

STANDING COMMITTEE ON PUBLIC ACCOUNTS
December 17, 1991

Mr. Chairman: — I see you're all here, ready to go. Now I'm here so we can get at it. I think Gerry has got a few things to say to us before we move over to Wayne, so Gerry, if you would please.

Mr. Kraus: — Again, Bob, I just see that I've lost part of my pointer here so I'm rendered ineffective here today. Anyway, I'm going to try and keep this presentation short but I've been asked to talk about how the government accounts . . . take you through the financial statements to some extent, and I'll try and do that.

But when I do that it's going to be very difficult to stay away from some of the accounting issues that face government and I think I have to address those as well. And I'll try to present them in an objective manner and try not to bring any personal bias to it because it's not my opinion that matters here. It's just . . . these are the government's financial statements, but I would like to give you as much background as I can on some of these issues.

And I would say that although it's coming from an accounting perspective, I think these issues are far more important perhaps than people realize, because ultimately how you account influences how you budget. And I think . . . so in turn it has an impact on public policy.

The accounting objectives of the government are as shown here, and basically they're to provide an accounting of the financial resources appropriated by the legislature. They are to provide a measure of the net debt, which I'm going to talk about in detail later. And by the way, I do have the overheads and some material that I can hand out to you. But it's never been intended that the main financial statements provide full accounting for all of the entities for which the government is responsible. That has not been the intention, at least up to date.

The current reporting practices were established way back in 1957, and there's a booklet here called Changes in the Form of the Public Accounts, and it lays out or outlines the objectives that were established then. It was based on the federal model that existed at the time. I think in the '60s Ontario visited Saskatchewan and picked up our model, and I think they still use it to a great extent today. So this thing has been successful.

However it's fair to say that back in 1957 the government had a lot fewer agencies than it does today. It had a liquor board, it had some of the major Crown corporations, but it didn't have as many agencies as it does today. And I suppose that's partly why there are pressures being put on the governments to change their accounting and perhaps even their budgeting model, because there are so many entities now.

Anyway in 1957, as you'll see, we had a Consolidated Fund but we also had a Liquor Board, the SPC (Saskatchewan Power Corporation), and so on, the Crown corporations, but it probably wasn't as difficult to get a handle on where the government was.

In '78 we first saw something called the combined fund. And at that point in time the auditor, back in the

middle-'70s — I wasn't the comptroller then — but the auditor's office was pushing to bring some of these funds together into one statement. And so there was the Consolidated Fund — I think this was the forerunner of the Heritage Fund — the energy resource development fund, and a couple of other funds were rolled together into something called the combined fund.

In '79 they created the new Heritage Fund, or about '79 or '78, and it was added to the combined fund with those others. But over a few years these things disappeared, and the combined fund has essentially been now for quite some time the Heritage Fund and the Consolidated Fund.

But we prepare financial statements for quite a few different entities. And as you'll see at the bottom, we do not prepare a summary financial statement. We prepare a statement for again the Consolidated Fund, the Heritage Fund, and a combination of the two. We prepare financial statements for individual purpose funds. The environmental protection fund, it has moneys going into it from these aluminum cans and moneys are spent on environmental projects. That is not part and parcel of this.

We have Treasury Board Crowns and many of them . . . a major one is the Saskatchewan Property Management Corporation. We have individual Crown Management Board Crowns, the ones that operate under the umbrella of Crown Management Board — that's SEDCO (Saskatchewan Economic Development Corporation), again SPC, SaskTel, SaskEnergy, etc. And they take all of those Crowns and they roll them up into one Crown consolidated financial statements. So you do have two major pieces, the consolidation of the CMB (Crown Management Board) Crowns and the consolidation, if you will, of these two here.

But there's a host of others and there's no where do they come together. And I want to show you . . . this is something that was prepared some time ago. This is a drawing that we got from a document that came from the federal government, and so that the different bags of money don't coincide with ours. But if you remember the other day, we talked about all the moneys going into a Consolidated Fund; well there are many other pots of money obviously, and the concern is this end to the issue. You can see that way up there . . . is that perhaps government should be trying to account for everything in one summary financial statement.

If there're any questions, please ask. I am going to go through the financial statements a little bit as well.

Now we talked about the net debt concept. What does that mean? Here's where we get into terminology that can confuse everybody. The net debt concept is another word for accumulated deficit. And we're moving to that term for what . . . maybe we think that that term is making it easier to understand the net debt. But it is a general accepted measurement of the government's financial position and it's very simple to understand. It's simply the liability is less than the assets except that realizable assets mean something, and I'll talk about that a little bit later.

Assets for government are different than assets for

commercial enterprises and so this is key. But this net debt does provide a measure of the future revenue required to pay the accumulated deficits, plus your ordinary operating expenses, capital expenses on a year by year basis. Or if you happen to be lucky enough to have a surplus, it will provide assets to be used to pay off future operations.

Now I just want to point out here again that in government when it comes to assets and liabilities, liabilities are the usual sorts of things. They're loans. They're debentures. We don't have accounts payable and accounts receivables like you do in the commercial sector, but a liability is a liability.

But assets are different. They're only supposed to be . . . the liquid assets are those that can be converted to cash or loans that earn a return. And so on our Consolidated Fund's statements and our Heritage Fund's statements or . . . it's only assets of this nature that should be on our books, not capital assets. I'd asked you to . . .

Mr. Chairman: — Gerry, who sets the value on those things?

Mr. Kraus: — The policy is that first of course there'd be a cost, the amount that you lent, whatever you did lend to the agency or whatever. And then we'll only write those down if say for example we made a loan to a Crown corporation if the Crown corporation has a permanent impairment. If they have a deficit that appears to be one that isn't going to go away and the government isn't going to fund that deficit, then on that basis we write them down.

Mr. Chairman: — Because that's always a big issue is the shares of a particular entity where a permanent impairment occurs.

Mr. Kraus: — Yes.

Mr. Chairman: — You know it's been a big argument through government for 25, 30 years now as to what the original value and how that value came about and where you reach permanent impairment on it. I suggest more than maybe you, as an individual, or somebody else can make that judgement. That's an area of government that needs to be sort of firmed up a little bit.

Mr. Kraus: — Yes, there's more of that too under that Crown Management Board umbrella. And you're right, it's because you've got to look at the viability of the agency or the corporation and take into account what is the state of the economy, what's the likelihood of the markets developing or not developing, that kind of thing. I agree. It's a difficult thing to deal with. Do you want to make any comments, Wayne?

Mr. Strelloff: — Well my comment would relate to the other side, is that a lot of our investments are worth more than they're recorded. For example, our investment in SaskPower is usually just recorded at cost. Well SaskPower has made money over the years and there's an equity pick-up that hasn't been reflected. So it goes both ways.

Mr. Kraus: — I'm going to take you through the financial statements here and back to accounting principles. I'm going to bounce back and forth. I'd like you to look — if you have it in front of you — in volume 1, page 2. It's a statement of financial position. Just to illustrate what I was talking about.

As you can see, to arrive at our accumulated deficit you don't have to do much more than take the assets, which were page 2 of volume 1, right at the beginning. It's the little book. I'll stay in this book for a few minutes.

The assets, the total assets — now we're dealing here with March 31, 1990 — but the total assets at that time were 8.576 billion; the liabilities were 11.892 billion; for an accumulated deficit, as I'm showing here, of 3.316 billion. We've been calling that, and that debt . . . we are going to use the term accumulated deficit in the future.

At the bottom I've shown that . . . what I'm trying to indicate on this overhead is that in government lingo, net debt or accumulated deficit is the same as deficit in private sectors. So if a Sask Power Corporation had a deficit, it was in the hole, they would call it deficit. Up to this point we would have called it net debt. If we had had a surplus, we would have called it net assets. And I think we did have net assets back in the late '70s, very, very early '80s — about 1980.

But on corporations' financial statements you'll see the term retained earnings. When you have a surplus position, they call it retained earnings. That's about the only thing that's different between us and the corporations and the fact that we don't capitalize and depreciate. There are other differences, but those are the main differences.

Mr. Chairman: — But you do depreciate assets, don't you though?

Mr. Kraus: — Now these are the financial statements.

Mr. Chairman: — Because the Crown will depreciate assets before you ever get the number.

Mr. Kraus: — You mean before we get a dividend. In that sense yes, but we only deal with things on a cash basis. But we do have assets as well, some equipment in any event, that would be some of the . . . I suppose Parks and Highways and places like that would have some assets, and we do not depreciate any of those. We just expense them.

And I'm going to get into that issue, so maybe if we get some questions that would be helpful.

What is the statement of net debt? Well it's really your retained earnings or your equity section. And it's on page 3 of that book. And it simply starts with the opening deficit. In this case it was 2.885 billion. The annual deficit for the year was 378; that's added on. We have some sinking fund earnings; there are sinking funds that are established to help retire debt. We don't take those earnings through the budgetary column at all. They're separate. They're added straight into the accumulated position.

And then we have something called loan valuation adjustments and that also is subtracted and there's a closing deficit again. Now I want to talk about this because this is one of the issues you're going to be having to deal with in the near future. That's why I'm identifying these, and the auditor has been raising concerns about this, and he's going to raise them I believe a little more firmly as time goes along. I shouldn't speak for you, Wayne.

But, for example, these represent loans that we've had to write down. It varies from year to year, but in this year we had some student aid loans that we wrote down to about 20 million, the bulk of this 20 million there. And advances we've made to the Saskatchewan agriculture return stabilization fund for about \$32 million. And we had to write those off.

Now what the accounting profession is saying, and what the auditors are recommending governments abide by, is that this \$54 million not be added to the accumulated picture but that it be included in the annual deficit calculation. If you run a business, if you're SPC, if you're SEDCO, if you have bad loans, you have to have a bad debt expense. That's added to your annual operating expenses and that's what they're recommending. So that would affect the annual deficit.

Statement of revenue and expenditure which is on pages 4 and 5 is pretty straightforward. It's like an income statement of any organization really in some respects except the way we classify expenditures is altogether different. We don't show wages and administrative costs like paper, pencils, and what have you. If you want to find out that type of detail you have to look in this volume 3. At this point in time anyway we report our expenditures by department and the revenues by source. But the long and the short of it is that our total revenues were 4.1 billion, expenditures were 4.5 and our deficit again is \$378 million.

The statement of loan, investment, and deposit activity is shown on page 6. And I'm not going to give you any numbers on this other than to say that this is a statement that is going to disappear. We're going to treat it as a schedule. We felt it just cluttered up the financial statements. You'll get this type of information, but in a schedule form, in the 1991 *Public Accounts*.

This simply summarizes the transactions that affect the government's assets and liabilities, and it shows how the money flows back and forth between ourselves, our main funds, and the Crown corporations. These transactions do not affect the government's budgetary deficit. They do affect though the amount of cash they're going to need. And if you look down at the bottom of the page, the bottom of that statement, you'll see that for 1990 we needed \$397,974 million as a result of those transactions.

And that leads us to the next statement on page 7 which is an important statement because it shows you the statement of financing and changes in financial position. It reports the government's cash flows and it also shows the financing requirements. I've reordered it here on this overhead. What it shows you is that is from . . . your

annual deficit of your operations have required \$378 million. Those non-budgetary cash requirements which I just mentioned require another \$398 million. So your total cash required is \$776 million.

Now they went out and they borrowed — actually according to this report — they borrowed \$2,388 billion, but they paid back \$947 million worth of old debt, so they ended up with a . . . financing \$1.440 billion. So then to reconcile the cash and short-term investments this year, we showed that we had an opening cash and short-term investment position of \$392 million; our cash requirements as above, both budgetary and non-budgetary, \$776 million; the cash they acquired from financing was 1.440. So the closing cash and short-term investment balance was then \$1,056 billion.

Mr. Strelieff: — Gerry, why would there be so much cash on hand at the end of the year?

Mr. Kraus: — I can't speak as well to that as the people from investment and debt, but they will get money to some extent when they think the markets are favourable. Sometimes they fall behind, and they will probably be carrying more short-term moneys than they want, for example, borrowing on a short-term market. But if they find a situation where it's favourable, they will borrow in advance and anticipation of what they're going to need next year, just because the rates are better.

Mr. Chairman: — Gerry, you're counting on the ratio between long- and short-term debt that your various Crowns are carrying. And as the government attempts to bring those back into balance they then go into the market-place, if it looks favourable, to try and pick up some short-term cash at a lower rate to take some of the long-term debt from a Crown down. Like I know with SEDCO, if you're trying to keep a ratio there of long and short . . .

Mr. Kraus: — Short, yes.

Mr. Chairman: — So you go into the market-place and try and pick something up.

Mr. Kraus: — They're constantly juggling a decent . . . (inaudible) . . . for their various clients, if we can call these Crown corporations their client groups, because they have to borrow for them as well as for ourselves.

Mr. Strelieff: — On page 2 you can see that the billion dollars is made up of cash of 400 million in short-term loans to Crown entities.

Mr. Kraus: — Yes.

Mr. Strelieff: — So they are moving that money out to finance the Crown corps.

Mr. Kraus: — Some of the accounting policies then — and these can be a bit controversial, I guess — I think they're important. Fixed assets, now as far as our main principal funds go, we don't capitalize fixed assets. They're expensed in the year of acquisition. And the argument is then is that while commercial enterprises may capitalize and depreciate, government's fixed assets

essentially provided a public service and earning a return is secondary. And therefore it is not a realizeable asset. If you remember that term I was using, it's not a realizeable asset and shouldn't be deducted from your liabilities to determine whether or not you have a deficit.

Now governments have modified this policy to some extent. And as you know, the creation of SPMC (Saskatchewan Property Management Corporation) was done for a couple of reasons. One would have been so that they could charge the users for the space. Another was — and the government was clear on this point — that they wanted to spread the cost of capital assets over time, over their useful life. This happens from time to time across Canada or at least in certain jurisdictions; we aren't unique in that.

But the auditor has raised a concern about it. He has said, how you have done that is that you have provided a loan to SPMC and it's around 5 or 6 . . . by now it's probably closer to \$700 million. And they in turn have used those moneys and lent them for capital projects to the universities or to the hospitals.

In order for those universities and hospitals to be able to pay those, their source of money to repay SPMC is an annual capital grant from the government from the Consolidated Fund. So if you were to look in the *Estimates* for Health and Education where the two largest ones are, you'd find probably the *Estimates* that were introduced in the spring were carrying something in the neighbourhood of \$70 million worth of capital grants. The cash doesn't flow exactly this way but in principle this is what happens.

The Consolidated Fund then pays the institutions, the universities or the colleges . . . or hospitals, who in turn then pay their loan back to SPMC. This is done on an annual instalment basis for quite a few years. And then SPMC in turn pays us back.

And so the argument the auditor is making is that you shouldn't be carrying a loan on your books when your source of repayment is yourself. And he's qualified . . . I think the financial statements have been qualified for quite a few years in that regard. And of course the numbers are shown on I guess page 1 of this small volume in the auditor's report.

Is this unique? Well not necessarily. As I say, the principle is that the capital expenditure should be expensed in the year, but it does vary. And in Ontario they wanted to expand their post-secondary educational facilities and they spent several billions — 2 or 3 billions on that. And they didn't set up an SPMC but they set up something — we'll call it a finance commission — and achieved the same end.

They gave money to the financing commission, the financing commission gave money to these institutions, and the . . . (inaudible) . . . buildings were built. And then there were capital grants made on an annual basis.

Well eventually the government realized that these annual capital grants were higher than the capital spending they otherwise would be making. So they

cancelled that, saved themselves some budgetary expenditure if you will, and they wrote that — I think it was around 2 to \$3 billion — off and added it straight to the accumulated deficit. Now what they did there of course was that they never did record 2 or \$3 billion worth of expenditures as budgetary expenditures. But the interesting thing is, is that we know now that the Government of Ontario, I believe some of their officials from treasury . . . or treasury and economics or some such place — they don't have the same organization as we do — but I think they've been visiting SPMC because I know in part they are interested perhaps in capitalizing again and going through that same route. Just some background on this issue.

And there are a couple of other jurisdictions that have things that aren't dissimilar. But the whole issue becomes, should the government expense its assets as it goes or should it spread the cost out. And that's an issue facing government and you should be aware of that.

Do you have any comments you'd want to make on that?

Mr. Strelieff: — You explained it quite well. Our issue is that if you have a loan on your statement of financial position and you have to give the organization money to pay it back, well it shouldn't be there.

Now if you want to record capital assets, well that's a different issue. Then you start doing it. But don't call a loan a capital asset and mix it all up.

Mr. Chairman: — Gerry, I think you're talking about the Consolidated Fund here. You're not talking about the Crowns?

Mr. Kraus: — I'm talking about the . . . Yes, what I'm talking about is the Consolidated Fund and its assets. And the question is: should SPMC's assets be the same as the government proper?

If you adopted this summary financial statement concept, Crown corporations like SPC and SaskTel are still going to depreciate their assets and you're going to account for them in a certain way. It's different; it's a commercial way, if I can use those terms.

But where you see summary financial statements, they will take an agency like SPMC that is pretty well wholly dependent on Consolidated Fund moneys and add it back to the Consolidated Fund. And when they do that, they have to treat the fixed assets they way our funds treat the fixed assets and they write them down to the dollar. And that makes a big difference.

Mr. Van Mulligen: — Maybe just to point out that by way of contrast, that municipalities have two budgeting processes. One is an ongoing operating budget and the other is a capital budget. And they do that to ensure that the cost of capital assets such as a major roadway construction or a bridge is not all expensed in one year of operation. The cost of that is spread out over a number of years on the operating side so as to be able to stabilize the operating budget . . .

A Member: — Mill rate.

Mr. Van Mulligen: — Yes, the operating mill rate over the years, whereas the province has traditionally done that differently.

Mr. Kraus: — The deputy ministers that I've had, and I've had quite a few over the years, had told me that I should think of capital assets, like in government . . . should equate it to groceries in your own household budget. And that may be stretching it a bit, but he was just saying there's such a demand for capital spending in government that the amount can be basically the same every year just like your grocery bill. The only thing that keeps the amount down is the amount of money the government has available in a given year. But it's probably always going to be 100, 150, 200, whatever — at least in Saskatchewan.

I want to go through this one. I'm sorry I'm taking time here but . . . The major differences . . . well some more differences between commercial accounting and government accounting, another biggie really — cash versus accrual. The government did its off cash because the legislature appropriates what it actually expects to receive and pay out. That was the way it was . . . that's why it was created that way.

But you know under accrual accounting, transactions are recorded when they occur, regardless of when the cash flows out. Now in Saskatchewan right now we're using something called modified cash, and all that means is we leave the books open 30 days to try and get everything that we can into the proper year.

But I think the one issue here that I should talk about that's the big issue, and I noticed . . . I read the *Globe* before I came to work this morning, or at least parts of it, and I see that Fred Jackson, the auditor . . . Provincial Auditor for Manitoba, has qualified their financial statements because they're not booking their pension liabilities . . . funded liabilities, rather. And I'm seeing this is spreading around across Canada. I don't know that we've . . . we haven't had that here yet.

But the point is, is that the accounting profession has said — and the auditors are supporting this — that the government should be accounting for their pensions not unlike the private sector. Even if you don't fund some of these pension plans, you are incurring the cost each and every year, even though you may not have to pay the cash out for another 10 or 15 years. But you're paying cash now, but the liability will become quite severe, and the cash requirements perhaps in 15 years . . . 12, 13, 14, 15 years.

They're saying, as those employees are working, they are earning benefits and you should be accounting for that cost of doing business. And what that means in Saskatchewan is that the liability, unfunded liability, as reported on page 13 of the financial statements volume is 2.4 billion. Now that number is stale dated already obviously, because the public service superannuation plan, the actuarial review was done March '88; the teachers' was done in June '89. So those numbers are stale and you can be sure they've gone up.

So what they're recommending is that the government book that, add it to its debts right on the balance sheet, and then account for the increase each year. And that's really the hard part to come to grips with, because this thing is growing probably at about closer to \$250 million a year. And if you have to add that to your budgetary expenditures, that means your deficit has gone up by that much.

I'll give you another example. I think it's important to understand that these aren't unique to us. I mean I mentioned that most of the other provinces are in the same situation, if not all of them.

But here's another report from *The Globe and Mail* on Tuesday, November 12, and the auto stocks plunged that day. And you're probably aware that corporations in the States, at least some of them, are providing health care to their employees, picking up their health care.

Well another promise some of the bigger corporations have made is that they will pay for you when you've retired; they'll continue to cover you. Well they were not recognizing those costs. It's like our pension plan. They're going to deal with it when the people have retired.

But new accounting regulations came into play. And so the big three automotive companies are going to have to book \$39 billion. General Motors alone is looking at a 16 to \$24 billion charge. And as they said, it's not going to affect their current cash flows but it's sure going to hammer the bottom line.

So these things are all related and there's nothing here in Saskatchewan that isn't happening somewhere else and isn't also happening in the private sector to some extent.

Mr. Chairman: — It would be fair to say, wouldn't it, Gerry, that the creation of a modern Canada Pension Plan . . . I mean, pension plans have . . . (inaudible) . . . government's thirst for money for a long time — the inflationary times in the late '60s and in most of the '70s. A lot of that was the unfunded liability of the pension plan because . . .

Mr. Kraus: — The same in the federal . . . the U.S. Their deficit now is way up to 360. I started making these presentations some years ago. We were talking maybe 150, 140 and I was able to say that the deficit would be 60, 70, \$80 billion higher. Well it's still the case. Their social security contributions from that large baby boom group exceed the cash outflow requirements by about 60 billion, so their deficit would be over 400 billion except for the fact they're able to use that.

And I was going to actually . . . I'm glad you raised it. I was going to give you an article here that was written as an editorial in the *Benefits Canada* magazine but I just didn't think it was appropriate maybe for me to circulate it. But the basis of it is it's a new eastern country that's being created and they're starved for cash and they're wondering how they're going to build their roads and bridges. And one of the ministers raises the point, well why don't you create a Canadian pension plan? And the Premier can't understand how you could do this. But he

says, well what you do is you promise them a pension in the future — 25, 30 years out — 60 per cent of their wages. You take a deduction from them and therefore you don't have to pay them as much money. You promise you'll match it but you don't. And I mean that's . . . all of these schemes are basically the same.

Mr. Chairman: — I read an interesting article on the . . . when they were developing the Canada Pension Plan and they brought it personally from the Rockefeller trust which had been set up in the early 1900s to manage Rockefeller moneys. And they had offered the Canadian government at that time a similar situation that would be perpetually self-funding on a fee basis, and the federal government they said, no we can't. We'd be paying a large American trust, you know, a fee to manage our moneys; we're going to do it the way we're doing it. But in retrospect the Rockefellers have still got lots of money and we have a large unfunded liability.

Mr. Strelieff: — The Canada Pension Plan has a liability of about 320 or \$330 billion. That's a present value of the cash flows that are owed today. So it doesn't reflect the future growth of it or future contributions. And there's about \$40 billion of that that actually was contributed. And then that \$40 billion is administered by the federal government and loaned out to the provinces in proportion to how much they contribute each year. So they can borrow back from the CPP (Canada Pension Plan) as much as they've contributed.

So the \$40 billion has financed a lot of provincial deficits, as Gerry and Rick have said. And it isn't reflected anywhere, by the way. It really isn't even discussed anywhere.

Mr. Wendel: — It really is a liability. Part of it's a liability of this province.

Mr. Strelieff: — Well that's right. The one that we're talking about here on the \$2.4 billion relates solely to employees of the government — teachers and civil servants. And that again is a present value of the cash flows as of whatever the dates of the valuations are. So it again doesn't reflect future growth.

And accountants pretty well view those pension liabilities as just a borrowing. You're borrowing from your employees; you're borrowing from the market. It's the same kind of thing. And that's why it should be recorded, because we have to pay it.

Mr. Kraus: — The part I guess that concerns you is that even if the economy recovers here and we get decent prices for our grain, you wonder how we'll manage the cash flow requirements. Because if you see some of these projections that . . . out about 2007 or 8, it starts to go very sharply up, and it's all ready going up. I think it's high enough now. But it really starts to take off and probably lasts as long as that baby boom group lives. I mean I think it lasts 15 or 20 years and then finally it starts to taper off as on average as they start to no longer need their pension.

Mr. Strelieff: — There's another pension plan scheme that the government introduced in the late '70s, called a money purchase plan. So the 2.4 billion relates to the old

plans. When they introduced the new plan they decided to fund it. So money purchase, the employees — me — pays 5 per cent, the government matches 5 per cent, and then puts it aside in a specific fund. And it's being managed by the Investment Corporation of Saskatchewan, invested all over the place across Canada.

In total, in terms of what the government is responsible for, they have about a \$5 billion pension liability that's out there. They have about \$2 billion of moneys set aside and about \$3 billion — or 2.4 or whatever it is now — of unfunded and unrecorded liabilities that really are just part of the debt of the province.

Mr. Kraus: — It was good news and bad news when they created that new pension plan. The good news was that people in the new plan and those who transferred over were going to have their contributions matched and there was money set aside, and then there's no future liability.

But the problem with the old plan is then, is that the number of contributors is slowly but surely dropping away. There's still close to 4,000 people in that old civil service plan. But of course as they retire the number of contributors just goes down to zero. So ultimately you have to pay the liability off. Whereas when you have a scheme that continues on indefinitely there's always somebody there making contributions. But still I think the money purchase plan was a good idea.

I quickly just want to say then that the main funds account for transactions without Crown entities as cash flows back and forth. And there's a couple I just want to spend a few minutes on. Obviously when we borrow money on behalf of the Crowns that goes through our accounts to them. That's pretty clear.

How do we account for the eight other agencies' operations? Well even though we don't have a fully consolidated financial statement, SPMC is dependent on us for their revenues. So as we pay our rental expenses, our office space expenses, whatever, virtually all of their revenue comes from us so all of their operations . . . or most of their operations are already reflected in our main accounts.

The same with hospitals. We probably provide them with 95 per cent of the funding. Whether we do a consolidation or not is somewhat immaterial. And universities get about 85 per cent.

But I want to just show you the dividend thing. Just simply so that you understand that the policy has been of course that we only account for revenues as we receive them. And if you look on page 4 again, statement of revenue, just down a piece there's an area called receipts from government enterprises and other funds.

And if you look at the line that says Liquor Board, you can see that in 1989 we received 194 million in cash dividends, and in 1990, 135 million in cash dividends. The Liquor Board has always been used as a mechanism of trying to balance the budgetary deficit or surplus of the province as far back as anybody could remember.

And I think the average net take there is about 120

million. So you can see there was some additional moneys there that were finally being picked up. But as I say, this goes back for 30, 40 years at least. And then again with the CIC, Crown Investments Corporation, dividends are not always taken from the Crown corporation. Some years they are and some years they're not, but we account for them on a cash basis as we receive them.

We do not take into account that at SaskPower and at SaskTel and some of those Crown corporations may be making 3, \$400 million a year. And it's left there. There's nowhere in these financial statements do we account for that buildup in equity. It's only as we take the dividend. And I think that's perhaps where I'll finish.

Mr. Chairman: — We'll just take five or ten minutes here while Wayne gets his stuff ready to roll, and have a cup of coffee, go to the washroom, whatever.

The committee recessed for a short period of time.

Mr. Chairman: — Go ahead, Wayne.

Mr. Strelloff: — Thank you, Rick. First I haven't taken the opportunity just to congratulate you all on your re-elections or elections. You certainly have an immense challenge and I wish you all the best.

The Public Accounts Committee is an important forum that you have now to scrutinize, to ask questions on financial transactions of every government organization. So you can bring people to the table and ask them about a specific transaction or about something that our office brings to your attention and find out the reason behind it. So it is an important opportunity and it certainly provides a good forum to get a perspective on what's happening right across the government.

Our office views this committee as our audit committee. So in a corporate sense there's an audit committee usually made up of a board of directors or something. Well this is our audit committee that we work with, we support, we advise. And certainly as we move through issues over the next months, if you have questions about any particular issue or want to know sort of the audit perspective or the Provincial Auditor perspective, please give us a call at our offices. We're certainly willing to discuss issues with you.

I've handed out a couple of things. One is just a short outline on the presentation that I'm making and some documents on how to improve accounting as Gerry was talking about, the summary of financial statements of the province not having a set. That's a very serious concern that our office has and we're arguing strongly for a better accounting. The bench-mark that we're arguing for is the recommendations of the Canadian Institute of Chartered Accountants as being how to account for government finances. And the two red books just give you some background information on that organization.

So as we know, the executive government is responsible to the Legislative Assembly for the management of the public's finances and resources, and our office's role is to help hold the executive government accountable. And we focus primarily on three things: we examine

financial reports, we examine compliance with legislative authorities, and management controls. We then report annually to the Legislative Assembly. It's a public report on the results of our examinations.

We also encourage public awareness to the extent that we can, or to the extent that we're able — public awareness of public accountability and financial management issues and training people, train students to become professional accountants. We examine more than about 190 organizations each year. So there's about 190 different kinds of organizations that form government as a whole, and in some way during the year, we're in there. We, as being an office of about 60 people, 35 are professional accountants — chartered accountants, certified management accountants — and 20 are students, students meaning university graduates, usually from the University of Regina with a B.A. (Bachelor of Arts) in administration, or the University of Saskatchewan at Saskatoon with a B. Comm. (Bachelor of Commerce) in accounting. So we have 35 professional accountants, 20 students, and five administrative people.

We're particularly proud of our student training effort. Just a couple weeks ago five of our students passed their CA exams, their chartered accountancy exams, so now they're going to be chartered accountants. And every year we . . . last year I think it was six, and the year before it was four; it usually fluctuates between five and ten. So if we have 20 students in the office, and a third every year are eligible for obtaining their chartered accountancy or their certified management accounting designation or, in some cases, both . . . I know there's one student in our office that got both designations within a month. He was, needless to say, quite pleased with himself. And certainly our office was quite pleased with that result.

And people come through our office and then go out. And there's a lot of people in the various departments and corporations and public accounting firms and elsewhere across Canada that somehow have a link and a starting point with our office, which is always nice to see as you send out notices or mails to the alumni and you find out where they are. Particularly when they're placed in various departments and Crown corporations, it provides us a friendly voice or a perspective in there that really helps build a network and helps us do our job.

So we have a staff of about 60 — 35 are professional accountants, 20 students working for their professional accounting designation, and 5 very capable administrative people.

We're also currently working with the office to the Auditor General of Canada, and to a lesser extent with the same office in B.C. (British Columbia) and Alberta, to work on our audit methodology, to build bridges and develop common approaches to issues so that we don't have to reinvent the wheel in every one of our jurisdictions.

And those three places for our office are quite friendly for us and also they work on issues that are very similar to what we do. So we're establishing stronger links as the days go by, as the months go on, and it certainly is helping our office move ahead.

In general what we do is called comprehensive auditing. And in comprehensive auditing there are three questions that are examined, that we do. The first thing, we answer the question: are the financial reports prepared by the government; can you rely on those financial reports; are they credible? And if they are, we tell you so; and if we think they're not reliable, we tell you that. And again we do that for each of the government organizations that we look at. So perhaps up to 190 different sets of financial statements flow through our office, flow through my office in a year — it seems like in a month sometimes.

The second question is that we answer the question, has the government complied with the main legislative authorities that govern its activities? So that we call that compliance auditing.

And the third one is, we look at how well management is controlling its activities.

Now for the financial reports, examples in our annual report, the one that's before you now where we're assessing whether you can rely on the financial statements that are issued by the province or by the government. In chapter 1 we note problems with the main financial statements of the province, the ones that Gerry was putting up on the overhead saying that well we have a problem with the SPMC loan for a start.

And we also identified problems that we're going to address or going to focus on in the future. For example, the way we record our investments in Crown corporations; the way we sort of bring together all the activities that a government has; primarily all the forms of organization that a government uses to carry on its activities. We think that there needs to be a summary of it all so that you have a starting point for understanding how government works.

From the summary you can then go into the more detail. And the summary has to include, in our minds and in the minds of the profession across Canada, all the organizations that a government owns and controls. So it's not only . . . The current financial statements focus on the activities of the combined fund, primarily the departments.

There's also the activities of Sask Power Corporation, Sask Property Management, SEDCO, STC (Saskatchewan Transportation Company), hospitals, regional care centres, agencies, beef boards, and all sorts of organizations that we think need to be brought in for you and the public to understand in a general sense what's going on. And that issue was flagged in chapter 1, and I think you'll probably hear a little bit more about it as soon as the more recent *Public Accounts* are tabled.

We also identify in chapter 10 that we have a problem with the financial statements of the Crown Investments Corporation. Another worry of ours. The Crown Investments Corporation, as Gerry mentioned, prepares a set of financial statements that aggregates the activities of SaskPower, SaskTel, SGI (Saskatchewan Government Insurance), and the activities that are carried out through CIC — more specifically, the investments in NewGrade

Energy, the Saskferco stuff, the CICIH's (Crown Investments Corporation Industrial Interests Inc.), the Sask Diversification Corporation, the Sask transit corporations.

And that more specific responsibility is not, in our view, accounted for in a clear way. You don't get a clear set of financial statements that shows what CIC is responsible for. What you get is a set of financial statements that aggregates a whole bunch of things together. So you can't sort of go down the one line and find out what's happening there.

And we've raised that concern in chapter 10. And we've also raised concerns on Sask Property Management Corporation's financial statements and also Sask Power Corporation's financial statements. So that's our first responsibility.

Can you rely on the financial reports issued by government? Yes.

Ms. Haverstock: — You're saying that you get — this may sound like a very simplistic question — but you're talking about the difficulties that you have with, for example, being able to get as much information as is really necessary to look at something like CIC (Crown Investments Corporation of Saskatchewan), and you're saying government gives you this.

Who is it then that decides within government how it is you're going to get this information? Just take CIC as an example. And I'm wondering, from whom do you get this? Who ultimately makes the decision in each and every place as to how the accounting is going to take place and the method by which it's going to take place and then you get it?

Mr. Strelieff: — My main concern is the information you get. So when you said, you get, do you mean me as an office or me in a general . . . the public sense?

Ms. Haverstock: — No, you. Because somehow, what I'm wondering about is why isn't there a consistency across everything so that the information that you receive as the Provincial Auditor has some rhyme or reason to it, so that there's no inconsistency. So that what you would get from any particular place, whether it be a Crown corporation, or like CIC as the example, why is it you would get something where you're saying it's difficult for you as the Provincial Auditor and you have some concerns with it?

Mr. Strelieff: — Well right now I'm focusing in on my concern that the executive government does not provide the Legislative Assembly as a whole with the information you need and the public needs to hold the executive government accountable. Now who decides what information goes to the Legislative Assembly . . .

Ms. Haverstock: — That's right.

Mr. Strelieff: — Well in the ultimate sense the Legislative Assembly itself has that responsibility to decide. The more specific policies are usually worked out by the government itself. So the government itself will decide

that maybe by regulation or by order in council that here's the financial report that we shall provide to the Legislative Assembly.

Ms. Haverstock: — Okay that's, you see, where I'm confused. How can the Legislative Assembly make this decision if in fact it's usurped by the decision being made somewhere else?

Mr. Johnson: — The first paragraph of chapter 10 explains one of the examples: "The Crown Corporations Act, 1978 requires . . ." and then goes on to say what it requires. That's how the Legislative Assembly meets those things. As it passes an Act, each time it passes an Act, it says what happens.

Mr. Wendel: — The report also points out a problem where the Legislative Assembly hasn't spoken yet as to what the requirements are for bringing forward information to the Assembly. And that's corporations that are created under a Business Corporations Act, and there is a void there and we bring that to your attention to study. And that should be addressed at some time.

Places like, say, Sask Energy Corporation is one that comes to mind. The Legislative Assembly doesn't have a link to the Sask Energy Corporation. They don't have to bring forward a financial statement and table it directly.

Ms. Haverstock: — You see I guess what's confusing me is it seems as though there's a . . . information that comes forward where there seems to be this gap. And I'm just wondering why after . . . obviously this is not something that is new. So I'm wondering what it is that needs to be done in order to change this so there isn't this problem that seems to be.

Mr. Strelieff: — Well as the example that Fred used was that the corporations . . . organizations incorporated under the Canada Business Corporation Act don't have a legislative requirement to bring their reports to the Legislative Assembly. Now we'll point that out, saying, we think you need it. Now it's up to the Legislative Assembly as a whole to make sure that . . . to pass the legislation that requires those corporations and all corporations to provide an accounting to the Legislative Assembly.

We take the position that all organizations should be directly accountable to the Legislative Assembly and should provide the same kind of information as a department. The department in volume 3 has to provide a fair amount of detail on what they've done.

Well from what we can see is we don't . . . we can't see any reason why any government organization shouldn't provide the same level of detail and present it annually to the Legislative Assembly so you can question, scrutinize, understand, assess, debate. But now it's really difficult to do that.

Ms. Haverstock: — Okay, thank you.

Mr. Kraus: — As far as the *Public Accounts* document goes, Treasury Board has the power to prescribe the form of content of the *Public Accounts* and the estimates of

revenue expenditures, and that's in The Financial Administration Act. But that doesn't necessarily address that broader Crown corporations sector by any means. Although if they wanted to, I suppose they could.

Mr. Strelieff: — Sure. Treasury Board does have the responsibility for it at all in the legislation.

Mr. Kraus: — Yes. And the reason, how we change the *Public Accounts* — we haven't seen them yet — was that there was a review, as I mentioned the other day, here in June, May or June, by the Public Accounts Committee. They made recommendations and then the chairman of Public Accounts . . . I'm sorry, the chairman of Treasury Board agreed to the changes. So I mean changes can be made that way.

Mr. Strelieff: — So we do . . . the first part of our examination is looking at the reliability of financial reports. And I gave a couple of examples of our concerns. The second one was: can you rely . . . or has the government complied with the main legislative authorities that governs its activities. And in the report we'll give you examples of where we looked at organizations and identified the key legislative authorities that govern the specific organization's activities and then identified some problems; for example, the beef board investing in futures, beef futures. Well it doesn't really have the authority to do that, so why is it doing that? So we'll raise that to your attention. You can call your people in from the beef board and ask them about it.

Or we have questions on whether SaskPower has the authority to sell the natural gas business to SaskEnergy. Well we think that there's some questions, so we raise that to your attention and you have the ability to bring in the necessary officials and ask them what's happening.

On the third item, in terms of assessing whether government has safeguarded assets and established good management controls, we also examine that issue for each organization and report to you. We'll report things like when we find out that financial statements aren't prepared by the organization or aren't tabled right. I think the pension funds for quite a few years never really got their financial statements prepared until a year or two years or maybe three years in some cases, I think, after their year end. And so we'll bring that to your attention and hopefully move it along.

And when we do bring things to your attention, in most of these cases you people have a significant impact. They do fix it in most cases. There'll be some general, government-wide issues that are very difficult to move along. But usually on the departments and some of the Crown agencies that are brought in, when there's an issue identified and we've had a chance to question it, then they usually will have it fixed before they walked in or have a way of fixing it or have a good reason why they don't think it's relevant. And then that's up for debate, and away you go. But you do have a significant impact on making changes happen.

We'll also give you examples of loss of public money or something. For example, the venture tax credit program

in chapter 13, or our ability to do our job as a Provincial Auditor.

For example, we've had problems getting access to the audit reports of Sask transportation corporation. For a lot of them, we just had a hard time getting to them. Now that we've got them, I don't know if we want them, but we have them now. But it took a couple years to get them. And so we'll bring that to your attention.

So we'll try to get this committee to help us do our job when we have a problem getting our job done in terms of giving you three kinds of assurances. One, on the financial statements; two, on the compliance with legislative authorities; and the third, on management controls.

Our annual report, it summarizes our work for the year. It focuses only on problems. The legislation, our Provincial Auditor Act, moves us that direction. And also it seems like members of the committee in the past want us to focus on concerns, not good things we find. So the report focuses on problems. It's tabled usually in the spring session. I think last year the spring session started in April maybe, and our report was tabled the first or second day.

So our work schedule is geared to having it ready in the March kind of time frame. It's usually referred to the Public Accounts Committee. It's required by law, so by law in our Act we shall prepare an annual report and table it with the Speaker who then makes it public through a sitting of the Legislative Assembly. It's also, of course, a public report. So as soon as it gets tabled it is available to anyone that wants to look at it.

And it's organized in about three segments. The first few chapters deal with general government-wide issues. The second part deals with individual chapters of specific departments and agencies and corporations, and then there's a series of appendices.

In the initial chapters we identify government-wide issues like, again, our concern about the financial statements of the province. We don't think that you're getting the accounting you need to hold the government accountable and also just to understand what's going on.

We think the *Public Accounts* can be improved and they have been improved over the last period, and we still think more improvements are necessary, thinking that logically there's three volumes. The first volume is the summary of the finances of the province. The second volume has the detailed or individual financial statements for every government organization, like a pyramid. And the third more detailed volume includes the details of expenditures, of revenue raising, for every government organization. And it should be integrated so that you can move from the summary to the detail and the detail to the summary without difficulty.

Ms. Haverstock: — You indicated that you focus on the problems and you don't focus on . . . you really don't articulate the things that are being done well.

How can then we have a full picture because these things are integrated and they're contingent upon one another.

You can't often times address problems without being able to understand the implications in the broader context.

So as well, if we're just looking at the . . . since this is being done in the public's best interest, one of the things that's so problematic is the sense of always of the public being cynical about everything. And it would be in the best interests of previous governments as well as current governments to have the public know what sorts of changes have occurred that have been in the public's best interest, and how focusing on rectifying a problem will, in fact, make the stronger parts even stronger.

So I'm just wondering how that can be included, or why it's been excluded is a better question, I guess?

Mr. Strelloff: — Well, in the past apparently the . . . well, it starts off with our Act, asking us to bring sort of the deficiencies to your attention. And then in these kind of meetings, the members seem to be focusing in on, well, what are the problems that we need to deal with.

I have a lot of sympathy with what you're saying, and that is that there needs to be a little bit more balance to it, or if we are reporting on a problem, we should be providing a little bit more context to it. Now why is there a problem, what was the objective or perhaps the program where the problem is and how can that problem perhaps be fixed, and then maybe next year report on problems that have been fixed.

Ms. Haverstock: — Right.

Mr. Strelloff: — So put a little bit more balance . . . And we're working on ways of handling that. It's a different way of thinking for us and we're trying to move that along, and I'm hoping that over the next few years you'll see a change, a little bit more balance.

And right across Canada it's the same kind of issue — the legislators . . . when the legislative direction seems to be more of give me a reading of the problems. We've got a lot of avenues to discuss the good things that happen in government. I need some focus on the problems and the provincial auditors never do that.

Ms. Haverstock: — I guess I would beg to differ. I think that the general public rarely gets what's going well in government and they get a whole lot of what they think is going wrong.

Mr. Van Mulligen: — I think that the public are also able to put that into some kind of context though and have been able to do that over the years, notwithstanding a recitation every year of problems that governments encounter in, you know, accounting for what they do. The public is able to put that into some perspective. If they see or sense that there's an ongoing problem with government in terms of the process of accountability or that there's a misaccounting of large sums and so on, I think that the public through the media is able to pick that up. And so that I guess that the good news, bad news . . . the public are able to do that and put that into context of other things that government do and form a picture or some sense of whether the government is being

accountable and government's doing a good job.

Ms. Haverstock: — How do they pick that up? You see I . . .

Mr. Van Mulligen: — Well they pick it up through the media. If the media sense that there are things wrong, seriously wrong in what government does, and picks that up through the auditor's report, they'll report on that and they'll want to see how the discussion on that evolves. But if they look through it and the auditor is talking about . . . that the process in one department, that there probably wasn't a good segregation of duties between those who pick up the money and those that enter the money in some account you know that's no big deal, you know.

Ms. Haverstock: — Well I beg to differ. I think that there's never been such a level of cynicism federally or provincially amongst the electorate, and that one of the things that both nationally and provincially that the public in fact pays great heed to are the reports of the Provincial Auditor and the reports of the federal auditor. I think that they are highly significant as far as the way in which public perception is of what's going on.

And I think that we would be all better off if in fact the auditor could put things in a broader context and say that throughout time these are some of the things that have worked very well; these are the things that no longer work because of the following. Okay? Changes perhaps. And to as well give us an accounting of the things that really are problematic.

One of the problems for me always is that if information is given in what I consider to be a perhaps skewed way . . . And I like a broader context and I think that it would be better for the public and particularly better for governments to give kudos where they're deserved and to take the knocks when they're deserved as well.

I'm not convinced the public knows . . .

Mr. Van Mulligen: — No, you know, I . . . Fine. If the auditor wants to do it, I'm not so sure that the media's going to pick up . . . I mean, if the auditor says, well the government's doing something right, I don't think the media . . . the public's going to find out about it anyway.

Ms. Haverstock: — I'm not convinced that it really matters. I don't think the media should be running all of this. And what my sense is is that . . . I mean the Provincial Auditor is going to give a report. And that's something that, if nothing else, it can be disseminated in other ways as far as the information is concerned. I don't think that we should be determining how we do things on the basis of whether or not the media reports it.

Mr. Van Mulligen: — Oh I agree with your point . . . (inaudible) . . .

Mr. Kraus: — I just wanted to say I had raised that point on Thursday when I said that you don't have this equivalent in the private sector. And while we may have made these errors and so on, you would find that in any large organization, and yet they are not exposed to this. And now it's a fact of being a civil servant and so on.

But I agree that it does contribute to the notion that the government and its civil servants are somewhat incompetent when a lot of the material in here is, you know, procedural errors and so on that could be fixed up . . . I'm sorry, that are not that serious. I'm not saying they shouldn't be improved upon, but a lot of this is not that serious.

But I don't know how you overcome that because the Act itself that governs the auditor does ask him to report on the shortcomings and the problems and doesn't encourage him very much really to give a broader picture or to talk about the good things.

Mr. Johnson: — The initial financial cycle indicates what the use of an auditor is. It's very . . . That was laid out. And to me, having sat on boards of the credit union, although this is thicker in quantity because of the size of government rather than a smaller operation, it is identical to what a credit committee . . . what an auditing committee would get in the nature of how things . . . what things need to be run and the rest of it. The initial statement by the auditor is the one that says what's happening.

I have the honour to submit the annual reports and the rest of it in accordance with the provisions of the Acts, etc., excepting for the following that you see listed. And it's as standard of an operation as you would find. The idea that in every section of the cycle you put all the good things as well as the poor things, you eventually end up in a position where you haven't got things divided so you can figure what's happening because it's all combined and mixed together.

Just to point out where this report indicates two companies where there has been problems in getting information, one of them in SaskEnergy; another one in Cameco. Both of those areas are where there was privatization going on and probably a deliberate attempt by the government of the day to maintain the activities in those corporations at a . . . not in the public view.

And if you are reading and looking at it as a legislator, those type of things should click to your mind as they come through. That's what the reports are all about. When you know where the problems are, the analysis of them are for the legislators to look at and take it back to the legislature and speak about it.

Ms. Haverstock: — Well I have no disagreement with anything you've said. I mean to me that is one of the more obvious things is that's what we're supposed to be able to have. I'm just suggesting that you cannot make good decisions on limited information, and the more full information you have the better judgements you can make. And so it's like good research, you don't leave out one variable. One highly significant variable here is what has gone right as well as what has gone wrong.

So I'm just making a point I guess for this committee that I think that it would be very much to our benefit to . . . I mean simply because things have always been done a certain way is not justification for there never to be any modification of it. Otherwise we'd never talk about

parliamentary reform, electoral reform, or any other kind of reform. That's what reform is.

And I'm just suggesting that this is something that I guess I take with some surprise, is that there's no way of someone like myself or other people making a judgement based on the broader context. And I think it would be of value for everyone, particularly the public who we're supposed to be concerned most with, to really see all of the information. And I think we take reports from auditors in a very, very serious way. And I would like to see some of the other information too.

Mr. Strelloff: — One of the things that we do have in our annual report is references or explanations of the three kinds of examinations that we do in every organization. And we'll have that at the front saying that, for each organization we'll give an opinion on the financial statements, an opinion on compliance with legislative authorities, and an opinion on whether the organization has good management control over financial recording and safeguarding the assets and some other factors.

And then when we go to a specific department we won't sort of tell that story for that department. We won't say well we've given three opinions. Two of the opinions we thought the department did fairly well on the reliability of their financial reports and their management controls. But for compliance with legislative authority, here are three key things that we think they didn't do very well and we bring those to your attention.

But by doing that, the way we report, you usually lose sight of the beginning chapters where we explain that for every organization we've done three types of examinations. For this one organization we've brought — in the context of those three examinations — we brought two or three compliance issues to your attention.

So there's a balance there. That means that the other affairs we're fairly comfortable with. But when you go through the reports, you usually just focus on those three things. And when the media or whoever talks about them in the public, they'll also just refer to the three examples of non-compliance. They won't say that the organization prepared a good set of financial statements and they had good management control. But it's there, the balance is there but it doesn't quite come out.

It's really hard to control what people talk about, to put it mildly.

Mr. Chairman: — Wayne, I've got a question and it's a little bit, I think on what Lynda's saying. I've never raised it before but I think as chairman of the committee, I knew about it.

Under agriculture, under the farm purchase program, I entered into that program as a farmer. All of the farmers that were in the program are listed in the book, but beside my name it's got Hon. Richard J.

Mr. Strelloff: — Hon. Richard . . .

Mr. Chairman: — J. That's my middle initial.

Now I'm wondering why out of all of these farmers in Saskatchewan it was necessary to single me out with my ministerial title. Now that's the type of thing that when the media sits in this room that they would go through the list. I've been a bona fide farmer in this province since 1968 when I got my first permit book. When I did the transaction and went through the paperwork, I was a bona fide farmer. I was also in the midst of a by-election. You know, my father and I were doing the transaction and yet, obviously somebody in your department has seen fit to single me out here because I'm an MLA (Member of the Legislative Assembly).

Mr. Kraus: — That's our doing.

Mr. Strelloff: — I don't prepare the *Public Accounts* — Gerry? — I just audit them.

Mr. Chairman: — I was going to come to the meeting last year and raise it because it's gone on and on and I find it offensive. I'm a farmer first and a politician second.

Mr. Kraus: — That's an oversight, I guess, of our systems. You are entered in our system. We have a list of payees, and we probably got you listed as the Hon. Richard J. Swenson. And unfortunately it looks like even payments under these programs are being aggregated under that name. And I agree with you; we shouldn't be doing that. I wasn't even aware of that.

Mr. Chairman: — I don't sign my cheques that way, Gerry.

Mr. Kraus: — No, no I realize that. But I don't think that was done on purpose. I will take that back to the office. I agree with you; that should be corrected. You should only be called the hon. when you're receiving wages from the government, or expenses or whatever. Wherever we report that, then that would be fair to call you the Hon. Richard J. Swenson. But when you're receiving payments as an ordinary person, I agree you shouldn't be titled that way.

Mr. Chairman: — Because as MLAs we all entered those things in our conflict-of-interest forms and everything, and that's always above board which is open to the public.

Mr. Kraus: — I'm glad you brought that up.

Mr. Chairman: — It went on for two years and I thought since I'm no longer honourable, I can raise it.

But I tell you — and Lynda was hitting on this — it's that kind of thing that the media comes into here and they don't, she said, look at what's gone on good in the past and then they'll look for those little things. And unfortunately the nature of those people is they have to sell their newspapers, and what else.

And I would like also to see this committee be able to take on some past experiences and say okay, we're changing our ways; this is what we're going to do in the future. You know nothing is ever cast in stone. Why they didn't pick up on this one, I think it's probably because it's at the back of the book.

Mr. Strelloff: — By the way, the Department of Finance prepares the *Public Accounts*, the three volumes. And what we do is we examine them, and our examinations usually relate to volume 1 and 2. They don't relate to the volume 3.

I remember Fred once told me that one deputy minister of Finance thought that we prepared the financial statements for the province instead of Gerry's department. And he's thinking that maybe we should have not corrected him on that. But we didn't.

We said no, there's two different roles here, and they're your financial statements; they're not ours. We're just reporting to the Legislative Assembly on whether we think they're reasonable or whether you can rely on them.

So the annual report has three segments: the general government-wide issues where we point out problems with the main financial statements, public accounts, some of the problems with Crown corporations' accountability; and then the more detailed chapters; and then appendices.

The appendices have our Provincial Auditor Act which governs our activities, the work of appointed auditors that we work with during the year, a list of the corporations that they work with, and appendices that show work that is not done, not completed yet, and reports that haven't been tabled according to the relevant legislative authorities, and examples of our opinions. So our annual report — three general thrusts to it.

As a final issue, in terms of my presentation today, I've got about five things that I think need to be done to strengthen public accountability in the future. The first one I keep raising, the financial statements of the province. I think that public confidence could be raised immeasurably if a government just adopted an independently set accounting standards. The Canadian Institute of Chartered Accountants recommends the accounting principles for the private sector. They recommend them for the public sector. They just don't have the enforcement mechanism. You can't require a government to prepare its accounts in accordance with any standard; the government itself has to or the Legislative Assembly has to decide to do that.

But I think one key step would be just to say in the future that we're going to provide a full accounting and use the recommendations set independently by the Canadian Institute of Chartered Accountants. And if that was done, that would have a whole set of issues that we wouldn't have to argue about in the future, and I think would raise or have a significant impact on public confidence. At least they could say, okay the story that's being told by the government in terms of our finances, I can rely on that. Right now you can't do that.

I think the *Public Accounts* need to be improved. I haven't seen the ones that are ready to be tabled yet, but I think that . . . again, the pyramid kind of approach that I've got in the hand-out, where the first volume is the summary, the second volume shows the detail or the separate financial statements of each of the government

organizations, and then the third volume gives you the detail of expenditures and revenues that relate to each of those organizations. And that you're able to go from the summary to the detail and back again in a very easy manner. It's not a difficult concept. It's not a difficult thing to do, but I certainly think it's needed.

I also think that the equal accountability by all government organizations is a key point, a key principle that you should act on. The information that comes forward for all government organizations should be the same. The only argument that I get that says that maybe one Crown corporation should not report the kind of information that a department does is usually in the context of competitiveness. That we may . . . that disclosing that information may have an impact on their competitiveness. I can't right now think of any organization that that would fall . . . there's probably a couple of very commercial organizations, very investment oriented, but certainly not SaskPower or SaskTel, SGI, Sask transit corporation, and a whole series of other organizations — Sask Property Management Corporation.

Just because it's in a department form one day and a corporate form the next day, why does the information change that comes back to the Legislative Assembly? And it has a remarkable change from that one decision to move a department activity into a corporate form. Certainly our office argues for an equal standard of accountability for all government organizations, and we'll continue to hold that position as long as we see that that's not happening.

Support our effort to broaden the types of examinations that we're looking at. To look at issues of economy, efficiency, and effectiveness — we're beginning, as an office, to conduct a couple pilot projects in that area. We'll be reporting our progress report in our next annual report and the results in the following. But it's a significant step for us to move a little bit further in looking at issues.

And also the ability to strengthen our ability to examine financial activities of Crown corporations — we constantly worry about not being able to get the overview and the direct access to the activities of Crown corporations. And that's been an issue that we've raised in the past, and we'll certainly continue to do that.

So those five items for our office are key issues that we'll be moving on or trying to explain to you as we move from month to month in the future. So thank you very much for the opportunity. Are there any other questions?

And I wish you all the best.

Mr. Chairman: — Thank you, Wayne. Any others of our guests that . . .

Mr. Van Mulligen: — One of the things you didn't comment on or I didn't hear you get into in any detail is the whole question of value-for-money audits. Can you give us any indication of how you propose to have proceeded along that line during this last year or what we might expect in coming years?

My guess is that, in addition to some major issues such as unfunded pension liabilities and some other unresolved matters in the future, public attention will focus to a great extent — and our attention probably too will focus to a great extent — on your finding as a result of value-for-money audits.

Mr. Strelloff: — Yes, last year we began to work on methodology that would allow us to look at broader issues. For example, the example I usually use is the tendering practice of an organization. Perhaps we'll go into Department of Highways and say, well let's look at the tendering practice that they use.

The first thing we'll do is try to develop some standards. Here are industry standards for a tendering operation for an organization like the Department of Highways. We'll look around Canada for those standards. We'll then compare them to the standards in place at the Department of Highways.

And then we'll look at specific tendering practices to compare to the standard and report back to you. Have they got a reasonable practice, and for specific purchases, are they following it? And here's where they have good results. Say if there's five key factors on any tendering process, here are three that are in place and are operating very well. Here's one that's just been completely forgotten about, and another one that operates sometime and sometimes it doesn't. And we'll report that to you.

But it represents for us moving into broader issues. The community might . . . our community across Canada have been looking at these issues for about 10 to 15 years. There's a lot of experience out there that we're drawing on in terms of helping develop our own methodology.

We've spent the first . . . assigned one person in our office the task of looking at how other legislative audit offices carry out this task. And Judy Ferguson was doing this for the first six, seven months. She's now, with a couple of people in our office, working on a couple of pilot projects which we'll be reporting on in our March report. There'll be progress reports, and then in the next report, the results.

And there's only two ongoing right now. One relates to the Department of Highways, actually working with them right now. They're at the stage of trying to examine the key issues that should be looked at and getting agreement with management on those are the key issues that they view as important for the operation.

We're also working on a project that looks at the annual reports that you get from the departments, trying to create a model of what should be in those annual reports. And there's a fair amount of work ongoing across the country on that, so we can draw from it.

So if we can create a model of here's the kind of information that you should get in your annual reports from the departments that are provided to the Legislative Assembly each year — maybe there's 10 or 12 factors that should be reported on — compare that to what you're getting, and move practice along. Those are the first two issues that we're looking at right now.

Mr. Van Mulligen: — There's a fair amount of discretion involved in your part as to Highways or wherever you go for those types of audits. Have you given any consideration to involving the Public Accounts Committee to get their feedback as to areas that they feel you might hopefully proceed in, recognizing that's your decision in the end to do what you do.

Mr. Strelloff: — Well when we report in March, this will be the first time that we have a discussion of our approach of going into these kinds of examinations. That would be certainly the time that we'll be asking for advice, does this make sense. Here's the kind of project, the pilot project that we did at the Department of Highways or are doing at the Department of Highways, does that make sense to you. Here's the kind of thing that we're looking . . . the kind of factors we're looking for when we're examining annual reports, does that make sense to you. So there certainly will be the opportunity to provide that kind of guidance to us. It will be important too.

In general across the country as offices have got into this, these kinds of examinations, the Public Accounts Committee and the Legislative Assembly have seemed to encourage those offices to devote more of their resources to broader types of examinations and lesser resources to the examinations of financial statements and compliance with legislative authorities and financial reporting controls, in terms of trends across the country. And we're the last legislative audit office to more formally go into this area.

Mr. Chairman: — I wonder if I might . . . we've got a couple of pieces of business to deal with here that is necessary for our further deliberations in the form of a couple of motions. And I will go through them one at a time. Moved by myself, and I think this one . . . I think the first one Mr. Van Mulligen and I have discussed before:

That the Standing Committee on Public Accounts meet January 6 to 10, 1992, to consider the *Report of the Provincial Auditor, 1989-90*, and the *Public Accounts of Saskatchewan, 1989-90*; and,

That the schedule of witnesses be arranged through consultation amongst the chair, the vice-chair, and the clerk of the committee.

Would someone care to second that and then discuss it? Ms. Haverstock, any discussion on the motion? Those in favour?

Agreed

Mr. Chairman: — The second one, in consultation with the Clerk, is:

That the committee invite Mr. John Kelly who is . . .

Mr. Strelloff: — John Kelly is director of public sector accounting and auditing, Canadian Institute of Chartered Accountants.

Mr. Chairman: — Right.

and other suitable guests to be determined by the chair and vice-chair in consultation be invited to appear before the committee on the issues of interest to the committee, and that reasonable travel and accommodation expenses be paid by the committee to this individual.

What we're contemplating on the morning of the 6th is that you'll have about an hour and a half with the officials from the Department of Finance, who will go through the budgetary cycle for the committee. And then that we devote an hour and a half approximately to this gentleman to run through some of the things that — I think that Bob passed out a publication to all of us — some of the issues that are before the public accounts committees from across Canada today. And then that after lunch, if we have had all the questions answered by our guests, we would then move into witnesses. If we don't quite get done, I suppose we can take some more time to learn detail.

Does that motion sit? Moved by Mr. Van Mulligen. Do I have a seconder?

A Member: — Don't need a seconder.

Mr. Chairman: — Don't need a seconder. All in favour? Carried.

Agreed

Ms. Haverstock: — What's the plan, if I may, as far as the hours that we'll be sitting from the 6th to the 10th?

Mr. Chairman: — Basically on the Monday we would have our briefing in the morning and go into witnesses in the afternoon and adjourn at dinner time.

And then I would think it would be up to the committee to discuss further hours. In talking with Mr. Van Mulligen, contemplated a normal working day, 9 in the morning till noon sort of thing, and then 1:30 perhaps to 5, 5:30, leaving us the discretion, depending on the amount of witnesses and amount of discussion, to go into evening sittings if necessary. And certainly on the Thursday evening to be able to do wrap-up if necessary, so that the writing of the report can take place on the Friday morning and give members the opportunity to drive home at a decent hour rather than working through the day.

Ms. Haverstock: — I would like to extend my apologies now and be on record for stating that I, as I spoke with you, have to be giving an address in Vancouver on the Friday morning. So I'm leaving on the Thursday.

Mr. Chairman: — And I think as far as any particular areas that you may wish to express an interest in, that we can accommodate those at the front end rather than the back end of the meeting.

If everyone's clear on that, then we'll adjourn the meeting today.

Does anyone feel a specific need to get together on the Thursday again for any particular purpose?

Ms. Haverstock: — Has there been any discussion about when we will be meeting, or will it always be on Tuesday, Thursdays from 9 to 11? There was some contemplation on the meeting, I think it was the 10th or minutes of the 10th or something that there had been some discussion when I was at the Crown Corporation's meeting which I will be on Thursday morning. It was booked a week ago.

Mr. Chairman: — I think it was sort of left to the individual caucuses to come to some conclusions. Certainly any permanent change will involve the Rules Committee of the legislature which as yet has not been struck officially I don't think.

Because of the House rules prohibiting meeting, hopefully by the spring session those things can be ironed out. So we'll have our intersessional meeting and be prepared to go into the spring session perhaps with a new set of rules.

Mr. Van Mulligen: — Especially if the Rules Committee looks at other changes to House sitting times, it may necessitate a different approach to committee meetings ... (inaudible) ... outside of the meeting times of the Assembly.

Ms. Haverstock: — It seems like this has been an issue for discussion for a long time according to some people.

Mr. Van Mulligen: — So we may look at sitting more intersessionally as opposed to during the session itself is one way of getting our work done. Probably makes more sense anyway.

Mr. Sonntag: — Do I take it then, Mr. Chairman, that we do not have a meeting Thursday morning?

Mr. Chairman: — We don't have a meeting Thursday morning. Sleep in.

The committee adjourned at 11:05 a.m.