administers the program.

Mr. Rolfes: — Would you say that again? I didn't quite hear it . . .

Mr. Drew: — Department of Finance administer the program, receive the applications, process them, and issue the rebates. We in Agriculture budget for it and in fact provide the funding to Finance for that program.

Mr. Rolfes: — Why is it under Agriculture at all then? I mean if the Finance does all the administering, why is Agriculture involved at all?

Mr. Drew: — Well I think, Mr. Chairman, probably because it was Agriculture who suggested that that might be a good way to relieve some of the burden of farm costs. We proposed the program and got approval to have it. Finance has the technical ability and administrative ability to handle the paperwork, and I believe because of some previous experience they had in another program — is that right? — it was simpler for them to administer it anyway.

Mr. Rolfes: — I guess that's where the problem seems to come in with the Provincial Auditor. He does indicate that he's unable to determine whether the rules and procedures have been applied under your department, as it pertains to this program. Now I can understand from your explanation that basically you have very little to do with the program because it's being administered and paid for under the Department of Finance.

My question still remains, Mr. Drew, why would it be in an appropriation under the Department of Finance when all the administering and responsibility seems to lie . . . pardon me, why would it be under Agriculture when all the administration and responsibility seems to lie with the Department of Finance? Why the paperwork? I mean, why not just put it under Finance and let them handle it?

Mr. Drew: — Well, I suspect the only answer, Mr. Chairman, is that because it was an agricultural program and part of our package of assistance to farmers, the Department of Agriculture is probably in the position to make decisions as to whether the expanded cut-back curtailed, enhanced, whatever. So I think it's appropriate that the policy be developed and administered by the Department of Agriculture.

Who handles the paperwork is probably best as to whoever is best at handling paperwork, and this particular program, Finance, with experience in previous similar programs, was determined to be the better administrative agents.

Mr. Rolfes: — Do you not feel then that as the deputy

minister, since it comes under your appropriation, that you must carry the responsibility for that program and make sure that it is administered according to rules and procedures established by the legislature?

Mr. Drew: — That's correct, Mr. Chairman. We assume full responsibility. We have, you know, done some internal review. I understand we're fairly satisfied that there are no particular discrepancies in the program. Or the other hand, you know, we don't go back to farmers and ask for their records and do that kind of an audit, which is maybe what the auditor would like to see us do.

Mr. Chairman: — I think that was the rub here, that there wasn't any system. Now you're saying that you have a system set up now?

Mr. Mazer: — If I could speak to this. We worked with Mr. Kraus's office to develop the system for the rebates. It was approved by his office. We were satisfied that the internal controls were there, and we're still satisfied that the controls are there and in operation. The program, I think, has a very, very low error rate, and there are no significant problems that we're aware of. So we're, I'd say, completely satisfied with the way the program is administered. We don't have direct hands-on contact with the program, but we're satisfied that the program is running efficiently.

Mr. Chairman: — Mr. Kraus, you were saying that, I think you were saying earlier that there might be a system of spot checks to ensure that the appropriations that are made to the department are in fact appropriate.

Mr. Kraus: — Well yes, I did. But I do want to emphasize that the system in place had adequate control in the first place. And I think everybody's aware that the revenue division in Finance, they've been in different departments, but they've also been in Finance 15, 20 years ago, and I'm sure there was a grain bin education and health tax rebate. It goes back many years. They'd handle the gas rebate. They do those kinds of programs, so they have good systems in place to do it.

However, when the concern was raised the last time . . . and I think what Agriculture did at that point was ask for written assurance from the Department of Finance that all the internal control procedures were in place and that they were being adhered to on a continual basis. And that was done, but the auditor still felt that Agriculture should do some work themselves. So as I understand it, they have done some or intend to do some random sample post-audit on the program. That is my understanding.

Mr. Drew: — We have not done any individual farm audits, Mr. Chairman, and I'm not aware that we intend to do so. I think right now we're saying we're fairly satisfied that nobody's getting overpayments or underpayments or there's no . . .

Mr. Chairman: — That's not the concern here either. Can I just, before I get to you, Harold . . . We've got a problem here that you've got auditors going into the Department of Agriculture and saying, well there's nothing here to say that the appropriation that you're paying out by Finance is in fact an accurate one. We've got nothing here.

Do you have people in Finance who are saying that the payments are all correct so therefore there's no concern in terms of the appropriations? Should your people, your auditors be getting together on this and saying no, there is no problem? There's no question that, you know, about incorrect payments or anything like that. It's a question of the appropriation and procedures.

Mr. Lutz: — Mr. Chairman, did you want a response from me? Thank you, Mr. Chairman. The case we make is stated in 6.09, and if there is to be full responsibility for the administration of the department, we think there should be something in place where that department has done something to make sure that the money charged to their appropriation is in the proper amounts. And that's the only point we make here. There must be a ministerial responsibility for that department — finished.

Mr. Chairman: — But again, you know, listening to Mr. Drew, and I have to agree with him. I mean, it's a pay-out that's going into farmers and agriculture, but over the years, as Mr. Kraus is saying, you've got a Department of Finance who specializes, and I guess from the point of view of government, it's more efficient that you've got one department that can do that and do it appropriately. That's one solution, is put the appropriation under Finance.

But Mr. Drew's got a point about, no, it's a pay-out in the area of Agriculture so it should be reflected that way. On the other hand you've got a department . . . I guess what I'm saying is that there's no suggestion anywhere that there has been any incorrect pay-outs; just the question of turf, almost.

Mr. Martens: — I want to ask Mr. Kraus whether in the Finance department, whether they have . . . what kind of checks and balances they have on those programs on gas rebates, oil royalty rebates, and do you have a random audit on those kinds of procedures?

Mr. Kraus: — I do not personally, but the revenue division itself, I recall the gas rebate system a little better I guess, because it was more recent I think. Yes, when they develop their procedures, they develop some system of auditing the material before one of two things happen to it. As you know, you have the option of having your receipts destroyed or mailed back to you, and so they had to do some type of audit of the work that's being done by their own people, but they did that, yes.

And again you'd have to have the Finance people back, the revenue people back to talk to them about how this system works in particular. As I say, we've been satisfied with the procedures they have in place, with the checks that they have and balances they have.

As I understand it now, while the sample post-audit by Agriculture had been considered at one point, what's happened, as they've mentioned, they realize that the documentation gets sent back to the farmers. So if you're really going to do an effective audit you have to visit the farms, and they don't want to do that.

I wonder whether some kind of agreement between the

deputy minister of Agriculture and the deputy minister of Finance would resolve the problem. Or does it really require, from the auditor's perspective, audit work by Agriculture, or would just an agreement of some sort that states that they're relying on Finance to discharge these things in a certain fashion? That's the only other solution I could think of.

Mr. Lutz: — I guess the point that I was trying to make . . . Mr. Kraus, you made it for me when you said if we want to know about this thing we would have to call the revenue division, something of Finance, to talk about this thing. But I say to you, if it's being administered through the Department of Agriculture's appropriation we should be able to know right now what it means.

What I have said, and I've made my point, I'm unable to determine from an examination of the departmental records and their documentation whether or not, you know, the system is in place to ensure that public money is properly administered.

My problem is not with the fact of the program. My problem is not with the fact of how it's administered or who makes the payments. My problem is with the fact that the responsibility for the department must rest with the departmental people, and therefore we think they should have something in place which would be able to verify that yes, these payments are being properly made, without having to call in somebody else to find out. That's the point I make. Well you made the same point a couple of minutes ago.

Mr. Kraus: — Except, again, when you do business, whether it's internally or externally, you're constantly relying on people to do work for you. And of course the revenue people we all know are doing a good job with this program and you would think that the deputy minister of Agriculture could place some reliance on the deputy minister of Finance and his staff to do the job.

Mr. Lutz: — Okay.

Mr. Martens: — I wonder if in our reporting to the legislature whether we couldn't indicate to the legislature in this specific point, because it's reoccurred over and over again, that the responsibility for it rests with the Department of Agriculture; the administration rests with the Department of Finance; and on the next audit that the auditor be required to deal with it when he goes to the Department of Finance, to deal with it in that respect rather than have to deal with it in this. Because what we're doing is we're straining at a knot here and it really has no significance one way or another, and I think we should move on to it because it really has no bearing and relevancy, in my opinion.

And if the auditor needs a mandate to go to the Department of Finance to fish this out, then he's got it from us to do that. And I think he should be either told by us to do it, or on his own go do it and then deal with it in that fashion.

Mr. Chairman: — Can I just ask before we get to Mr. Hopfner and Mr. Rolfes. Mr. Kraus, I think it was you that was suggesting some form of agreement. I want to ask Mr.

Lutz: would some form of agreement between Agriculture and Finance, so that when your auditor checks the books, that says that if you want to check this particular department you'll have to go to the Finance department to get the details on that, and we in Agriculture are satisfied with that arrangement — would that satisfy you?

Mr. Lutz: — Mr. Chairman, this would not really be any different than the arrangement that we've proposed between Finance and SaskCOMP to make sure that SaskCOMP is doing this thing the way it's supposed to be done. We say to the Department of Finance: put something in place so that we can see that you are monitoring how they're making these payments out of your appropriation, and no problem; and some kind of a written agreement, or whatever, between Agriculture and Finance, and we are all on the same team, I think, so it shouldn't be a big thing. We merely point out that under this present arrangement there's no documentation in the department which can show us that the money is being spent in accordance with the way that it was appropriated.

You know, I make my point. And really I can't compel anybody to do anything, as I've said in here many times, but there is a problem in that the people who are administering, or rather paying this out of their appropriation, really can't discuss it, because as Mr. Kraus says, you have to bring in the Finance people to find out how they did it.

Mr. Rolfes: — Mr. Chairman, I think we're missing a fundamental principle here, and that is ministerial responsibility, and I think this is extremely important. We can't have the Minister of Agriculture, when he's asked in the legislature on questions of this, simply say, well, that's administered by the Department of Finance. It's an appropriation under the Department of Agriculture and therefore there has to be ministerial responsibility.

And my question still remains. I don't quite understand, Mr. Drew, why the Department of Agriculture can't have its input as far as policy is concerned in regards to that program. If it doesn't want to do the auditing, if it doesn't want to have the responsibility for making sure that there aren't any overpayments or underpayments and leaves it up to the Department of Finance, why the Department of Agriculture can't have its input as far as policy is concerned with the Department of Finance even though it's being administered by the Department of Finance, I don't understand why that can't be done?

And yet our problem would be solved then if the appropriation was put under the Department of Finance rather than under the Department of Agriculture. If it's put under the Department of Agriculture's budget, then the minister must take responsibility for it and must be able to answer for the administration of that program, and we can't go back to the Minister of Finance and say, well it's his responsibility. No, it's under your appropriation, and therefore Department of Agriculture must accept that full responsibility. And it could be easily, I think, resolved by putting appropriation under the Department of Finance with the Department of Agriculture, I assume, behind the scenes or working with the Department of Finance,

determining what the policy will be. And I think in that sense we could solve the problem.

And I think Mr. Martens has indicated we have a number of these. And we constantly in public accounts, we find that we're asking questions under the various departments to find out, well that department isn't responsible for it; it's another department. And it makes it rather difficult for us here today. Had I known this was under Finance, we would have asked Finance people. I mean, it seems like it comes under Agriculture, therefore Agriculture people should be answering the questions that we put before them.

So why don't we make the appropriation under Finance where it, my understanding, used to be, and Department of Agriculture put in their policy, their input to the Department of Finance.

Let me ask one further question. What is the total amount? I don't even know. What are we talking about here? What's the total amount of Farmers' Oil Royalty Refund Act? I didn't bring my Estimates book with me so . . . is it under Public Accounts anywhere? I couldn't find it. Probably under Finance. That's why I couldn't find it — it's probably under Finance.

Mr. Kraus: — In volume 3 on page 23, I believe.

Mr. Drew: — It was approaching \$8 million, Mr. Chairman, in the year under review.

Mr. Rolfes: — Okay, Mr. Drew, can you tell me, when was it moved to Agriculture?

Mr. Drew: — Mr. Chairman, that program was always in Agriculture, is administered by Agriculture. We assume full responsibility. I think all we're saying is to the Department of Finance were satisfied that it administers it just as well as a staff member in my department would administer it. And we've checked internally and we're satisfied that they in fact are running it just as well as we would.

We still assume . . . I didn't mean we didn't assume any responsibility. We assumed full responsibility for the program.

Mr. Rolfes: — Were there any overpayments in the year under review?

Mr. Drew: — Not to our knowledge at all.

Mr. Rolfes: — But you're not sure.

Mr. Drew: — No.

Mr. Rolfes: — Were there any underpayments?

Mr. Drew: — Not sure, but not to our knowledge.

Mr. Rolfes: — You'd have to check with Department of Finance.

Mr. Drew: — Well I think we'd have heard about underpayments.

Mr. Rolfes: — Yes, but see, that's the problem. That's the problem that we have. You're not sure that there were any overpayments. I'm not being critical, but I think that's the problem that we're in here, right? — that we need to know the individual that is responsible for that program and we can ask those questions.

I have some additional questions on the farmers' oil royalty refund but not on this specific item unless somebody else has. I want to ask a number of specific questions.

Mr. Hopfner: — Well I guess probably this ache is not going to go away unless something's done about it. And I just wonder if, unless the auditor is more specific into what he would like to see in the form of an agreement, these people are going to be left at abeyance if it wants to remain in Agriculture and Finance look after it.

I mean, it's not like . . . It's like Agriculture contracting Finance to do their administration work, and . . .

Mr. Lutz: — Mr. Chairman, I think Mr. Kraus touched on the quick solution to this thing. He mentioned an agreement between Agriculture and Finance. I see nothing wrong with that. I would be quite prepared to sit down with that party, that party, and this party, and we come down to some . . . and it doesn't have to be a big, involved thing; something that sets out the ground rules for how this program will work. I can't see that as a big stumbling block. I think it will work nicely.

But there has to be something in place so that at least all parties know what's happening with their appropriation. That was our problem.

Mr. Hopfner: — So does that satisfy the departments then, to sit down and get together with the auditor and straighten this out with a little formal agreement? Then we won't see it back on the books here next year.

Mr. Lutz: — Well we had the same problem with the computer people and now with WESTBRIDGE. And we have managed to come down to an accommodation, an agreement, whatever you want to call it, so that each department now, when they're getting their records processed by WESTBRIDGE or whatever, they now understand what the ground rules are and they know what the feedback will be, and they know how the input will be checked in. This has not been a big thing, but there is some documentation on how the system will work.

Mr. Hopfner: — All right.

Mr. Lutz: — I think this is not a new point. I think it will always be made in some other form. We made the thing with Mr. Kraus on his central processing of expenditure vouchers, because departments just whistled the stuff into Mr. Kraus and he made the payments and it was finished. But the department didn't really know whether the amounts that were paid and charged to them were really the right amounts because they, in some cases, never checked it to make sure. And this was the point we made then. And this is no different. I don't think it's going to be a big, involved thing to solve this.

Mr. Hopfner: — But that's been corrected, and this can be corrected.

Mr. Lutz: — Yes.

Mr. Hopfner: — Right, okay. Thank you.

Mr. Chairman: — Mr. Martens . . . Or are we agreed that as far as this problem of appropriation, that the comptroller and the Department of . . . an appropriate departmental officials and the auditor will be pursuing this problem to see how it can be resolved?

Mr. Hopfner: — I think we got agreement, Mr. Chairman.

Mr. Chairman: — Good.

Mr. Rolfes: — Mr. Chairman, I have a few questions I want to ask on this. Could you tell me what was the largest amount that was paid out to an individual under the farmers' oil royalty refund program for the whole year? I think these are paid out on a quarterly basis. Could you tell me what the largest amount was that was paid out?

Mr. Drew: — Yes, Mr. Chairman. The largest single amount was \$17,145.

Mr. Rolfes: — One hundred and forty-five thousand. And who was that . . .

A Member: — No, no, 17,000 . . .

Mr. Rolfes: — That's right — \$17,145.

A Member: — You said 145,000.

Mr. Rolfes: — Yes, well that was the last part of it. I can remember the first part; it's the last part I've got problems with, Bill. Can you tell me the individual that . . . it was going well until you arrived, Jack. Can you tell me who that individual was it was paid out to?

Mr. Drew: — That particular cheque went to Tisdale Dehy .

Mr. Rolfes: — Can you tell me . . . all right, that's the only question I had on that one. No further questions on that. We can go on to the next one if you wish.

Mr. Chairman: — The farm purchase program, the question here about eligibility of program participants, there's no suggestion that anyone who was ineligible might have received assistance, but just the suggestion that there's no procedure in place to detect this. Any comments on that?

Mr. Drew: — Mr. Chairman, we have done post-audits on that program and are satisfied that the error rate is insignificant. That's about the only comment I'd have.

Mr. Chairman: — So you've got a post-audit process in place now.

Mr. Drew: — Yes, we have.

Mr. Chairman: — The concern you had, Mr. Lutz, was that as at March 1, '89 you couldn't determine whether for the year under review the payments were all made to eligible applicants?

Mr. Lutz: — Mr. Chairman, there was a system in place with a system of checking, but they were not current.

Mr. Chairman: — I guess the point then is that they have a system in place, so the chances are next year they could be current?

Mr. Lutz: — Well I think if you have a system in place, you use it to the degree you can, to make sure that your program is functioning properly, and as Mr. Drew says, that the error rate is very low.

Mr. Chairman: — Okay.

Mr. Lutz: — We don't know that. Mr. Drew tells us it's very low, but we don't know that yet.

Mr. Chairman: — Any other questions on this?

Mr. Rolfes: — Mr. Drew, under the farm purchase program, can you tell me how many farmers applied for financial assistance under that program?

Mr. Drew: — 6,450 farms, I believe, are in the program.

Mr. Rolfes: — 6,450. And the total amount paid out was?

Mr. Drew: — Approximately 17 million, Mr. Chairman.

Mr. Rolfes: — Yes. On page, was it 424? I may not be . . . the farm purchase program fund, \$8,585,999 in volume 3, why is that amount only 8 million when you had expended 17 million?

Mr. Drew: — I am advised, Mr. Chairman, that I mixed up . . . it was 8 million in the farm purchase program rebate.

Mr. Rolfes: — 8 million pay-out? Volume 3 on page 424.

Mr. Mazer: — Farmers' oil royalty is 7.8 million. Farm purchase program on page 402 is 16.9 million.

Mr. Rolfes: — 402. Oh, the 8 million was just for salaries and gratuities and travel expenses . . . on 424.

Mr. Mazer: — Farmers' oil royalty is 7.8 million. There's some confusion.

Mr. Rolfes: — Yes, I realize that, but on 424 it says farm purchase program fund — 424, the second last line.

Mr. Mazer: — That item is a different subvote. That's the difference between the interest payments on the money borrowed to buy land bank land and the lease revenue from that land. It's a different item. The \$8 million is the difference between the interest and the lease revenue.

Mr. Rolfes: — Why is it . . .

Mr. Mazer: — It's a special fund. It just has two items in at the payment of interest.

Mr. Rolfes: — You know, why don't we call it that?

Mr. Mazer: — It's called the farm purchase program fund.

Mr. Rolfes: — And the other one is simply a farm purchase program?

Mr. Mazer: — That's right, an appropriation.

Mr. Rolfes: — It was obviously . . . (inaudible interjection) . . . that's absolute crap. And you are in it all the time, Jack, so you should know what it means. It obviously confused some of the officials here too because I got the wrong numbers. It might be better that we don't have the confusion, that we call it something different. Call it the land bank interest fund if you want . . . (inaudible interjection) . . . Oh, Gerry, I wouldn't talk about confusion if I were you, okay. When you've built up a \$4 billion deficit, I wouldn't . . .

A Member: — Where are we at now?

Mr. Rolfes: — We're at the \$4 billion deficit that those guys are talking about . . . (inaudible interjection) . . . It was going fine until Jack showed up; everything was fine.

We are on the farm purchase program. I want to also ask the question: is that program still in existence, the farm purchase program?

Mr. Drew: — Yes. There are no new enrollees, Mr. Chairman, but we administer the rebates until year 10 of a person's enrolment.

Mr. Rolfes: — Why no new enrollees?

Mr. Drew: — The program was terminated, in terms of new entrants, when interest rates came down to what was perceived acceptable.

Mr. Rolfes: — It was perceived that it was no longer necessary, is that the reason?

Mr. Drew: — That's correct.

Mr. Rolfes: — Well I can't ask the question why, because that's a policy question, but it seems rather strange when we have so many farmers, you know, probably going bankrupt this fall, and are going bankrupt on a continuous basis. That program seemed to be very successful. You know, at 6,450 farmers it seemed to be a very successful program, and it would seem to me that it would be an appropriate program to continue. But I can't ask questions of why.

Okay, I have no further questions under that one.

Mr. Chairman: — Anyone else? Livestock investment tax credit.

The auditor is making some comments about pay-outs being made without the documentation. But now there's a suggestion that that's been removed from the regulations.

Mr. Drew: — That's correct, Mr. Chairman. We have amended the regulations, effective December 14 of 1988.

Mr. Chairman: — So as far as the auditor is concerned then there is no further concern here?

Mr. Lutz: — I don't believe I said that, Mr. Chairman. I would presume if you take away that requirement for the producer to deliver that type of evidence, you will substitute some other form of process for checking the eligibility, etc., of the recipients. Is this correct?

Mr. Drew: — Mr. Chairman, we are demanding that documentation be provided supplying us with weights, grades, and any other criteria available on the sale of animals. So we're satisfied that our documentation now is adequate to avoid any criticism.

Mr. Chairman: — How much money — in this program, how much money would have gone out for that year?

Mr. Drew: — Mr. Chairman, a total of \$7,480 million worth of credits were issued.

Mr. Chairman: — So whereas you used to have the regulation that you had to have the statement of settlement from the pork producers or these various boards before you could get a tax credit, you're now saying you can have the tax credit if you can provide us with information on the weight or grade of the animals in question? I wasn't quite clear on that.

Mr. Drew: — Well, Mr. Chairman, the only answer I can give you is that the information we receive from the hog marketing commission or the beef board is as accurate and adequate as we can possibly get, and that's what we use from those sales.

Mr. Chairman: — But the regulation — I'm just trying to understand this; I don't know very much about this, but the regulations you had said that if, say, a farmer wants to get a tax credit on livestock, they had to provide you with a statement of settlement from the agency that he sold the livestock through, whether it's beef stabilization or what have you, and that no tax credit was going to be payable unless that documentation is provided.

You're saying, while you're happy with the documentation, but then how do you know what to pay out to people? Like, I'm not sure how people make application, they say . . . they make application for the tax credit?

Mr. Drew: — That's correct.

Mr. Chairman: — But you probably want some verification or documentation attached to that. I mean, I can't just sort of write in to you and saying, well, I sold some cattle here and . . .

Mr. Drew: — No, you couldn't, Mr. Chairman.

Mr. Chairman: — No, but so you want documentation. What kind of documentation do you now require then?

Mr. Drew: — Evidence of sale, of final sale in effect for this particular program. In other words, it can't be sold to someone who might buy it and keep it alive. These are animals that are destined for slaughter. So that's the only criteria you would have to provide us, is evidence that you sold it to someone that was not going to keep it and resell it.

Mr. Chairman: — How does that differ from the statement of settlement that's referred to, or was, I guess, part of the regulations. How do you document that something has been sold?

Mr. Drew: — Well, in the case of animals sold through the Saskatchewan Hog Marketing Commission and/or the beef board, they are for slaughter only, so we accept those documentations as full evidence.

Mr. Chairman: — I'm not quite sure where the changes occurred here. I may be missing something, given my broad knowledge of agriculture, but . . .

Mr. Rolfes: — Mr. Drew, why don't you specifically outline to us what the changes have been made from the concern that was expressed by the Provincial Auditor. I must admit I don't understand what the changes are that you have made in order to satisfy the concern that has been expressed by the Provincial Auditor.

Mr. Drew: — Mr. Chairman, the best I can do is try to explain it this way. Initially, I gather, the documentation had to be retained by the applicant for any further investigation or audit that we might want to do. We now require that documentation for animals, particularly those sold outside of either the hog or beef boards, must accompany the application. And maybe that's the answer the auditor would find acceptable.

Mr. Rolfes: — So you're saying now that the documentation of the . . . the sales slip must accompany the application. That's what you're saying.

Mr. Drew: — That's correct.

Mr. Rolfes: — How did that . . . and before that, that was not required?

Mr. Drew: — Okay, Mr. Chairman, I guess that the confusion I have is that previously the auditor had expected all applications to be accompanied by documentation. We didn't think they needed to be so from the hog commission or the beef board, and we have amended the regulations to make sure it's clear that in fact we will get that information directly from the agencies, the beef board or the hog board. Any other sales, the documents will have to accompany the application, and I think that will be acceptable.

Mr. Chairman: — So you have a system of cross-checking then for anyone who makes application for a tax credit without the documentation. You have an automatic cross-check with the records of the Beef Stabilization Board and the like?

Mr. Drew: — In fact they automatically provide us with that information.

Mr. Rolfes: — Mr. Drew, I have no difficulties with the hog marketing commission. But what about . . . do you do an audit, do you do a random audit that individuals do not collaborate in simply saying that I bought so many animals and someone writes in a receipt? Do you do any audits, random audits, at all?

Mr. Drew: — Yes, we do a post-audit, and as I said, these are only available to animals that are in their final destination.

Mr. Rolfes: — Yes I know that, but how do you know that the actual sale took place? I mean, this has been done . . . this is not the first time that someone would have come out with the idea of, hey, let's fabricate a sale. I mean, a number of times this has happened in the past. I mean, what I want to know is how do you audit these?

Mr. Drew: — We do do a post-audit.

Mr. Rolfes: — A random audit? You don't do them all?

Mr. Drew: — No.

Mr. Rolfes: — You can't possibly do them all. Okay. That satisfies me on that one. Could you . . . in this livestock investment tax credit, can you tell me how many Saskatchewan taxpayers receive tax credits under that program?

Mr. Drew: — Mr. Chairman, in the year under review, 5,005 certificates were issued.

Mr. Rolfes: — All right. How many of those were farmers?

Mr. Drew: — My information, Mr. Chairman, is that 4,004 were farmers; the rest were other.

Mr. Rolfes: — 4,004 farmers?

Mr. Drew: — Right.

Mr. Rolfes: — So a thousand-and-some were others. Could you tell me what those others were?

Mr. Drew: — No, Mr. Chairman, I cannot, but I will provide that if we can find it. I haven't got that with me.

Mr. Rolfes: — I would appreciate it if you could provide those for me. In this program, is it possible for large commercial feedlot operators to combine the livestock investment tax credit and the venture capital corporation and take advantage of both of those in establishing feedlots?

Mr. Drew: — I stand to be corrected, Mr. Chairman, but I believe not, and I believe that is why the amounts on the tax credits are as they are because . . . I stand to be corrected. Maybe I'd better provide you with that information.

Mr. Rolfes: — Well my understanding is that you could use both.

Mr. Drew: — Not intentionally, I'm sure, Mr. Chairman,

but I'll have to make sure that there wasn't a loophole possible.

Mr. Rolfes: — Would you provide that to the committee, please?

Mr. Drew: — I will.

Mr. Rolfes: — My understanding is that they could combine both. Could you tell me, Mr. Drew, in the year under review, did we have an excess of beef and hogs and lamb produced in this province?

Mr. Drew: — No, Mr. Chairman, we never in my mind had an excess of any of those commodities.

Mr. Rolfes: — Under the year under review, we've been able to sell all our beef and hogs and lambs without any difficulties, and was most of that exported, or was that domestic use?

Mr. Drew: — Well I can just attempt to answer it in generalities. Lamb, we underproduce. We consume more in the province than we produce. Hogs, we produce a great deal more than we consume. Out of a million hogs — I'd hate to guess, but I don't imagine . . .

Mr. Rolfes: — But a million hogs produced?

Mr. Drew: — Over half of them would probably be exported. In cattle, probably it's 75 per cent exported out of some 700,000 head.

Mr. Rolfes: — Okay.

Mr. Hopfner: — Can I have a follow-up question?

Mr. Rolfes: — Go ahead.

Mr. Hopfner: — On the export of your beef, in just generality, what would be the amount of import beef then that we bring in in relation to the consumption. You are saying we consume 25 per cent of our own beef. What would be the related import consumption of beef?

Mr. Drew: — I can't provide that, Mr. Chairman, off the top. We import both live animals and beef. If the concern is offshore beef coming, then we could probably get that. If it's domestic beef coming in I'm not sure if we have a good handle on it.

Mr. Hopfner: — I just thought it was a point of interest for myself when I was following up on the question. I'm not asking for you to go hunting. I can find that out for myself anyway. Thank you.

Mr. Rolfes: — Mr. Chairman, I want to ask similar questions under the livestock facilities tax credit program. Can you tell me how many individuals in the year under review applied, and how many were accepted?

Mr. Drew: — I can't answer it, Mr. Chairman, in that exact way. I can tell you 1,712 certificates were issued. Now I don't know how many might have applied. I can't imagine any turned down for any reason other than it wasn't done in the year in which that it was available or

something, so I would expect it's a high percentage of those that applied.

Mr. Rolfes: — Out of those 1,700, were . . . under that one do the individuals have to be actively farming, or can others also apply who are not in active farming?

Mr. Drew: — Others can also apply, Mr. Chairman.

Mr. Rolfes: — Of that 1,700, how many were not actively farming?

Mr. Drew: — Sixty-one were other than principally occupied in farming. Some 1,650 were farmers.

Mr. Rolfes: — Oh, okay. How much was paid out under that program in the year under review?

Mr. Drew: — Mr. Chairman, under that tax credit program \$2,620 million worth of credits were issued.

Mr. Rolfes: — Can you tell me what the eligibility requirements are under that program?

Mr. Drew: — The requirements in general terms are you have to build a facility, not just repair an existing one, build or expand a facility, and do it and be up and running before the tax credit is issued. In other words, you can't build a barn and not put livestock in it, and qualify. It has to be operational.

Mr. Rolfes: — What facilities qualify? What facilities are excluded? Maybe that's the easiest way to answer it. Are homes excluded?

Mr. Drew: — Oh yes, pardon me, Mr. Chairman. It's livestock facilities for intensive livestock production — feedlots, hog barns, dairy barns, poultry barns . . .

Mr. Rolfes: — Bins that may be required for storage for that operation.

Mr. Drew: — I'm not sure, Mr. Chairman. I suspect we're very careful in not rebating bins unless they are an integral part of the feed system.

Mr. Rolfes: — I have no further questions on that.

Mr. Chairman: — Are there any other questions on the livestock investment tax credit?

The Prairie Agricultural Machinery Institute. A suggestion here that as of December 31, '87, the institute had received only 76 per cent of its required funding from the Government of Saskatchewan, notwithstanding an agreement with Alberta and Manitoba that says that funding shall be provided on a yearly basis and shall be paid on or before the 31st day of September of each year.

Any comment on that, what that's all about? Was there some further agreement with the other provinces to change the amount of funding or the schedule of payment?

Mr. Drew: — I'm advised, Mr. Chairman, that we normally respond to a request from PAMI (Prairie

Agricultural Machinery Institute) for funding, and at that particular time they had not yet requested it. Although I can assure you that PAMI is alive and well and survived, and we will make sure that we don't let them slip in their request for funds in the future.

Mr. Chairman: — I don't understand here then . . .

Mr. Kraus: — I have some information, Mr. Chairman, that says that normally the governments — particularly I'd say Manitoba and Alberta, I believe, have been identified here — have forwarded their moneys without any notice being required. Apparently there was some slippage here, but I've been advised in the current fiscal year all commitments were received by December 31, '88. But to ensure that all future levies are received on time, PAMI will be sending out notification to Alberta and Manitoba, just to prompt them and make sure they pay on time. Apparently there was one year where there was a problem.

Mr. Chairman: — And Saskatchewan too.

Mr. Kraus: — Yes.

Mr. Chairman: — So this thing has cleared up.

The Saskatchewan Beef Stabilization Board.

Mr. Rolfes: — Just, Mr. Chairman, one question. On 6.25 in the auditor's report, has that been cleared up in the audit? During the audit it was noted stabilization levies charged to participants enrolled in the feeder-finish market insurance plan were not all recorded in the appropriate records. Now can you tell me what was the problem there, and if there was a serious problem, has it been cleared up? I don't think the amount is that large, but what was the exact problem?

Maybe 6.28 would explain it further, because the Provincial Auditor indicates there was \$252,000 that participants had not paid.

Mr. Drew: — I'm advised, Mr. Chairman, that a procedure has now been established to reconcile applicable general ledger accounts with the manual invoice register.

Mr. Lutz: — Mr. Chairman, we have completed totally our audit for the next year, but certainly if the department does institute this kind of . . . or the board institutes this kind of a balancing procedure, I would anticipate this problem will go away. It's an internal problem.

Mr. Rolfes: — Well there's non-compliance with authority in 6.34. Has that been corrected? And also 6.38. Now the sums there are a little bit larger. Has that been corrected?

Mr. Drew: — Mr. Chairman, we are still in the process of changing regulations to address the . . . particularly the borrow ahead option which is referred to in 6.35.

Mr. Chairman: — This one's been around for a few years.

Like, '86-87 similar kind of comments were made. What would be the hold-up in changing your regulations to reflect this borrow ahead option?

Mr. Drew: — No particular explanation, Mr. Chairman, except that it's a complicated program and there were several regulations apparently trying to be amended at the same time. And we're just in the process of getting it done.

Mr. Rolfes: — So the committee can be satisfied that this point will not be raised next year? I mean, if the regulations are going to be changed, I assume that we won't be seeing it.

Mr. Drew: — I can do a lot of things, Mr. Chairman, but not second-guess the Provincial Auditor.

Mr. Rolfes: — Well he will have no comment to make if it's corrected. If you comply with authority, no comment to be made, I assume.

6.44 It was noted that on May 25, 1987 the Board had borrowed \$1,699 million in excess of the authorized amount.

Could you tell me why that was done and what it was for?

Mr. Drew: — What it was for was to pay stabilization payments to producers. We as a department request funds to be made available to the board for that purpose and on that particular date the funds that we had provided were insufficient to cover the cheques they had issued.

Mr. Rolfes: — Why would you have not gone to the treasury board for additional moneys before you authorized the payment of those?

Mr. Drew: — We now keep a log that would give us a little better forecast of what the total deficit in that fund might be, and it should not happen again.

Mr. Rolfes: — Okay.

Mr. Chairman: — Have we got some problems with this board in terms of the administration? Because I notice in 6.38 that they should have been charging you, that is the department, \$1,689 million. It says here:

The billings should also have included \$1,689,899 of levies charged to the participants and which were not collected by the Board as at March 31, 1988.

But then in 6.44 it noted the board had borrowed money. I mean, like they're not billing you on the one hand and borrowing without authority on the other hand.

It's taken them some years to, you know, the regulations — '86-87, the borrow ahead option, was a problem.

Mr. Drew: — On the first question, Mr. Chairman . . . they're really two separate issues. The board bills the government for the government premiums — matching the producer premiums. So the first question was they hadn't billed us, I gather, 1.6 million of levies as of March

31.

But the other, the 6.44 issue is out of the fund. That's the amount of money they pay out to producers. They had paid more than we had allowed in that fund, so they couldn't have robbed from Peter to pay Paul. They have to run the insurance fund, the premium fund, different from the pay-out funds.

Mr. Chairman: — I almost have a sense here you should be getting the Department of Finance to run this one too.

Mr. Rolfes: — Mr. Chairman, I'd like to follow up on that. On the other hand though, Mr. Drew, had they collected those levies, you would have had that money and could have then on the other hand paid them the amount. You wouldn't have had to borrow the 1.699 million had they collected their levies of 1.689 million.

I know they can't do it; they can't do it themselves. But if you'd a had the money, you wouldn't have had to borrow . . . (inaudible interjection) . . . So no, the one is '87, and yesterday, that means in '88 they hadn't collected . . . (inaudible interjection) . . . That's right. We don't know how far this has gone in the past that they haven't collected the money. And I could ask Mr. Drew, I suppose, how long were they in arrears with the \$1.689 million? Does it go back a few years before that?

Mr. Drew: — No, Mr. Chairman. It would be a matter of weeks or months, but not any extended . . .

Mr. Rolfes: — Oh, okay. Then Mr. Wolfe is correct. Mr. Wolfe is correct in his statement that they wouldn't have . . . You still would have had to borrow. But in any event they would have had to . . . They have the responsibility to collect that money and not be a cost to the provincial treasury where you have to borrow.

Mr. Chairman: — What's the structure of this board? I assume the board has a chairman, and there's an administrative arm. Who's the chairman, and who are the . . .

Mr. Drew: — The board is chaired by a gentleman by the name of Boyd Anderson from Fir Mountain, Saskatchewan. The board is made up of representatives from various organizations related to the livestock beef industry, particularly the . . .

Mr. Chairman: — I gather then there is an administrative arm that administers the program, the cow-calf-to-finish market insurance plan and the feeder-to-finish market insurance plan?

Mr. Drew: — That's correct.

Mr. Chairman: — And they set up administrative procedures . . .

Mr. Drew: — That's correct.

Mr. Chairman: — The question I have: is the administrative side of the board strong enough to be able to deal with the kinds of questions that are raised here, and whether some improvement might be in order there.

Mr. Drew: — Well I'm very satisfied, Mr. Chairman, the general management and the management of the board itself is operated by very competent people.

Mr. Rolfes: — Can I just ask a question? Who's heading up the administration of that board? And I know Boyd Anderson is the chairman of the board, but he doesn't do the administrative work.

Mr. Drew: — Mr. Jim Stalwick is general manager, chief executive officer.

Mr. Rolfes: — What's his background in administration?

Mr. Drew: — I would provide you with that, Mr. Chairman, if you thought it would be useful.

Mr. Rolfes: — Well yes, it may be. I just want to know, has he got any background in administration?

A Member: — You hired him.

Mr. Rolfes: — Well it may well be. We didn't hire him under the beef stabilization program. He may well have been hired by government, but sometimes you place people in the wrong holes, you know, the wrong positions. It doesn't work. No I'm just . . . I'm not being critical. I don't know the individual.

Mr. Drew: — I've got no problem, Mr. Chairman. What would I do? I'll tell you he, in my view, is competent. I can provide you with his resume, if that's what is required.

Mr. Rolfes: — No, I just thought maybe you personally knew what his background was. If you don't, I don't think it's that important. If you yourself believe that he's competent doing it, fine, I have no difficulties with that. I just thought maybe you . . . (inaudible interjection) . . . pardon me? No, Mr. Drew would provide us with a resume of the individual, since some of the members opposite are also interested in knowing what they are.

Mr. Drew: — Surely. Just one caveat, Mr. Chairman. We don't have it; the beef board would have it, but I'm sure we could get it.

Mr. Rolfes: — Yes, if you could provide it to us, I would appreciate that.

Mr. Drew: — Sure.

Mr. Chairman: — Any further questions on the Beef Stabilization Board?

The Sheep and Wool Marketing Commission, this is one that's high on the priority list in terms of expenditures for the provincial government. But this one seems to be coming up every year, and in fact these people were called in by the Public Accounts Committee in 1985, yet the auditor continues to make comments about he doesn't have a system to ensure that fees are collected, comments about all producers who sell sheep register with the commission. All producers who market interprovincially remit their export . . . or interprovincial trade levies.

I just wonder if you have any comments at this point, Mr. Drew, in view of the fact that these matters are raised every year. We had an official from this commission, I believe, before the committee in 1975, if I'm correct. What's the problem here? Why do these things keep coming up?

Mr. Drew: — Well, Mr. Chairman, the commission operates pseudo-independent, at least, of the department. We don't like to interfere in daily operations, but we are responsible that the rules of check-off and fees and levies are adhered to. The Natural Products Marketing Council will be advising the commission that a permanent check-off should be implemented as soon as possible.

Checks and balances indicate that less than 1 per cent of the check-offs were not being paid according to the cross-checks. It's not peanuts, but it's not a massive disorganization of the program. The commission is, as of July 1 this year, now a full-fledged producer on board and will be totally independent of government. I'm guessing the auditor will not have to repeat his comments on this one.

Mr. Chairman: — So there's no government money going into this?

Mr. Drew: — That's correct.

Mr. Lutz: — This is a December 31 year end, is it not? This particular one is December 31, or March 31? Which is it? Yes, okay. It's calendar year.

Mr. Drew: — Mr. Chairman, they run on the calendar year. Yes.

Mr. Chairman: — Well I guess that's one way to deal with the problem. I mean, questions may continue for producers out there, but . . . You said you had checks and balances in place to ensure that . . . to suggest that, you know, maybe 1 per cent of the fees weren't being collected. Am I paraphrasing it correctly?

Mr. Drew: — Yes, that was a letter from the commission to the Provincial Auditor in May of 1987.

Mr. Chairman: — The auditor is saying that the system they had wasn't adequate?

Mr. Lutz: — Mr. Chairman, at the bottom of page 33 on item 6.47, I make the statement:

The Commission does not have a system in place to ensure this fee is collected for Saskatchewan sheep and wool marketed outside of the Commission.

Mr. Chairman: — In any event this is going to be completely producer-run and no government moneys are going to be going to this?

Mr. Drew: — That's correct, no administrative money. We're not directly responsible for the administration, although we still assume they will be responsible in

collecting the check-offs or whatever they deem necessary to run their business.

Mr. Chairman: — Any further questions?

Mr. Rolfes: — Mr. Chairman, I don't have any under this, but I wonder if I could just . . . to expedite matters for next day a bit so that Mr. Drew can have some preparation, I have a number of questions I want to ask under the counselling assistance for farmers program. And so in some detail, how many had applied, what the costs were, and so on. Also I have a number of questions I want to ask on the Farm Land Security Board, and again how many favourable reports there were, how many had gone to court, and so on.

Mr. Muirhead: — That's under Justice.

Mr. Rolfes: — Oh gee. But the counselling one is under you, eh?

A Member: — That's correct.

Mr. Rolfes: — Also in the year under review I want to ask some questions on bankruptcies. So if you have the number of foreclosures there were . . .

A Member: — That's under Justice.

Mr. Rolfes: — No, I don't think that's under Justice, it should be under Agriculture.

But also, Mr. Drew, I hope you have the information of some of the questions that I've asked today for next day, because I might have some follow-up questions on some of those. I know you may not be able to get all of them, but if you can get as many as you can, I would appreciate it.

Secondly, I would like to ask of the committee if it would be possible because Mr. Drew is also . . . was on the ACS (Agricultural Credit Corporation of Saskatchewan) board . . . was it on the board, or were you simply responsible for it?

Mr. Drew: — I was chairman of the board at one time, Mr. Chairman.

Mr. Rolfes: — Could we call ACS for next day. I think an hour would probably finish Agriculture, or 45 minutes would finish Agriculture, then we could maybe finish off ACS next day. I'm at the wish of the committee, but it would seem to me it would tie in very nicely to call in the ACS board next day if members concur.

A Member: — No problem.

Mr. Rolfes: — Then Mr. Drew wouldn't . . . Well I don't think he would be here for ACS anyway, at least he was there for . . . (inaudible interjection) . . . Well the rest of the members are fine. If you can leave Jack at home, we'll do very well.

Mr. Chairman: — Who, specifically, did you want?

Mr. Rolfes: — ACS, agricultural credit corporation.

Mr. Chairman: — Mr. Ballagh and company.

Mr. Rolfes: — I don't know who the people are, but it's agricultural credit corporation.

Mr. Chairman: — So we'll meet again Tuesday morning at 8:30, and we'll have the Department of Agriculture and the Agricultural Credit Corporation of Saskatchewan.

The committee adjourned at 10:33 a.m.