

STANDING COMMITTEE ON PUBLIC ACCOUNTS
December 12, 1991

Mr. Chairman: — Ladies and gentlemen, welcome to the second meeting of the Public Accounts Committee. As we discussed on Tuesday, the will of the committee was that we go through, we'll say, an indoctrination session, Robert — indoctrination lightly — and so that we can all become familiar with the workings of this committee. We have a lot of new members.

So I think before we get started, because I remember faces and forget names, perhaps we should all just once more go around the table and around the room so that all members can remember.

Rick Swenson; Harry Van Mulligen; Jack Langford; Suzanne Murray; Maynard Sonntag; Lloyd Johnson; Ron Harper; Gerry Kraus; Terry Paton; Lynda Haverstock; John Britton; Fred Wendel; Wayne Strelieff; Robert Vaive; Bob Cosman; Lorraine deMontigny.

Mr. Vaive: — Thank you, Mr. Chairman. I just want to add that Robert Cosman, some of you might have met, is Law Clerk of the Legislative Assembly; and Lorraine deMontigny is the director of guide services with the Legislative Assembly. I'm the Clerk of the committee and Deputy Clerk of the Assembly.

I've been here a year and a half so I'm not sure if it's the case of the blind showing you people how to proceed, but in any event I'll go ahead.

There are a number of documents in front of you. A lot of these documents you might have already received in your office. In any event, they are the working documents of this committee. And I'll just outline them and as we go along in the presentation we can . . . we'll delve into them a little deeper.

So there's the *Public Accounts*, the three volumes of the *Public Accounts* of the province; the *Report of the Provincial Auditor*, the grey booklet here. There's a sample of committee verbatims of this committee. Now this is the bound volume and I'll go into that a little later but the . . . after every meeting there's an issue that comes out which is the verbatim for that particular meeting and it's published the next day, the day after the meeting. At the end of the session the whole thing is bound and indexed as well. And I left this for your perusal to get an idea of what is involved . . . of what the product of the verbatim are.

And I've also included in front of you a copy of *Guidelines for Public Accounts Committees in Canada*. This is a photocopy of a document which was . . . it's pretty recent, a couple of years old. And this was compiled by the Canadian Council of Public Accounts Committees in Canada. And it's a set of guide-lines which . . . it was done by members of public accounts committees across the country. And it's a set of guide-lines outlining ideal procedures and ways and methods that public accounts committees should follow in proceeding with their daily work.

Many jurisdictions . . . not all jurisdictions use all of those guide-lines. They're nevertheless food for thought and we can talk about them a little later. You might get ideas from

that once you read it; you might want to implement some of those ideas — for instance, research staff for the committee, that kind of thing. It's all outlined in there. There's a rationale for most of the guide-lines. And I think, once having read that and having had experience in this committee, you might want to go back and maybe think on ways of improving the work of the committee.

As we go along, of course you're urged to interrupt and ask questions as we go along and we're dealing with each topic.

I will start off the presentation and I will speak on the role and mandate of the Public Accounts Committee and how it operates, go into those details. Then Wayne Strelieff, the Provincial Auditor, will speak to his role and his mandate as well as how he and his office assist the work of the committee. The Provincial Auditor attends all meetings.

And he will be followed, or vice versa, whatever the arrangement is . . . Gerry Kraus, the Provincial Comptroller, will also expand on his mandate, as well as how he assists the work of the committee.

Before going into these specific topics, I'd like to give sort of an overview of the financial cycle of the . . . or at least an overview of the government financial cycle over the year so that we get a better idea as to where the Public Accounts Committee fits into the whole cycle and give it a better . . . put it into perspective.

And I have a slide to that end. I hope that's legible from the back. The key role, as you'll notice, the key role of the Assembly is to approve finances of the government, control the finances. So we're talking about the cycle approving . . . The Estimates are tabled. I'll come into that in a minute. But the full cycle is sort of an approval mandate for the Assembly to approve expenses, of course the expenditure part of the cycle. And the final element in the full cycle is the scrutiny by the legislature and of course by the Public Accounts Committee.

Another document which you may have in front of you is a copy of the Estimates. This is the Estimates that were tabled, which is the financial plan, the spending plan of the government, and it's tabled every year. You have a copy of this in front of you, and that is tabled. And what follows that is the Appropriation Bill, and that is the approval . . . this is the document which the House must approve, the expenditure plan of the government.

And then of course the control done by the comptroller through the *Public Accounts* is published and there is a control there as well, an ongoing control of the expenditures. And I mentioned the scrutiny role by the Provincial Auditor through his report, his investigation, his report, and of course then through the Public Accounts Committee.

Now to start at the top, the *Estimates* are tabled every year. And again this is the white book. It's normally called the blue book, but it's white; I don't know why. Most jurisdictions call it a blue book. In any event the Estimates are tabled usually at the end of March, beginning of April,

by the Minister of Finance at the time that he makes his budget address to the Assembly, the budget address being an outline of the government's fiscal and financial initiatives that they will undertake in the coming year.

And at the same time the Minister of Finance then tables the Estimates. The Estimates, once they're tabled by the Minister of Finance, which is known as the budget . . . and the budget debate follows for six days, six or seven days. And then the House votes on the budget of the government, and that of course could involve non-confidence motions and so forth. In any event, at the conclusion of that, the Estimates that have been tabled by the minister are referred to the Committee of Finance.

Committee of Finance, here we're sitting in a standing committee which is a microcosm of the House. Committee of Finance is . . . rules that apply to most standing committees also apply to Committee of Finance. The difference is that Committee of Finance is a committee of the whole House, i.e., it's a committee where members of the entire House sit. The House is sort of converted into a committee for the purposes of studying the Estimates. There are other reasons why the House would convert itself into a Committee of the Whole . . . (inaudible) . . . Bills and so forth in any event.

The Speaker steps down from the Chair, and the Deputy Speaker or the vice-chairman of committees then presides over that committee from the table. And the work of the Committee of Finance is really to examine the Estimates vote by vote.

As you leaf through it, you'll notice it's divided by departments, and each department then has certain items, and each amount attached to each item is considered a vote. And the House examines these and studies the details.

The minister comes to the House as well as his officials, the minister from each department. When the House is studying the Department of Education, well the Minister of Education will be there with his officials and of course is open to questions and defends the amounts that are in there. And of course the operation usually . . . questions address the different operations of that department.

Once the Estimates have been approved in committee they are so reported to the Assembly, which is the signal then for the government to introduce . . . We can go into a lot more details of this process, but for today's purposes, sort of giving a thumb-nail sketch.

So the Committee of Finance, once the Estimates are approved, they're reported back to the Assembly. And this will signal the government to bring in the Appropriation Bill which is really an Act embodying the amounts that have been approved in committee, the amounts of the Estimates. And that Appropriation Bill then is approval by the Assembly for the government to spend moneys from the different funds.

There's the Heritage Fund, and there's another fund, the name of which escapes me now — the Consolidated Fund. Use it every day.

So then once that Bill is passed — three readings like any other type of legislature — then the government can go ahead and spend and implement its programs and use the moneys that were approved by the Assembly.

Basic principle, sort of a constitutional principle underlying all that, is the fact that no moneys can be spent by the government unless approved by the Assembly. On the other hand, any moneys that the Assembly will approve have to have been requested by the Crown. This is where you've probably heard already the expression, royal recommendation. This means that any expenditure initiatives by the government have to be recommended by the Crown. Any expenditures approved by the Assembly have to be recommended by the Crown. For instance, if there's legislation which involves spending money, well there would be a royal recommendation attached to it. Therein again the principle of . . . the constitutional principle that any expenditures approved by the Assembly must first have been requested or recommended by the Crown. Same thing applies to the Estimates as well. They're recommended by the Crown and then the Assembly approves them.

Moving along, we talked about expenditure, and I think at this point when I'm through my presentation that Gerry will expand on that in his role as comptroller because that's where the comptroller's role really comes in.

And then we get into the scrutiny process, the scrutiny part of the cycle. The Provincial Auditor, again Wayne will elaborate a lot better than I ever could on his role and the details that are involved there.

Suffice it to say that for now the Provincial Auditor investigates the different departments and how moneys have been spent and if there were good control mechanisms and so forth. And ultimately, after his examination of those departments, the auditor's report is published and that report is referred automatically to the Standing Committee on Public Accounts. It's tabled in the Assembly and referred to the Standing Committee on Public Accounts.

I'd like to add that you should note that the Provincial Auditor is of course . . . attends all meetings. The Provincial Auditor is an officer of the Legislative Assembly. He works very closely with the Assembly, reports directly to the Assembly and not through a minister, and therefore the report is tabled through the Speaker . . . (inaudible interjection) . . . That's right. And thereby having and being perceived as having full independence in that sort of work.

That sort of really gives you an idea as to where, you know, in the realm of things, financial cycle, where the Public Accounts Committee sits in terms of the whole process.

Now I'd like to go into the committee proper. And to that end I will speak to the different, you know, basic logistical items with respect to the committee, characteristics of the committee, and order of reference and mandate and role, and then I'll carry on from there.

If I can just . . . just familiarize yourselves with the basic

characteristics. There's a lot more but these are some key ones that I listed. Membership, you know, there are 10 members to this committee. At the beginning of every legislature there's a nominating committee that is appointed in the House, which meets and appoints the membership of all committees including this one — all standing, special, and continuing select committees. In most committees this year I've had nine to ten members. And that's the breakdown, ten members — seven NDP (New Democratic Party), two PC (Progressive Conservative), one independent Liberal.

Of course committees are, as I said, they're microcosms of the House, so therefore they reflect the proportion of the party distribution in the House and the principle on which that is done.

Another interesting element is the chair of this committee. Most committees are chaired by a member of the . . . from the government side. This committee because of the nature of its work is chaired by a member of the opposition because this committee examines the expenditures of the government. And again, the perception that the committee is independent and therefore has a chair from the opposition side.

Witnesses — another interesting element of this committee. Witnesses are senior officials, usually deputy ministers of departments. When I go into the operation, I can go into the detail of this, but the most . . . All witnesses that appear before this committee are deputy ministers, senior officials of the department which the committee is examining through the auditor's report and through the *Public Accounts* for that matter.

Rarely a minister appears as a witness, again in keeping with the need for having a perception of independence from the executive. So therefore . . . And also the nature of the work of the committee is to delve into expenditures and management or mismanagement or controls that exist, and therefore senior public servants are more . . . are probably more apt to answer these questions. Ministers of course are quite capable, but public servants are more involved in the daily operations and usually these are the kinds of questions that come out of this committee — more daily management operations.

Another element — verbatims. I mentioned earlier every meeting has a . . . All meetings are recorded. I'd like to introduce Mary Ann Cline who is with the department of Hansard of the Legislative Assembly. Mary Ann is the console operator and she activates the microphones as each one of you speak. I remind you to of course try to not to speak altogether and not tap or make noises around the microphones because then the speech becomes inaudible. In any event the proceedings are recorded. They are recorded and published the next day, as I said, in verbatims, and at the end of the session, they're bound in volume. You might have a look at this.

As I mentioned earlier the comptroller and the Provincial Auditor attend all of the meetings. I mentioned as well the comptroller's . . . one of his roles is to explain and answer questions with respect to the *Public Accounts* and general financial operation of the committee.

But as well, once the committee has reported to the House . . . I'll talk to that in the next item in any event. The committee reports to the House at regular intervals. For instance, at the conclusion of the study of the auditor's report for the year, for fiscal year ending in March 1990, and as well, the conclusion of the *Public Accounts* of the province for the same period, the committee will likely report to the House with recommendations and so forth. The report will be presented to the House, could be debated — not necessarily — and could also be concurred in, therefore adopted in the House. And that means that the recommendations then should likely be binding on the government if the report and the recommendations are adopted by the House.

It is the role of the comptroller then back in this committee to give us a follow-up, to give the committee a follow-up on how the government has progressed with respect to the recommendations in the committee report in the different . . . So that is one key role. Again, Gerry will probably expand on that. That covers the characteristics of the committee. As I say, as we go along you can interrupt because I might be forgetting things to tell you.

Mr. Strelloff: — We're very limited to witnesses to . . . to deputy ministers of government departments. The committee can ask for almost any official from any government organization.

Mr. Vaive: — That's right, that's right. Let me indeed . . . we're not just talking about government departments. We're talking about government departments, other government agencies, but as well with Crown corporations that are referred to and that have been examined by . . . and that are referred to in the auditor's report, and therefore presidents, CEOs (chief executive officer) of different Crown corporations are indeed . . . may be invited here as witnesses and in fact they are regularly. Gerry?

Mr. Kraus: — Yes, just to follow up on that. The committee has debated that several times over quite a few years. And I think at one time — perhaps in the '70s or early '80s — there was some uncertainty as to whether or not CEOs from SaskPower, for example, should be called here because of the Crown Corporations Committee. But it was decided by the committee that they had the power and the right to call witnesses from any Crown corporation.

Mr. Vaive: — Let me, now that you mention Crown Corporations Committee, I think . . . there are three scrutiny committees. There are standing committees — Education, Municipal Affairs, and so forth. Among the standing committees are two scrutiny committees, Public Accounts and Crown Corporations. The Standing Committee on Crown Corporations which met earlier this week to organize, its purview of activity includes, as we said, provincial Crown corporations, the annual reports of those Crown corporations, and they may ask questions relating to the operation and management of them, including policy. The big difference as well is that in that committee of Crown corporations, ministers are invited to appear and respond to questions which may deal with

the nitty-gritty of the operation of the Crown corporation but also with broad policy issues as well of that particular corporation.

I might add as well that from a procedural point of view with respect to standing committee here, from a procedural point of view the practice has been — although there's a lot of debate on this — the practice has been really with respect to Crown corporations to invite those only that have been referred to in either the *Public Accounts*, which is unlikely, but more so in the *Report of the Provincial Auditor*.

Now perhaps in the context of the auditor's report with respect to a certain department, there's reference to a certain Crown corporation, well that could likely be enough to admit, in terms of parliamentary procedure, to admit that Crown corporation to appear before the committee. In any event, I think this is more detail than I really wanted to get into this morning. That option is there, but be mindful that there's debate in that respect.

I'm going to talk to the order of reference of the committee, the mandate of the committee, then I'll go into the role. I'll explain what the order of reference is. The committee can't really operate without a subject matter being referred to the committee — all standing committees are like that — with then the subject matter being referred to the committee by the Assembly. In other words, the committee can't initiate to decide in one day, well, let's look into this particular thing and this particular thing if the Assembly hasn't decided to refer that particular ... or if there is some sort of a report from a particular study that's being done, the committee can't decide well, let's look at this. That report would have had to have been referred to the committee.

Now what was referred currently was, this week, was referred currently to the Standing Committee on Public Accounts are these ... (inaudible) ... So order of reference is really the matters that are referred. In other words, the terms of reference of the committee, matters referred by the Assembly.

We have the *Public Accounts* of Saskatchewan is three volumes. We have the annual report of the Provincial Auditor, and any other matters that the Assembly might deem fit to refer to the committee. It could be anything. The Assembly could decide to refer whatever it so pleases, which is really in keeping with the general mandate of this committee. Well then the committee would have to study that and report back to the House.

So the terms order of reference, the committee is really limited and restricted to that. The committee can't decide one day to start examining an annual report of a particular corporation and so forth in depth because that is not its mandate, that is not part of its order of reference.

With respect to the mandate, I mentioned that it was a scrutiny committee. It's a scrutiny committee. I mentioned those three orders of reference. But what does the committee do with them? Well this is what the committee does with them. As a scrutiny committee ... I mean, these are words but I think the ideas are there and you're all familiar with the idea of setting them up so far

anyway — to keep the government accountable for expenditures; ensure sound financial procedures and controls, ensure that those are in place. Failure on the part of the government to follow these criteria usually are reported in the auditor's report in any event. But that is the mandate of the committee.

Ensure value for money; look at waste and mismanagement, if any, in the operation. Because in looking at these items ... of course the committee questioning the departments, this will likely come out whether ... just naturally come out from having those.

Of course, with legislative authority, some departments may undertake certain expenditures or certain activities for which the statute, their own statute, for which the legislative authority doesn't exist. So we look, the committee looks, at compliance with legislative authority and of course in a general way keep the civil service alert in the day-to-day operation. So that is really what the committee should do with its orders of reference, the approach it should have.

Okay, now the daily ... the work that a committee generally, how the committee operates ... The committee begins ... I mentioned the two key elements, two key tools of the committee are the auditor's report and the *Public Accounts*. Initially the committee starts by reviewing the auditor's report, usually chapter by chapter, whatever the committee might decide. And that is its first general approach to its work.

Item 2, identify government agencies to be called, because when you look at the table of contents in the auditor's report, there's a whole bunch of departments and agencies outlined in there. The committee will decide it might want to call a particular one before another one and so forth. It might want to call them all or just a few. The committee has the prerogative to do that. So that is the next step.

And of course, identify issues. There are issues that exist, obviously, as reported in the auditor's report with respect to different departments and agencies. So the committee might want to dwell on certain particular issues more than others. And of course I'm talking now the way the committee should operate. I'm talking in terms of, you know, theoretically and ideally how it should operate. And really those are the kinds of criteria or guide-lines that exist in the document that I referred to earlier — guide-lines published earlier by the Canadian Council of Public Accounts Committees. Not all committees, as I've said, including this one, you know, follow such an ideal way of proceeding. I think there probably is room for improvement in that respect. And I think as we go along you will realize. In any event, identify the particular issues.

And number 4 is one of the suggested ways and to be encouraged — lead questioners assigned to each topic. In my experience here, it hasn't been the practice. I understand in the past it might have. I'm talking about in the early '80s or in ... might have been the practice. A lead questioner is usually ... say once the issues are identified and so forth, well then a lead questioner could be appointed who does a bit of research on that particular

issue or topic. And when the witnesses come in, then that lead questioner can start off the discussion and therefore project the committee into a really good, substantive discussion on the particular issue rather than have an accumulation of, you know, maybe more superficial questioning and therefore not really delve into the matter.

In any event, this is something that you might want to look at later. Of course once these are done it's a question of drawing up the schedule of meetings. Public hearings, I mentioned — senior officials from Crown corporations and government departments and Crown agencies.

Usually on the morning of a meeting that an official will come, I've seen the practice in here and it's something that you might wish to do as well, to have a sort of a maybe 5, 8, 10-minute *in camera* meeting before the officials come in, before the public comes in, just to go over and make sure that the examination of that particular issue is well co-ordinated, and the lead questioner and so forth.

And the Provincial Auditor might have as well some additional comments to make immediately before, and the comptroller as well, immediately before the witnesses for that department come in. So I think that's something maybe to look at as well.

Number 7, after the meeting. Well after the witnesses have left, it's a good idea — this was mentioned earlier by Harry I think — that the committee should, especially if the committee has concluded its examination of that witness, that department, well then perhaps the committee should make sure that they want to flag some of the issues that have arisen out of that particular meeting with those witnesses so that research staff, if there is a research staff, or the Clerk, can have some guide-lines with the preparation of the report, because some of these issues must be flagged and reported to the House and they will be in the report.

But we're not talking about drafting a report six months down the road. I think it has to be drafted as we go along. And once it's drafted, maybe at the next meeting — or that segment is drafted — then at the next meeting it's distributed, and members can have a look at it and decide if they agree with that. And then ultimately six months down the road maybe nobody will remember what happened at that particular meeting, so therefore it's fresh in everybody's mind that it's something important.

Report to the Assembly. From time to time recommendations from . . . (inaudible) . . . I mentioned that, not necessarily all of these, but usually that is the case. And I mention as well follow-up, control . . . (inaudible) . . . action committee recommendations. Gerry can expand on that a bit more after, I suppose. So I think . . .

And that really is, you know, the gist of how the committee would operate. I think it's important if you do . . . The document that I mentioned from the *Canadian Guidelines for Public Accounts Committees in Canada*, this document, as I said there are over 40 recommendations if not more. There's a rationale for each one of them, and of course they're all then outlined

briefly, summarized briefly at the end.

And I think once you look at those and once we've worked a bit as a committee I think you'll realize that, you know, there might be things that are worth looking at a second time and implementing in this committee.

Just want to . . .

Mr. Serby: — Just a question. In the report to the Assembly, is that done at the discretion of the committee, of this committee, or at the call of the Assembly, or how is that decided?

Mr. Vaive: — Any reference that the committee receives from the Assembly, the committee is bound to report; the committee must report. If it has no substance to report, well it should so report that it has nothing. The committee can't sit with a reference and do nothing really. Its report usually includes comments on the *Public Accounts* and on the Provincial Auditor. But the committee doesn't have any specific time by which, you know, it has to report. But the committee should report back to the Assembly; otherwise it's just failing completely in its role.

Mr. Strelloff: — Robert, can the committee report periodically?

Mr. Vaive: — That's right. The committee may decide to present to the Assembly an interim report, say an interim report on any of the documents before the committee. The committee may report to the Assembly seeking additional powers say to travel or something like that. The committee could report to the Assembly that, you know, you would like the Assembly to refer to a certain particular document and so forth.

The committee has the power to report whatever it wishes to the Assembly. Then it's in the hands of the Assembly. The committee is out of it. The committee then is at — I was going to say at the mercy — but the committee is really . . . the work of the committee is contingent on the will of the Assembly.

Mr. Strelloff: — Does the committee have to meet when the House is sitting, or can it meet outside the House?

Mr. Vaive: — We discussed this a little bit on Tuesday. I've done some research and discussion on that as well. To answer your question directly, the committee cannot sit when the House is sitting. The committee must sit outside the sittings of the House. That has been the practice here.

The idea being — the different rationales — the idea being as well that when the House is sitting, members must be in attendance at the Assembly, and only the Assembly can relieve a member from his duties in the Assembly. And therefore if the committee is scheduled to sit, it's in conflict with the intent of the Assembly making sure that members are sitting there. And therefore you know there's a basic, inherent conflict there that the House should not . . . that the committee should not sit concurrently with the House.

Again, you know, there's nothing precluding . . .

(inaudible) . . . the committee from either by report to the House, or this could be done as well through discussion with the House leaders of getting authority from the House for the committee to sit outside of . . . or to sit when the House is sitting. The House could give permission to the committee to sit when the House is sitting if it so wishes.

However — this is when the House is sitting — but the committee is also free to sit during intersessional periods. The committee is sitting now. The House isn't sitting. But if the House, say, during January or February in the House we're not sitting, well the committee is free to sit as we agree to in any event at that time.

Mr. Strelloff: — Who decides that? Who decides when the committee sits?

Mr. Vaive: — The committee decides when they will sit.

Mr. Strelloff: — And . . . (inaudible) . . . is the vice-chairman and chairman getting together to . . .

Mr. Vaive: — Well usually the committee might delegate indeed that power to the chairman and vice-chairman to make a recommendation to the committee ultimately as to on sitting hours and as to when they're going to sit. Some committees might elect a steering committee to do that.

This committee, the advantages that the chair and vice-chair represent two main parties, and therefore that usually expresses the will of the government and opposition. That can be the practice. But of course then the recommendation would be made to the committee, and the committee would have to adopt a motion as to sitting hours.

Just a few minor points that I want to mention. I don't want to sound like I'm kind of lecturing you here but, you know, to make the committee more effective, to have an effective committee, of course we're talking about a corps of dedicated members — I'm not suggesting that nobody's dedicated — but what I'm saying is that it's good to have continuity of membership. Of course membership can't change here in this committee, in any committee of the House. The House appoints the members and therefore for membership change we'd need again a resolution of the House to do that. We can't just change members. That doesn't preclude non-members from attending the committee, and if the committee so decides, could allow the non-member to participate in the . . . to ask questions. But that is up to the committee to decide, and however that member, of course, is precluded from voting or participating in any of the decision making.

I think ultimately this committee we're talking about — before I did the research — that we're talking about, you know, committee members that are really seeking . . . working . . . my experience in Ottawa in the Public Accounts Committee in the House of Commons is that members have sort of been working, you know, cohesively towards a common goal and that is . . . I suppose that's what I mean by dedication in that respect. Everyone's sort of working together towards a common

end.

Research staff I mentioned. There's no . . . some jurisdictions have research resources — Ottawa, Ontario, Quebec — resources that are attached directly to the committee. And these resources are usually maybe attached to their respective library as research officers, but for purposes of the committee they work directly with the committee and they would assist members in identifying different issues. We talked earlier about identifying issues and topics of importance. Well then they would assist members to do that.

They could brief, for instance, if we had a lead questioner, the research assistant could brief that lead questioner and assist that person in preparing the different questions with respect to the particular issue that the committee would be dealing with on that day. That research person could also be responsible for making outlines of the different issues and bringing up the different situations and problems that exist. Could also prepare a series of questions for all members to ask that particular department, and would also be involved . . . presumably it would be someone who was an expert in the field and therefore would also indeed be involved in drafting the report to the House — someone very familiar with the wording and jargon of an accountant. I think that would be helpful to the Clerk.

Ms. Haverstock: — Has Saskatchewan ever had any research staff at all?

Mr. Vaive: — Not to my knowledge, Ms. Haverstock. Well other standing committees, again in recent experience there have only been three committees that have been active. I mentioned Crown Corporations and of course Public Accounts. There's also a Special Committee on Regulations and by-laws. And that committee — also a scrutiny committee; it hasn't been appointed yet — examines the different regulations arising out of statutes and also examines different association by-laws to ensure that they're in compliance with their own charter and they don't transgress any privileges and human rights.

And those are the three main committees that have been active. The Regulations Committee has had legal counsel, outside legal counsel attached to that committee. Other committees to my knowledge — I know in recent history, I'm not talking about 10, 15 years — have not had research facilities, resources. And I don't know about other standing committees such as Education and municipal affairs and so forth . . . Municipal Law, rather. Those are really specialized fields as well. And if those committees ever became active, well again there probably would be a need for a research assistant. And that is something that this committee should probably look at and make a recommendation, really to be able to do an in depth job.

Follow-up procedures, I mentioned again, for more effectiveness. It's okay to make reports to the House with recommendations in them. The committee might . . . or the House might concur in that reporting recommendation, but how does the committee know if those recommendations have been implemented and so

forth?

Well I mentioned earlier the work of the comptroller. I think he can elaborate on that a little more, but the comptroller usually . . . my understanding is that he usually can report on some of the recommendations and answer some of the questions with respect to them. Of course the committee works very closely with the Provincial Auditor, therefore it stands to reason to have a good relation with the Provincial Auditor.

Partisanship. Partisanship should be . . . I mean we live . . . you know this forum and the Assembly is an area for political partisanship. I'm not suggesting that shouldn't exist because I think none of you would be here otherwise. However, having said that, I think Public Accounts Committees have been touted over the years in other jurisdictions as needing less partisanship than more partisanship, so that the committee can work together looking at the issues and arriving . . . It's not a question of trying to put the government against the wall or anything like that. It's a question of examining the issues for the . . . examining the expenditures, making sure that everything has been okayed, well controlled, and so forth.

And we're talking about public moneys, and that's a responsibility of the Assembly and ultimately and as well this committee, to make sure that that work is being done. If there's wild partisanship, it might be more difficult to achieve that goal. And indeed when we look at the structure of the committee, I mentioned an opposition chair. Well again, that's in keeping with the spirit of a bit less partisanship, or so perceived. Senior officials rather than ministers, again the idea is that not to have a minister here, less political input but more detached participation. And as well some committees might have a minister as a member. In this committee there are no ministers that are members of this committee.

That really sums up what I had to say about the operation of the committee and there are no . . . you might have other questions, and if not . . . Yes, Harry?

Mr. Van Mulligen: — Just to emphasize one thing, and that is the purpose or the role of the committee. It's so easy, when you look at comments the auditor makes or expenditures that are reported in the *Public Accounts*, to begin to question why the government did that or what motives the government had in doing that and the government ought not to have done that. But that's not the role of the committee to ask those kinds of questions. Or to ask deputy ministers or other officials, well why did you do that or what policy . . . or we question your policy.

I guess the point is that we're not here to question what the Legislative Assembly might have had in mind in terms of legislation, what the Legislative Assembly might have had in mind when it gave approval to the budget and the estimates for the year. What we do is question whether or not the officials that are there spent the money in accordance with the objectives of the legislation that might be there, in accordance with the amount that was budgeted by the Legislative Assembly, whether they spent the money wisely, whether they made any errors or mistakes in what they did. Could it have been spent more effectively? But not to question the fact that that objective

or that purpose was there. That's the role of the Assembly.

Mr. Kraus: — If I might just add to that. As a civil servant I feel I should be able to explain the policy if it's in my area. But it's obviously impossible to defend it. But we should be able to explain how we've managed within that policy and so on.

But there are times when you also . . . and this is a tricky part I guess. We may be asked our opinion on the policy. And it may be okay if it's a non-controversial issue, you can say, well sure, that's what I think, that's a good idea. But if it's a controversial issue or policy, it's impossible for us to — and perhaps not even appropriate for us to say we think it's a good or a bad policy. That's not our job although you might do it when it's something that's not controversial. But we find ourselves in a tough spot at that point.

Mr. Vaive: — It's not really the role of the committee to question and try to examine if that's a good policy or if it's not a good policy, and as well, not even to ask say a deputy minister appearing for the committee what his or her opinions are on that particular policy. That is not the area of activity of this committee.

I think, as Gerry mentioned anyways, as well though, it's probably a good idea to have deputy ministers — and Gerry as well could do that — explain what a particular policy is. But that's probably as far as it should go with respect to the committee. An explanation with the policy is it could help the committee in doing its real work, but indeed not to examine whether it's useful or it was well thought up and so forth.

Ms. Haverstock: — Who's role is that?

Mr. Vaive: — The Assembly.

Ms. Haverstock: — Okay, so what you're saying is there's been a decision by the Assembly to spend X dollars. Then following that decision there's no one who has a role to make a decision as to whether or not that was a good decision?

Mr. Vaive: — For instance, when the *Estimates* are before the Assembly and further before the Committee of Finance, the minister is there and will be there himself from that particular department with his officials. And that is an ideal opportunity for a member to question the minister on the value of a particular policy with respect say to a particular program and why that kind of money should be spent on that policy. I mean that is a really good forum during the estimates.

Once they are tabled, then the House is converted to Committee of Finance and at that point that is an ideal . . . I know there are other ways as well but this is an ideal way. The minister is there with his officials, his or her officials. And indeed that is a terrific avenue to open to a member to ask questions, say a particular policy with respect to a certain estimate or a certain vote in the *Estimates*, why use that policy with respect to . . . why spend that kind of money with respect to that policy and so forth.

Ms. Haverstock: — And that's all public anyway because those needs are . . . (inaudible) . . .

Mr. Vaive: — That's right.

Ms. Haverstock: — The second question I have is, is it always the case that the only one who can be questioned is the minister and not the senior officials during estimates? Do you have to speak to the minister?

Mr. Vaive: — Well I would say that the senior officials may elaborate and help explain what the policy is about, but with respect, it's not the role of the senior official to defend the policy. That is a policy usually based on the political, or whatever decision on which it's based.

It's up to the minister as spokesperson for the government to really defend that policy, and indeed probably though he can further explain it with the assistance of his or her officials.

Maybe members have other comments to add to those two questions.

Mr. Van Mulligen: — There have been occasions where issues that have arisen in the committee that members have taken it into the Chamber and asked questions in question period as well — on more than a few occasions. But I think that's an important distinction that some matters are appropriately raised and discussed and debated here and others are more appropriately discussed and debated in the Assembly because they're questions of policy. And a policy that ministers should not, just because you find that money is being spent in a certain way, you know, by officials in departments, it doesn't necessarily follow that the minister should be able to answer on that day or give an opinion on that day, or should be held accountable necessarily from that day.

I think, you know, ministers have to be given an opportunity to look at that, unless they've had a part in the policy or in the decision. They have to be given an opportunity to examine that and satisfy themselves what's going on, whether a change is necessary, to make the change if appropriate, or if not, then to defend it.

Ms. Haverstock: — If I may, I have one last question. Is it the case then that there's a period of time in which we are examining and you cannot go back to have any context presented? I'm wondering, for example, I know that we have some little catching up to do in Crown Corporations in particular, in the other committee. And my understanding there is that you can't go back any further than what it is we're actually looking at, which creates a problem for some of us who would like to have some context.

Mr. Vaive: — Okay. I'll speak to this committee. You're using your . . .

Ms. Haverstock: — I'm just wondering if it applies here as well.

Mr. Vaive: — I'll apply your question to this committee. The practice has been that — for instance, the auditor's report and the *Public Accounts* for the period ending

March 1990, the practice has been, the committee will examine these, arrive at recommendations, and report to the House.

And then the practice has been that once it's reported to the House, it is no longer . . . once the committee has done a final report on a particular document like this, then the committee carries on its work, say on the subsequent report. Well then, the committee is not at liberty to go back to this report. It probably could, you know, a cross-reference, if you want.

But the practice has been not to really examine a witness on a particular report of last year that the Provincial Auditor did and on which the committee tabled a final report, and this brings in a particular witness on a particular item in here. No, that has not been the practice. I must say there's debate in that respect.

Mr. Van Mulligen: — But I think though that it's one thing to go back and revisit reports from previous years; it's something else again that if something is reported by the auditor or something is reported in the *Public Accounts* that has been reported in previous years and therefore is part of a pattern, that it's appropriate then to ask officials or to . . . it's appropriate I think to ask them about this pattern or what's happening here and put it in that context. It's somewhat silly to take the position, well you only must ask about the expenditure for that particular year if in fact that expenditure is part of a pattern that's going on over a number of years.

That's not to say that you should take then some item out of some previous years that is not repeated in this year and begin to delve into that. But if it's part of some pattern, then yes I think it's appropriate. And it's incumbent upon us to look at that and say to the House that this has been going on for more than a number of years, and we're disturbed about the expenditures.

Mr. Kraus: — In order to explain ourselves and the issues, sometimes we have to give history going back three or four or five years, whatever. But it's always based on an issue that was raised in the current report, but for the context you have to go back.

Mr. Strelieff: — In our annual report we will address issues, for example a loan that was made five years ago that this year is becoming a problem. So you'll have to go back five years ago to understand why the loan was issued, to understand why it's a problem this year.

Ms. Haverstock: — Yes.

Mr. Strelieff: — In that context you can go back and forth as well.

Mr. Vaive: — The bottom line is that that pattern is nevertheless reflected in the current year's report, and therefore that is a window for the committee to go into even if it goes back 10 years.

Ms. Haverstock: — Thank you.

Mr. Vaive: — I was talking about other related cases.

Ms. Haverstock: — Yes.

Mr. Vaive: — Okay. It's 10:05. I'll invite Gerry Kraus, the comptroller, to take over. I don't know if you want coffee, maybe a five-minute break and then Gerry and Wayne will carry on.

The committee recessed for a short period of time.

Mr. Kraus: — I've been the comptroller since 1981 but I started with the Department of Finance back in 1974 and was actually with the comptroller's office. So most of my working career has been with the comptroller's office although I did work in the private sector with an accounting firm, and as well I spent some time with the Saskatchewan Power Corporation.

I wanted to point out a few things before I start. Number one, you're obviously going to hear some material that I've presented before. Some people will have unfortunately heard very much of the same information in earlier years. And if you've read any material that's been distributed, it may look somewhat similar to what I'm going to say today. I have brought some hand-outs. I don't have the overheads to hand out but I have some written material that I will hand out through the Clerk.

I sure encourage questions. I know some of this may be new to some of you people and it might sound a little bit technical, but I sure encourage questions. And I think with that I'll start.

The orientation, I've limited it to the three topics that you see on the overhead. Parliamentary control over public moneys, and that's . . . some of the stuff that you're going to hear from me is the same that you've just heard from the Clerk Robert, but it will be from my perspective as much as anything, my duties; and then the financial reports will be limited today to the *Public Accounts*.

There are accounting issues and issues of accountability in general. And if you want to go into that in some detail, it might be better if we do that, if you want to, when you meet again. And if you're going to have a little more orientation, that could take some time to discuss that and it might be more appropriate after the next set of *Public Accounts* is tabled, for example.

If you're going to understand the system of parliamentary control over public moneys, you have to go and . . . you have to understand at least these five major features. From my perspective anyway, they are the major features. That's the authority of the legislature to raise and spend moneys or the concept of a single Consolidated Fund; controlling of expenditures from that fund by a Provincial Comptroller; an annual report tabled in the legislature by the Minister of Finance, known as the *Public Accounts*, but prepared by the comptroller; an independent audit and report to the legislature by this independent auditor; and finally, to close the whole thing, an annual review by the legislature, the Public Accounts Committee, which are you people, of both the *Public Accounts*, the Provincial Auditor's report, and quite frankly the other material that you may get from departments and agencies such as their annual reports.

Now I want to go through this in just a little bit of detail. First the right of the legislature to raise and spend moneys and the concept of the Consolidated Fund. And I think it's probably the most important feature. Because under that feature all the taxes that have been authorized by the legislature are supposed to flow in theory into one fund and can only come out of that fund . . . I'm sorry, can only come out of that fund if they in turn have been authorized by the legislature.

And of course legislatures and parliaments have made exceptions to the rule. For example, in the late '70s they created the Saskatchewan Heritage Fund and they decided that some revenues, non-renewable resource revenues would flow into a different pot of money and the expenditures could be appropriated out of that particular pot. But that was authorized by the legislature.

They've also created Crown corporations. For example, Sask Power Corporation has the right to undertake activities to bill the users, to collect the money, and to keep . . . take, collect and keep that money themselves. It does not again flow into this general pot of money.

An example of where this can break down and why this system was created in the first place . . . because as most of you would know, this system comes from England and it was the struggle by the commons, the ordinary people to get control over the spending by the king, of both the taxing by the king and the spending.

But an example where this broke down, and it's a U.S. example, is the Iran-Contra affair where some of the president's men — whether he knew or not doesn't really matter — sold government inventories. They didn't go through due process; they didn't sell them through the government salvage operation.

What they did was, as I understand it, is they got military weapons that were located in Israel; they sold them to Iran. And that was bad enough in itself because they sold government property without going through due process. Then they took that money that should have been going into the U.S.'s treasury and probably appropriated by the Congress, they took that money and diverted it to help fight a war in Central America. And that in essence is why this concept has been created.

I have watched TV documentaries. If you can believe it, they actually do have TV documentaries from time to time on this kind of thing. And the concern was that there were people, I think close to the president, or people in the White House that thought that maybe that wasn't such a bad idea in some ways and that maybe people should have more authority to do those things, or at least under the direction of the president, without having to get the approval of Congress . . . (inaudible) . . . The people debating this and talking about this issue thought that was pretty serious because you are tampering with democracy.

Closer to home, we have some problems in Canada, but to the best of my knowledge, nothing on that scale at all. For example, in the *Leader-Post* on December 5, the Auditor General of Canada was concerned about the basic principle that the right to tax rests with parliament

through the legislative process. And of course what he was concerned about was that, as you know, for years in Canada the federal government and the provincial governments will often increase taxes the night of the budget speech. And technically that shouldn't take place until the House has debated and passed the Act.

I don't know whether you can get around that kind of a thing. And there are probably practical problems with delaying the tax increase, particularly to the federal level. And you could say at least from the positive perspective that the government is being up front with the public. They're not doing something like this Iran-Contra affair.

However our current Minister of Finance did mention that hiking cigarette taxes at midnight on budget night or even repealing sales taxes the day your government is elected is a practice that's in need of review. And while you can't fault the motives of the government in doing these things, it still is technically in violation of this. But whether they can practically resolve it, I don't know.

Of course if you're going to spend money from the Consolidated Fund or the government coffers, you have to have an authority. And that stems from . . . Of course as Bob was talking about a little earlier, in the first place there's the Estimates introduced into the House, and you people debate it. I think you break down from the Legislative Assembly to the Committee of Finance. You debate it, question the ministers, and then eventually you pass an Appropriation Bill which becomes The Appropriation Act. And it's from that Act that I get the authority to control the moneys that are paid out of the Consolidated Fund

And I just want to go into a little bit of detail. Now I know you're not going to be able to see this very well. If you have your Estimates book with you, if you did want to refer to it I think it's on page 50. It's simply taken from the Department of Finance, and it's to illustrate that although you people when you're in the legislature are voting at the departmental level, I think you agree to all subvotes. As you go through due process, you'll eventually get to the point, item number one, and there's no more questions or debate — it's agreed, it's agreed, it's agreed, it's agreed, all the way through. And then finally you'll dissolve the Committee of Finance, the legislature reconvenes, the Speaker comes back, and you then vote on the total expenditures that have been authorized for the department.

But nevertheless, it's considered that the control has been established at these individual subvote levels. And in this case of Finance, for example, it illustrates that subvotes can just be administrative functions like the comptroller's office or the treasury and debt management function or the revenue division, economic and fiscal policy, and so on. And I have to make sure that the money is not spent in excess of these individual subvote totals.

And I'll just throw one more up. It's on probably the next page there, if you have your Estimates. This is 30, page 30 . . . page 50. The next one will be page 51. A subvote also can be used to describe a program like the Saskatchewan Pension Plan — SI 3.355 million.

Naturally the government may do its best to . . . in terms of estimating its revenues, expenditures, the deficit for the year, and so on, but there are always going to be times when they have to modify the spending limits of the budget, the Appropriation Bill. And that's why the Department of Finance Act . . . or I'm sorry. The Financial Administration Act, has provided for changes to the spending limits.

So under normal circumstances we would have a budget passed. And as you realize this year — and it happens from time to time — and in this particular year we've been operating on special warrants, I think, for the month of April. The estimates were introduced in April. We then operated on an interim supply Bill for May and June, and then the House dissolved and we've been operating on special warrants ever since.

But normally if you had your budget passed, you'd still find situations where when the House is in session, the government wants to spend some more money on something they think is appropriate. So under that Act I mentioned, the Lieutenant Governor can be asked to sign a special warrant, and that raises the amount of money that the government has to spend in any given department that's been designated, and at the subvote level as well.

Then what is supposed to happen, because this spending under the special warrant still has to be authorized by the legislature, the special warrants are rolled up into something called *Supplementary Estimates*, and the *Supplementary Estimates* are brought into the House at the beginning of the new fiscal year.

So under normal circumstances you would have had a budget passed for '91-92. You could have some special warrants issued during the year we're in. Then when you bring the budget down for '92-93 in the spring, you bring these special warrants in. As I say, it's part of something called *Supplementary Estimates*, and the legislature approves those *Supplementary Estimates* at the same time they approve the new budget for the next year.

There are also times when we want to transfer money from one subvote to the other. The department doesn't need any more money but it's been determined that one subvote has a little bit too much money and another one doesn't have enough.

So again the legislature has authorized the Minister of Finance to sign virements if he so desires. And what that does, the virement is a — I'm not sure if that's a Latin term or a French term — but in any event all it does is transfer money from one subvote to the other. It doesn't increase the spending limit.

So, for example, if I had a little extra money in my subvote . . . I was estimating that I . . . projecting that I wouldn't need all my money to March 31 of the year and these people were short, moneys could be vired from here to here. It establishes new spending control limits and it does not increase the amount that the department has to spend.

And I would like to refer you to I think it's page 31 in this large volume. And the reason I want to talk about this is

because the auditor's office was concerned that, while special warrants were raised and ultimately as spending was undertaken under those special warrants and the legislature ultimately authorized that spending, that while virements didn't increase the amount of moneys to be spent, it was changing the budget as initially approved by the legislature, authorized by the legislature in the spring.

So there was concern for many years that no one knew about the virements, and so what we did was we devised this schedule. It's call the schedule of appropriation and expenditure by subvote, and I am targeting on our department, the Department of Finance. But you will see that what we've done is we've got a schedule that starts with the original estimate or budget, but you could substitute budget for estimates, but it's the original budget. We add the special warrants. There's a column called statutory adjustments and we have to have that because some of these subvotes are statutory in nature even though they're provided for in the *Estimates* the authority to spend money is in separate legislation and we can spend up to any amount of money really. And so we have to have a column there to add or subtract to that original estimate to arrive at the exact amount of money that is spent.

Then as well we have a column called virements and this shows how we've transferred moneys back and forth between the subvotes. I think firstly it's information the legislature should have but it was initiated because the auditor's office some years ago had been criticizing the government for not showing its virements.

And I can't advise you people on what questions to ask, I guess, but I do know that from time to time over the years this page has been used to ask questions of departments. And I don't really want to put the finance in a box or anything, but if you look, for example, you would see that the mortgage protection plan which is subvote 54 was originally budgeted at \$18.7 million.

Now I can't remember whether in '89-90 the plans changed or whether there was a big interest increase, but they needed a special warrant then of 19.2 million and as well they vired money from other subvotes primarily from the Saskatchewan Pension Plan the \$5 million, increasing then the amount of money that could be legally spent to 42.96 million. They spent 42.94 million, leaving then an underspent amount of \$19,000.

I have heard questions asked along those lines: why couldn't you do a better job of budgeting? I don't want to pick on any particular part of our department but for example towards the top you'll see administration. They needed an extra \$461,000. Again, it's not uncommon for members to ask from time to time: well, could you do a better job of budgeting? You only asked for 1.879 million, couldn't you have estimated it a little more accurately than that? So I mean, this can be a source of information on which to base questions.

As I said, I have to ensure spending is within legislative authorities and budgets and what that means is that each of these little boxes and . . . (inaudible) . . . represent a subvote. I have to make sure that first there's adequate

money as provided in the budget. I have to make sure that the department has authority to undertake the activity for which it wants to spend the money. I'll show you another overhead on this then just to lay it out a little better.

And finally you have to make sure that the person who is signing off on this payment requisition has been authorized to do so by Treasury Board. This may sound like a lot of red tape, but that's what happens when you have a parliamentary system. And I don't like red tape, but I try keep the procedures to a minimum, but there are some that we must enforce.

So from the legislature then everything stems, I guess, for us. The money is provided through The Appropriation Act so that establishes the spending limits. There are various pieces of legislation and it might be the department's own Act. It might be related Acts that give them the authority to spend. And finally The Financial Administration Act has delegated to Treasury Board the right to approve those people who they believe can sign any requisitions which are charged to the subvotes.

There is the annual report on stewardship of government. I'm not sure why I keep these pictures any more. These are a little bit old, but they report on stewardship . . . (inaudible interjection) . . . You should see I've got one of the auditor coming up.

The public accounting then is primarily from my perspective, the *Public Accounts* themselves, and I'll talk about them in a little bit more detail later. But there are three volumes right now. *Public Accounts* is going to change. This is an accounting of the Consolidated Fund, the Heritage Fund, and it provides an awful lot of information on revenues and expenditures by the department. Now I'll go into that in a little more detail.

I'm not sure which one you're supposed to be, Wayne. Of course there's the independent audit by the Provincial Auditor, and my staff put those pictures on there; I know that.

I wanted to point out a couple of things here. One is that the auditor issues an audit report on our financial statements, and that's the kind of thing that you will find done in the private sector as well. If an auditor audits financial statements, he must issue an opinion indicating whether or not he thinks the financial statements present fairly the position of the organization at a point in time. That's standard.

The other is this report, this form report. And I'd say it's probably unique to government.

There are a lot of concerns raised here about accountability and the accounting of the government. But on the other hand there are a lot of issues that concern the day-to-day administration, accounting procedures, whether payments have been made illegally — any number of things. And I imagine that the type of information that's been reported is going to change over the years. I don't know whether you are going to talk about it or not, Wayne, but he is changing the focus of his mandate so this will change clearly over time, but it doesn't matter.

The point I'm trying to make is that there isn't anything like this in the private sector. If the auditor had concerns like this in the private sector, he would be coming to a committee like you but you'd be an audit committee attached to the board of directors. And you would discuss it with management and you'd ask management what the concerns and what the problems are and ask management either to correct the problems or maybe come to some trade-off with the auditor.

But unless these issues were going to affect the viability, the ongoing viability of the entity, the auditor wouldn't likely report this material to the shareholders.

So I guess the point I'm trying to make is that we're under closer scrutiny in government. And I suppose it's in defence of the administration, administrators, the civil service. We may not make any more administrative errors than a Saskatchewan Wheat Pool or an Imperial Oil or a General Motors, but it's hard to measure because this type of reporting is not carried out in the private sector. I'm not saying this shouldn't be done in the public sector but it does make a difference.

Mr. Chairman: — Gerry, I've got a question. It's something that I've noticed, being a minister involved in the collection of moneys. An area of government that I find different from the private sector is I don't think government is a problem, I just noticed the federal government talking about the collection of back taxes. In my own department which was Energy and Mines, which never seemed to have enough auditing capability, yet they're backlogged. And I'm sure there are other departments of government that are very similar and have been like that. And I did a little research and I'm told it's been like that for ever and ever.

Mr. Kraus: — You're talking about the inflows, not the outflows.

Mr. Chairman: — Right, the inflows. Lots of times on my own farm unless my inflows are matching my outflows, I have a problem. And government seems, I don't know if it's . . . (inaudible) . . . or whatever to sort of match those things.

In the private sector I think that accounts payable thing would be cleaned up a lot quicker than what it is in government. And I know it was one of the things that I fought for two years in a row, was to try and get more auditing capability into my department so that I could sort of get that moved up. But they said, well it's been like this for 25 years. And I just thought, why hasn't that . . .

Mr. Kraus: — Well there's several things behind that. One is that, even my own operation in the comptroller's office, I don't have to worry about generating revenues and collecting moneys in order to have moneys to spend. So there isn't quite the same discipline there would be on somebody in private business who has to get cash inflow in order to pay the bills and so on. And I think that's a weakness right there. But that's something you should be able to overcome.

Unfortunately, to some extent departmental management will see themselves more as program delivery people.

Their focus is on the spending side. And to some extent they just don't feel as responsible for making sure revenues are collected to the extent they should. And we in Finance have tried to push that idea out, that Finance isn't responsible to collect those moneys. If we have moneys that we've collected and we're concerned about getting them on time, but we do try to encourage departments to pay more attention to it.

The other thing that we have talked about — and this in fact I suppose ultimately becomes a government decision — we have talked about trying to put in new procedures just like the federal government has done where certain taxpayers would be expected to remit earlier.

You were the minister of Energy and Mines? Terry, I don't know how much detail we can go into, but we had actually suggested at one time that some of those people be asked to remit earlier. And I don't know whether that ever went anywhere or not.

Mr. Paton: — I think there's been some changes. But there's dates that are within your regulations as to when taxpayers have to remit revenues. And in many cases they're fairly lenient if you compare them to what practices are in industry.

Mr. Chairman: — Very lenient.

Mr. Paton: — Very lenient. And that's one of the things that as Finance we've been trying to address through departments like your own. And in some cases we've been successful.

Mr. Chairman: — Well it's not mine any more, but you just wanted to use the example.

Mr. Kraus: — No, but there are two or three situations where we think the government could do it. It does mean the government might appear to be a bit tough because they're saying, hey, we want our money faster. And so it's a bit of a political issue. But I think, you know, in the comptroller's office we certainly think that steps should be taken to insist that some of these taxes that are collected come in faster.

Mr. Chairman: — Well one more comment before you go on. I agree with you. I think government has become more program orientated than some of the traditional roles of government. Program delivery has taken on a greater importance today. Because of public expectations or whatever, it's more political than it used to be in program delivery.

I've always wondered about a legislative requirement with government where the auditing capability had to in fact be balanced with the revenue generation of that particular department by legislation. In other words, the legislature would review the number that . . . the number of auditing people had would correspond with sort of the amount of money that was expected in that particular area. Maybe Wayne can address that later on in his submission.

Mr. Strelieff: — Well in past years we have reported on the need to hire more tax auditors. Perhaps a \$ 1,000 cost

in tax auditor could generate 5,000 in increased revenue. But hiring tax auditors isn't that great, that popular of an idea in the best of times.

I met with the chief internal auditor of the Royal Bank of Canada a couple weeks ago, and he views this area as revenue slippage and said that if he had to be the auditor in an organization that had that kind of revenue slippage, he wouldn't sleep at night too often. It was a really big issue in his organization because that's hammering right on the net profit for the organization.

Another issue on this is the government . . . it's an accounting issue that the government doesn't record its accounts receivable, so it's taxes receivable. So therefore it doesn't become a focus.

So if on your balance sheet or statement of financial position you have taxes receivable of \$50 million that are outstanding out there and that you know you should go after them, that perhaps will put more pressure on the government to actually do that. But the fact that the receivables aren't recorded, it kind of just slips away and you forget about it until some time later when . . . it just isn't dealt with right up front. But it is an important issue.

Mr. Sonntag: — Well it begs the obvious question, why not?

Mr. Streliaff: — On the recording taxes receivable, well the history . . . Probably Gerry should speak to this a little bit more than me. But my view on it, the history for accounting in government has been just to record the revenue when the cash is received rather than when it's owed.

Now our office argues that it should be recorded when there is a receivable outstanding and that you know you're due the money. And it's a good management exercise. If you know that you owe the money . . . or you're owed the money, you'll go after it. But the history is somewhat different.

Mr. Kraus: — I didn't want to get into accounting today because I'd be up here for the morning probably, but the model that's been used, which was developed in '57 based on what the federal government did at that time, was a cash-based model. And it sounds silly that a government would use cash, and it was hard for me to adjust to it. But actually if you look at the concept and if it was followed as intended, it actually isn't a bad idea.

But there has been a movement across the country to move to something called accrual accounting booking or accounts receivable and so on. And some jurisdictions are doing it. We're not. Ontario doesn't. That doesn't mean that we might not be within a year or so, but at this point we're not.

But I mean I could go through some accounting practices if you'd like in January or February if you're going to meet again. It might not sound like an exciting topic but it's fairly interesting, to tell you the truth.

Mr. Johnson: — Just to point that out in an agricultural setting, there has been a push from governments to

change the way that farmers deal with things from a cash to an accrual system. It sounds very good from the person on the paper but the government does not take its payment in wheat or in a pile of manure some place. They want it in cash.

And if you're in any place where you're evaluating things that can very abruptly change, one month you could say that the income from the oil or from any other thing would be very high. And in an abrupt change, if it's on a three-month payment, there might not be anything there. And I understand that from a farm aspect and I assume it's in other areas as well.

So it's very clear cut as long as you're dealing with a piece of paper. Stick a shovel into some product and see if you can make it slide over a number of months and it doesn't show up quite as easily or as clear.

I was just telling Maynard when he asked the question that the question is not . . . it's not politically wise to try and collect from the taxpayer when the taxpayer is sitting there understanding that although he knows he owes something for this month, over a two-month period it won't be owed, that he pay this month and then that the government will take six months to pay back. And I know I have experienced that.

Mr. Kraus: — I understand. Those are some of the issues that the government or at least the department has to address when it's deciding how tough it's going to be on the tax collections. Now I guess when it comes to tax collections, there are different types of taxes. And in some cases we're talking about taxes that they've collected when they've sold something, so it was in addition to the purchase price. So it's not their money in the first place.

In terms of getting paid on time, I would say that there is a new policy in place as of December 1, and the government is going to pay interest at least on supplier payments. And the policy has been based on the federal government model, and it's simply this, that we undertake to pay in 30 days. And I think there's going to be more procedural changes over the next 12 months that will help us do that, at least I'm hopeful it will.

But on the other hand, this policy says that we will use the Royal Bank prime rate, and at day 46 we give ourselves 15 days leeway, just like the federal government does. At day 46 we start calculating interest based on Royal prime. And we have started paying interest on some invoices. There was one — just the first batch we sent out — it was to a printer, and I don't know why they'd held back, but this department held back the invoice for a good long time, and that printer got several hundred dollars worth of interest.

Most times we wouldn't expect interest to be more than 5, \$10, or a few cents actually, or nothing. But we're hoping that it has these effects: one, that it shows the government's trying to be more fair. Because when it doesn't pay on time, it's actually gaining something at the expense of the person who's supposed to get the money. We keep the money, and it either reduces our debt and our interest, or we can invest it and make some money. So I think it's showing that we're trying to be fair.

And secondly, we're hoping that the interest will be an embarrassment to the departments and help encourage them to process their documents more quickly.

Mr. Serby: — Just a quick question. Are you saying that governments really budget on a cash-flow basis but spend on an accrual model?

Mr. Kraus: — No, no, it's strictly cash flow. The legislated theory is only going to appropriate cash flows. It can't appropriate beyond one year, and it can't really commit beyond one year. It can't commit the next legislature. So each budget is a fresh plan of cash spending and cash revenues. Now that doesn't mean that that can't be changed, but that's been . . .

Mr. Serby: — Are we taking into account then the receivables when we're budgeting that we aren't reporting in the auditor's report?

Mr. Kraus: — The estimates for revenues would have to take into account, I suppose, what is outstanding at the end of one year, what they expect to collect on that, as well as fresh cash; and then I suppose take into account what they expect may not be collected at the next year end.

Mr. Serby: — Okay.

Mr. Kraus: — But from an accountant's perspective, accrual accounting makes more sense. I also think it's better from a management perspective as well. So here I am already giving you a personal opinion. But I would tend to lean that way, although there's a lot of merit in a cash system if you take time to study it, at least for government.

I won't leave this up long, except I spent quite a bit of time talking to managers from time to time across government about this process, and as far as the Public Accounts Committee goes . . . obviously I'm not going to explain how you people do your work and so on because somebody has taken to do that already, but . . . smiling chairman too . . . (inaudible interjection) . . .

I wanted to mention though that one of the things that happens to me every year Public Accounts reconvenes, are we going to be . . . they want to know if they're going to be called up. Now eventually through the Clerk's office they are advised. But every year it's the same thing: what questions are they going to ask? And I can say, well I have to see how this particular Public Accounts Committee is going to work because each of them take on their own character. But I say, well, at least be prepared to answer the questions and concerns that are raised by the auditor in his report. Of course there's the details in the volume 3, this thick book on salaries and payments; be prepared to talk about that. And if you have an annual report that you've tabled recently, be prepared to talk about those things.

But what they really would like to have is specific questions. And the problem is if you don't have, I suppose, somebody working for you as a research assistant — and I'm not necessarily recommending that,

by any means — it may be difficult for you people to formulate questions in advance. And one of the reasons I'm saying this is that I know that 99 per cent of the managers — there's the odd one will come in over the many years and hasn't fully co-operated with the committee — but almost all of them want to do a good job. And they know that if they had specific questions they could research them and do a better job for you people. So that's the question I get every year.

My role here is fairly straightforward. I provide any technical answers that are asked about the information in here. Although to a great extent, the information that's provided by department must be answered by the departments, but I'll answer technical questions.

I am prepared to talk about and explain the government's financial reporting policies. I provide background on the auditor's concerns to the extent I can. I can't cover everything off, but I do have some knowledge about most of the issues that the auditor is reporting on, and sometimes I can add additional information, if nothing more, to maybe give you assurance the department is taking action to fix the problem up. And sometimes that's a determination in whether you'll even bother calling the department in, if the only thing you're interested in is a few items that could be reported in here.

As well I do prepare the annual report that Bob was talking about. And that is simply where, when you make the recommendations to the legislature, I follow up to determine what the departments have done. And I then report your recommendations and action taken.

The one flaw in it — and you might have been getting at it earlier today — is that from time to time you make recommendations, fairly specific recommendations that you'd like the government to consider, and I really haven't felt that it was my job to follow up on that. You may want to consider whether you do that yourselves through another agent or whether I in fact do follow up.

But there's one particular item that's been reported in the auditor's report for a good, long time, and it's a touchy item that deals with the pensions and pensions for spouses — isn't it? — widows of MLAs (member of the Legislative Assembly). And just to raise that because it's the one I can recall. I didn't feel it was my place to go to government and say, are you going to address that? The committee might have raised that you give it consideration. I have no problems going to Energy and Mines or Education and asking the deputy minister as to what they did to fix the problem up that you identified, that you wanted to address. But I don't feel comfortable going to the government per se. So that's just sort of hole in the process, I guess.

Should I finish my presentation? If I can do it in 10 minutes or . . .

An Hon. Member: — Yes, sure.

Mr. Kraus: — I'm appointed by order in council. The Financial Administration Act requires that. There aren't many people appointed by order in council but my position is one of them. And I am a government

employee, so while I have some duties delegated to me by the legislature, I don't report independently in any fashion. I am an employee. These are the duties that I have. And I must say that over the many years, the way we discharge these duties have changed a lot. Obviously I don't keep the books and records for the departments; I keep the central books and records.

So they're doing a lot of the receiving of moneys and recording of moneys, and I am supposed to supervise that through audit. I control the account classifications. I've talked about controlling disbursements. I maintain the books and records, prepare the *Public Accounts* and financial statements once a year. I ensure compliance with Treasury Board financial policies, and I do issue directives to departments pursuant to this policy manual that we have. And it's about two volumes called the *Financial Administration Manual*.

I want to refer to some of the specific duties that my branches do, just to give you an idea of who does what. I don't know if you can see this smaller print, but the central accounting branch — I'll just focus on a couple of them — they are auditing payment documents so that we can control expenditures by subvote. We issue about a million cheques and/or electronic transfers. We've moved to electronic transfer to the extent we can. We've got our payrolls on it and have had payrolls on it for four or five years. We are trying to get as many grants as possible to electronic transfer. It really makes it easy, administratively, to be able to just set this stuff up at the beginning of the year, audit it, and pay. So we're trying to get as many payments as we can on electronic transfer.

The other thing is that I'm currently getting 60 to 70,000 payment documents a year, and we have moved as much from pre-audit of payment to post-audit as we can. But the current legislation requires that I look at everything, and what I am going to be recommending is that the legislation be changed to make it more permissive. I did look at what they're doing in Alberta, and it seems to work well there.

And I think I can focus on the high-risk, high-dollar value payments. Most supplier payments are not very high in dollar for dollar value, and our routine . . . if I focus more on grants, on sensitive payment, and probably reduce the paper flow enormously. I might only have to have 5 or 6,000 of these documents coming over. That means paper flow is reduced, photocopying is reduced, and there could be a lot of savings. And at the same time, we feel by looking at more, we could probably do a better job. And I hope they are. I think . . . well not I think. I know we sent that proposal to you a while ago, and the Provincial Auditor agrees with it.

Terry Paton's branch do a number of things that help me make sure that the government has adequate financial controls in systems and so on that are beyond the central systems of government. So any new financial systems that may collect moneys or spend moneys that are not part of central system of spending moneys, I have to make sure there's adequate accounting controls. So we review and approve those.

We develop all accounting and financial reporting

policy. We review all draft legislation and regulations to make sure that the financial aspects are properly addressed. We approve approximately 120 to 140 financial statements of boards, agencies, Crowns, etc.

We make sure that the auditor's management letters are followed up. Many years ago they were simply filed. We make sure that the management of each department respond to the letters and that the answers either resolve the issue or at least they have a good defence for why they think what they're doing is appropriate.

Just to move along, I'm not going to say any more about that. I wanted to just quickly say that the *Public Accounts* right now is in three volumes. You're going to get a different look for the new year but you're still going to have to deal with '89-90.

So the *Public Accounts* now consist of volume 1, and those are the main financial statements of the province, the Consolidated Fund, the Heritage Fund, and adding the two together which we call the combined fund. And the annual deficit of the government is based on the combination of the two and has been for probably a dozen years or so. As well, there's information on the debt of the province at the back of the book.

In volume 2, which is a much smaller volume, we have financial statements that up to recently were not required to be tabled in the House. This includes agencies like the Archives Board, the crop reinsurance fund, regional colleges. For some reason those agencies didn't have to table directly in the House. And I think before you've got The Tabling of Documents Act, and among other things it is going to require that these agencies table their financial statements in the House. And you're going to get a new look with the new *Public Accounts* on these financial statements anyway. We're going to provide an awful lot more information to you at the direction of the Public Accounts Committee.

And finally, we have volume 3, which gets a lot of attention in this committee. And it provides the details of revenue and expenditure activity by department. At this point up to '89-90, we were reporting by department grants that were paid, grants that were \$2,000 or higher. If the department paid a supplier in excess of \$ 10,000, that was reported; and if salaries were in excess of \$20,000, we reported that as well.

Now we had a Public Accounts Committee meeting . . . I'm sorry, *in camera* sessions; I think there were three or four meetings in May or June. The committee made some interim recommendations. And I suppose I shouldn't speak about it till the information is public, but you will be getting a different looking *Public Accounts* based on those recommendations for the 1990-91 year, but we do have to deal with the *Public Accounts* in the form they are now. And that concludes my presentation.

Mr. Van Mulligen: — I'll just quickly ask one question. One thing that I find missing from the *Public Accounts* is its tax expenditures, or at least I can't find it.

Mr. Kraus: — We have a statement of remissions of taxes and fees at the back. Those are taxes that have been

forgiven — never remitted. But you say tax expenditures?

Mr. Van Mulligen: — The venture capital tax credit, livestock tax credit . . .

Mr. Kraus: — Those kind of things?

Mr. Van Mulligen: — Yes. What amount of revenue is the province foregoing because of people taking advantage of those programs?

Mr. Kraus: — Yes, we don't report that in the *Public Accounts*. I think, and I don't know if I can find it here, but I know in some of the budget documents you will find estimates of what those costs will be.

Mr. Van Mulligen: — Okay. But is that not also in the truest sense an expenditure that should be reported?

Mr. Kraus: — The reason we wouldn't have dealt with it is because it's never been been a cash . . . there's no cash flow associated with it. It's just a policy that has said you will not have to pay this tax, and we haven't reported it. And I suppose it might be an issue that the committee might want to consider. If they made recommendations to the government, perhaps they would consider it, doing it. Again there's no cash flow here, right? It's just a policy to forgive a tax.

Mr. Van Mulligen: — But I can find it in the *Estimates* at this point?

Mr. Kraus: — This budget speech isn't the same as . . . it wasn't put together the same as the others. But I think normally in the budget speech book it would be tabled at the back and you could find the estimate of what those tax expenditures would be by program. And I'm not sure whether I could refer you to a page, but I could sure find out and let you know on Tuesday where we've provided it for '91-92. Okay.

Mr. Chairman: — Thank you very much, Gerry. We obviously didn't get to Mr. Strelloff this morning. Is it the will of the committee that we convene again on Tuesday morning and continue on with this, and would Mr. Kraus be available also at that time? I think there's some things that he brought up today that you might wish to relate to some of the things that the auditor might. So 9 o'clock on Tuesday.

Mr. Van Mulligen: — Crown Corps is not meeting?

Mr. Chairman: — Crown Corps isn't meeting till Thursday. And as far as a Thursday meeting, maybe some of these issues that were raised at the beginning about being able to sit while the House is on, and that can be ironed out a little better by the respective caucuses.

Mr. Sonntag: — Would it be a good idea to bring this documentation back as well then?

Mr. Chairman: — I think so.

Ms. Haverstock: — Has there been an agreement that we'll be meeting in January, on the week of the 6th?

Mr. Chairman: — I think, Ms. Haverstock, yes, we can basically say now that we have to work it out with some of the officials.

Ms. Haverstock: — All right.

Mr. Chairman: — I was going to announce it on Tuesday.

Ms. Haverstock: — Sorry. Okay, I just wanted to apologize, not being able to be on the 10th.

Mr. Chairman: — No problem.

Mr. Van Mulligen: — Is it possible to ask for the next meeting that in addition to anything else that you may have planned to elaborate on, whether you might also give consideration to leading a discussion on reading and understanding the province's financial statements? That is to say volume 1, and to a minor extent volume 2. Reading and understanding annual reports of Crown corporations, agencies, boards, commissions, and departments.

Mr. Chairman: — Probably.

Mr. Kraus: — You would like to look through that on Tuesday?

Mr. Van Mulligen: — If possible, yes. And by that I mean for people to read them; what does the information mean.

The committee adjourned at 11:13 a.m.