

Mr. Chairman: — We'll call the committee to order. The normal practice, ladies and gentlemen of the committee, at this time when we begin a new *Report of the Provincial Auditor* is that we move into an *in camera* session where we sort of prioritize our agenda. Does anyone see any need to deviate from that practice, or do you want to do it otherwise?

Mr. Anguish: — I'd like to stay with the standard practice, Mr. Chairman. I'm wondering though if the wording for 3-3 for the recommendations from the special report of the Provincial Auditor is ready. Do you want to deal with that first and maybe try and conclude the discussions on the special report?

Mr. Vaive: — Mr. Chairman, we're getting the report ready now. It's being typed, and I understood that the committee would discuss the whole thing this afternoon. However, I do have the minutes that I drafted and I've got a . . . in written form, I've got the text of 3-3, only in one copy. You can look at it now.

Mr. Chairman: — We'll deal with it after dinner. So are you making that motion?

Mr. Anguish: — I'm sorry, Mr. Chairman, what motion?

Mr. Chairman: — Do we proceed with normal practice and go *in camera*?

Mr. Anguish: — Yes, I move:

That we go *in camera* for a briefing by the Provincial Auditor's office.

The committee met *in camera* for a period of time.

Mr. Chairman: — So I guess we'll start at chapter 1 and proceed. Do you want to just make some opening comments and then we can sort of . . .

Mr. Strelloff: — Sure. Chapter 1 is an overview chapter of what last January, February, when we prepared this, I saw as the major concerns, in a general sense, in terms of how the government plans, manages, and reports, and how the legislature is able to understand, assess debates, scrutinize what is happening. And my general concern has to do with the government's ability or . . . the government planning, managing, and reporting or accounting for what it does as a whole, that I see as I move from organization to organization that people in government and outside government view government in its pieces rather than as one, integrated whole.

And therefore the difficult decisions faced by government in terms of what resource allocation trade-offs in perhaps the Crown corporations sector versus resource allocation trade-offs in the health education sector are very difficult to understand and assess.

What's presented, for example, to the Legislative Assembly in terms of a plan by the government are the estimates, but the estimates just pertain to activities carried out through the departments. So the legislature doesn't have the ability to make . . . or understand and

assess the trade-offs being made by the government in terms of revenue-raising decisions, whether utility rates should be increased or sales taxes should be increased or income taxes should be increased.

All that is shown is what is carried out through the departments, and not what's carried out through Crown corporations. And of course there is significant revenue-raising measures carried out in both sectors, but as a legislator, I don't know how individual legislators and the Legislative Assembly as a whole is able to understand, assess those kinds of decisions since they don't get the story. They don't get the plans of individual Crown corporations, and they don't get a financial plan that shows what's going on across government, right across government. And that's the revenue-raising side.

There's also program delivery choices that are being made. Should we move a new program or cut a program in telephones which, as we all know, will be facing increasing pressure over the next few years. Should we cut a program there, or should we cut a health program or an education program? Unless you have a plan that covers the waterfront, you can't, as far as I can see, legislators cannot fully understand, assess, scrutinize, challenge decisions that are being made.

And then the third part of managing or concluding or viewing government as a whole in terms of resource allocation trade-offs, is infrastructure. I mean there's infrastructure decisions being made on whether we build highways, hospitals, education institutions, or do we upgrade our telephones and power systems? All that infrastructure, of course as we all know, is critical to our future. But in the coordination, the planning, managing, and reporting of government, it seems to be put in various slots, that you don't get . . . the legislature doesn't get the overview in terms of planning, the plan, and also in terms of reporting.

And that goes to the legislature, but I also wonder and increasingly I'm wondering, how does management manage and advise cabinet on the resource allocation trade-offs when a significant sector seems to be managed separately in Crown corporations, and then another sector is managed through departments. And Treasury Board, sitting there as being the responsible organization, they're the ones that are in charge of finances as a whole and they have that responsibility from the legislature, don't seem to get the information as a whole.

So this first chapter is pointing that out and saying that as a first step, in paragraph 4, that the government — it's a strong recommendation from our office — that the government just needs to plan, manage, and account for its operations as a whole, not in a piecemeal.

And the next section which begins with paragraph 5, focuses in on the financial plan. And I mention the importance of that. But I still find it rather astonishing that there has been no financial plan for government presented to the legislature that shows as a whole, what is being planned to happen. And also that I have yet to see a plan that takes it out two or three years. I mean what we usually see is a plan that focuses in only on a limited

sector of activity and only pertains to one year. Well it just doesn't seem like a good management tool.

The beginning in paragraph 8, we talk about the reporting side. Now there has been significant improvement on that. Just recently the government did release for the first time ever a financial statement showing what the government is as a whole. And when you compare that financial statement to the normal combined fund financial statement, it's a remarkable difference, a remarkable difference. You can see the annual deficits and the accumulated deficits and the total debts. They're just remarkably different. But for the first time it brings together all the pieces.

Now that whole is what, in our view, should . . . That's what the government should focus on when it plans and when it manages and when it reports. And at least there is a starting point that we can understand what is going on, and that's certainly useful.

Annual reports, beginning paragraph 11, we again recommend that the annual reports of all government organizations be made public. They haven't been in the past. And there has been significant improvement in that, particularly within the CIC area where you now have a financial statement that does show what it does with its resources rather than having a financial statement that aggregates all sorts of different organizations and you're not really sure what's going on. So there has been significant improvement in there.

And as an office we've begun a project on what information should be in annual reports that would be useful to legislators to assess the performance of government organizations, and that project we'll be reporting on in next year's report.

And then paragraph 15 again goes back to, if you're planning as a whole and you're reporting as a whole, well you should manage as a whole. I really, as I move around from organization and organization and see the discussions between perhaps the Department of Finance and the Crown Investments Corporation, I am particularly concerned that there isn't some central group trying to help cabinet coordinate activities; that's it's still done in isolation.

The only sign that I can see that gives me a little bit of confidence in what's happening is that Finance is responsible for all borrowing. And so when you're responsible for the borrowing and have to do the treasury management, at least there is a central coordination on that. But it certainly needs the . . . government activities need to be managed as a whole, and Treasury Board has the legislative responsibility and they're the ones that have to help government address the resource allocation issues, but in the context of all competing demands, not just what happens in the Department of Health.

What happens in SaskTel directly impacts what happens in Health. The plans have got to come together. And lately I've been concluding that plans, budgets for all government organizations should be brought forward to the Legislative Assembly.

And that means the annual plan of SaskPower should be brought to the Legislative Assembly for scrutiny so that you can assess what the performance is. I mean right now you get a financial report for SaskPower saying, okay, here's what we did with our money, here's what we spent. But you don't see anything about what they plan to do, so how do you ask questions? So we'll be pushing on that.

But in this chapter we move on the whole, that we strongly look forward to the day that there is a financial plan, that you can actually go down the plan and see what's happening in departments, Treasury Board, agencies and commissions, health institutions, education institutions, and the user-fee or — quote, unquote — commercial Crown corporation.

Paragraph 18 deals with the existing audit system needs change, and that's further dealt with in chapter 2. And paragraph 23 deals with the Financial Management Review Commission which is further dealt with in chapter 3. So we will be going through that.

So the main observation in chapter 1, which I certainly would like some support and discussion on is — in terms of the government's ability to plan, manage, and report, and in terms of the legislators' ability to hold them accountable for planning, managing, and reporting — that they move to considering those . . . to bringing forward their plans and managing and reporting as a whole.

Mr. Van Mulligen: — All right. It would be a welcome change just to meet the plan for one year, but I wanted to ask you about paragraph 5, something I don't quite understand. It's just a minor point but . . . I agree with your observations. You know, I think they're correct. What I don't understand is your last sentence, and that part of it says: "Accordingly, there is unequal competition for public money . . ."

I don't understand, for example, how there is a competition between SaskTel and say the Department of Health for public funds. SaskTel raises all its revenues from commercial enterprises, has no bearing on Health. There may be a competition, I guess, for in terms of the total capital that the government may want to authorize for borrowing in any particular year, but I don't know on a day-to-day basis how you could say that there is a competition for public money. I think there may well be unequal accountability, but I don't know how there is a competition for public money. I don't understand that.

Mr. Strelieff: — Mr. Chairman, Mr. Van Mulligen, in your question you noted that when you borrow you have to choose whether you're going to borrow for the purposes of health or you're going to borrow for the purposes of telephones or power. The province, in a general sense, can only borrow a certain amount. I don't know what's the dollar amount, but say it, just for illustrative purposes, is that the advice from the Department of Finance is that the markets will only withstand \$2 billion of new borrowing from the province.

Okay. Where do you borrow? What do you borrow for? Do you borrow for a health program, an education

program, new telephone lines, new power lines, new investment in HARO or NewGrade? What are the alternatives? Those are the alternatives. They're on the table in certainly a government context. Shouldn't those trade-offs be on the table in a Legislative Assembly context bringing forward to the table to the Legislative Assembly that in '93-94 our best advice is that we can seek new borrowings of \$2 billion? Now here's why we decided to borrow \$500 million to do a new investment in a paper product company, and here's why we decided to borrow \$500 million to do something in health.

Right now that doesn't happen. Right now those decisions are not brought forward to the Legislative Assembly, therefore the legislature doesn't scrutinize, debate, challenge that decision. Therefore there's an unequal competition for money on the borrowing side.

But the same kind of analogies can be used for increasing user-fee rates and telephone rates, power rates, energy rates, auto insurance versus income taxes, sales taxes. All those programs go to the benefit of the province as a whole. And to compete, to make sure that the legislature is able to challenge a decision — either a revenue-raising decision or a program-spending decision in a crown corporation versus the same kind of decision in a department — if that isn't brought to the table, there's an unequal . . . At the same time there's an unequal competition for public money because it's all coming out of the same pockets — the taxpayers' pockets.

Mr. Van Mulligen: — Historically there hasn't been a problem up until the last number of years because, you know, the borrowing that SaskPower did or SaskTel did for example, you know, is self-liquidating. You borrow something because you expect the return on that is going to pay you back. And there really wasn't any problem borrowing the money that you needed.

I mean there was no borrowing on the . . . There is very little borrowing on the operation side in any event. I mean it was mostly you paid as you went for capital and the like. And it's only in the last number of years that we're now faced with this problem . . . or I guess now with the total amount of borrowing and trying to bring the total amount of borrowing, whether it's operation or capital, into line.

I guess I would have some questions about should the legislature then be in a position of saying, well gee, we'd better not go ahead with this fibre optic expansion here or this upgrading of the power lines there because we want to make sure we've got the money to carry on with this health program or that social service undertaking. And I guess I'd get concerned that you may forever be in a position of where the legislature is going to, in order to meet current pressing needs on the operating side, is going to turn thumbs down if that's the choice. And I could say that's only been in the last number of years that we've faced that problem.

But nevertheless if they're going to turn thumbs down on investments which may be self-liquidating but because of your total borrowing capacity you may not be able to, you know, you may want to forgo in terms of favouring something else.

And I wonder, you know, these corporations have a mandate, they're scrutinized through the Crown Corporations Committee, whether if you're suggesting that all those kinds of decisions upfront, with the legislature begin to debate those, I'm not sure that that would be that wise or appropriate, you know. I'd like to hear from you on that.

Mr. Chairman: — I can sympathize with what Harry's saying, but I tend to support the auditor on this one.

And I guess what was a real eye opener for me was there was a CPA (Canadian Petroleum Association) thing in Washington, D.C. at the end of September that McPherson and I went to. It mostly dealt with politics of the American election.

But the most interesting part of the trip was going out to the Maryland state legislature and meeting with the lieutenant governor and a bunch of their provincial types. Maryland was just going through their budget exercise which had gone through a 40- or 50-day session. They have to bring in a balanced budget. They were trying to chop almost exactly what our operating deficit is in Saskatchewan. And their total budget is about the same size as what ours is. So here these guys were, and it was hot down there, in this old, old building with no air-conditioning, sweating away trying to hack \$700 million out of their budget. Okay.

And the one guy was very familiar with Canada. He's a big environmental type on Chesapeake Bay and he'd been up and done a lot of Great Lakes stuff so he knew a lot of the Ontario and Quebec guys and was very familiar with our structure of government. And that was his comment to me. He said, you know, if we had this Crown corporation mix injected into what we have here, life would just be totally unbearable.

Because down there any of these types of borrowings that IRS (Internal Revenue Service) is talking about, they have to put to the voter on an ongoing basis. And I think, I'm not sure if they're every two years or every four years, but every one of those large expenditures, eh.

Mr. Chairman: — And he said . . .

A Member: — Goes to a public vote?

Mr. Chairman: — Yes. One of the reasons they had such a high operating deficit is that they had done major borrowing on the utilities side some years ago. They had a governor that was really big on that sort of thing, and now they were sort of reaping the rewards. And they're having to go through this budget exercise.

And I think you'd find everywhere in Canada, Harry, bar maybe B.C. Tel and a couple of others, in almost every Crown utility, Crown in Canada today right from Quebec Hydro on through the gamut, Ontario Hydro, the works of them, are levered probably 70-30, something like that. And that competition for borrowed dollars is everywhere in Canada through the Crown sector. It's not just in Saskatchewan.

So I mean every legislature is up against this very same

problem of how you manage something that isn't self-liquidating any more, at least in the short term.

Mr. Van Mulligen: — But you put your finger on something else too, and that is that, you know, the American experience has tended to result in a situation where their public infrastructure is crumbling because people won't vote the sums necessary or legislators don't have the will necessary to support that because they're forever making short-term decisions about keeping the current operating system going.

So I question in the long run, like, whether their approach is that effective, but that's what I'm getting at. I'm not wedded to anything in particular. I'm just throwing that out.

Ms. Haverstock: — Well if I may, I guess one of the things that I very much appreciate in this is not just the way that you've talked about the management and reporting aspect of government and its responsibilities in that area to make it much more public, but the planning as well. And I think that would offset some of the concerns that you're raising. I think that people have a right to know where something is going.

And I don't want this to sound as though it's being politicized, but I want to give an example because you were using health care versus other borrowings that may have to go on in other areas. I think a lot of people could be much more accepting of changes that have to ultimately occur in health care if they understood that there's a three-stage process to where this is going, and this is stage one, and in such and such a year will be stage two, and such and such years will include stage three.

And if you're saying to individuals, you know, two years from now this is what you can expect to have happen because this is our ultimate goal and we have to be participants in this process for bringing about a different kind of health care system so that we can retain medicare, that creates a very different feel for people as part of their own society and their health care system. Which is much, much different from, today you're told that things are going to change as far as your prescription drug plan is concerned and tomorrow you're told about the fact that you're living in a seniors' home where the fees have just gone up and your colostomy bags have been de-insured and that costs you \$9 every time you use one. And next week it's oxygen that, you know, has been changed.

And I think that this is really . . . the main point is something that should be very much welcomed because it is a three-part process of what I'm seeing. You're talking about planning, management, and reporting. And in all of that is what equals accountability. I think this kind of approach of nobody knowing where we're going is part of the problem.

Mr. Van Mulligen: — I don't have a problem with a financial plan, per se. I'm just questioning this comment about an unequal competition for public money and trying to stimulate some debate in that area . . . (inaudible interjection) . . . Somehow we're sidetracked away from his recommendations.

Mr. Strelieff: — Mr. Chairman, members, the unequal competition for public money. Okay. Just think of what happened to Sask Water in the last few years. The borrowing, the spending, went through CIC. And now, a year or two years later, the financial implications to the government as a whole come to the table. We now have to write off \$180 million.

Well the legislature never had any chance to discuss or approve, or the plan didn't show how we were borrowing for Sask Water and the implications of that. And the implications of having to write off the \$200 million there is that no doubt you can't do something in health, or education, or SaskTel. I mean the fact that it didn't come to the table at the beginning in a plan as a whole, meant that you couldn't scrutinize and challenge it.

And there's all sorts of examples — SEDCO (Saskatchewan Economic Development Corporation), the same kind of thing. It doesn't come to the table until it's too late; it's time to write it off. STC (Saskatchewan Transportation Company); CIC (Crown Investments Corporation of Saskatchewan), there's a whole series of transactions in there that the legislature doesn't get a chance to scrutinize, debate, challenge them until they get the report two or three years later that it's time to take significant write-offs.

Well those are all being done through public money, and as a result the competition for that public money certainly was uneven. It's already . . . there is no competition. The battle was won or lost and the rest of the province has to adjust accordingly.

But there definitely is an unequal competition for public money when the plan that's being presented doesn't show all the different activities that are going on.

Now you might, you might say that the plan may have two parts to it. One gets voted on and directly approved. Another plan says, okay, here's what we plan to do in Crown corporation activities or Crown corporations or other places, for challenge and scrutiny, and then reconsider a year from now or two years from now whether actual specific votes have to take place on, for example, what to do with this year's net income in SaskPower. And then maybe that's . . . I think it should be a challenge, reviewed and even voted on. But at least you should know about it.

Mr. Muirhead: — Thank you, Mr. Chairman. Mr. Chairman, I appreciate the statements made in here by the auditor, and I appreciate and agree with the statements you've been saying now. And I hope some day that these kind of things can happen in government. I hope that we can come to that some day. But there's a big block, blockade in our way of these things happening, and that's the political process.

So you're talking real common sense — how we're going to run a corporation that's going to survive. But governments in North America are not surviving in this last 10 years because of the economy. Because I can tell you this, you'll have a hard time getting someone in this government, the past government, and the government of the future until we get some kind of a process where the

legislatures have a . . . and all the people, and maybe voting from the public. This thing has to happen to maybe get control. But in the mean time, you're going to have a hard time having somebody debate to the present government today, or the past government, the future, whatever, that we have to spend money in health versus highways, whatever, because they got to get elected.

And that's what's in our way. That's what's wrong with the whole system, and it's that way right across North America. But what you're saying is common sense and you're speaking as an individual and you would like to see it all done right. And you are right. But I hope you can make it happen. I hope we can all make it happen. But it isn't going to happen that easy.

Because you're going . . . when you're talking about Sask Water, when you talk about Health and where the money goes and you sit down and you say well, if we put money into Sask Water, that's going to be maybe the biggest part of it. It could be irrigation for farmers and what not. And it could have looked good in the legislature and they could have passed it, but the economy went haywire for farmers and they went in the hole.

So even though they might have voted for it, it still went under. I mean I can go to the bank tomorrow and put out a budget to the bank and he says, boy that looks good. You got \$5 down for flax and \$7 for canola, and she goes the other way and my budgeting was no good. So you can even debate it and all these things don't come out right, but you're on the right track. And I hope what you're saying can come into real reality some day.

Mr. Strelloff: — Mr. Chairman, members, we do have a significant starting point that you should really take advantage of, and that is the summary financial statement that the government just issued. It puts it together in a whole. But all your questions, or as much as possible, your questions in debate, you should try to link those questions in debate in the context of those summary financial statements, not in the context of a very limited, wishful thinking, combined fund financial statement which kind of offsets reality with just sort of wishful thinking.

Move it to that summary financial statement and say, okay here's the financial results of the province as a whole. Well where's the plan for it as a whole? And when you hear discussion about annual and accumulated deficits or revenue targets, make sure that that discussion is in the context of the summary financial statements and not in the context of the Consolidated Fund financial statements. I mean that will move it. I think that was a very significant step forward.

And the key will be to encourage the government and the legislature to use that document as the key accountability document. If you can do that, if you can move the discussion to that document . . . and there'll be a lot of pressure to move it away, I know that. But if you can move it towards that, you'll begin to see the resource allocation trade-offs as they really are happening, not as they are said to be.

Mr. Anguish: — Are there other jurisdictions in Canada

that bring their entire financial plan before the Assembly — for example, the Crown corporations like SaskPower and SaskTel and Sask Water? Are there other jurisdictions that actually do that in Canada?

Mr. Strelloff: — The closest I can get to that is Canada, and the plan that they present though isn't for the whole. They'll table the corporate plans to the legislature of the individual corporations and thereby, not sort of in a technical sense, having a consolidated estimates. But the rest of the jurisdictions right across the map are doing as poor a job, I suppose, as Saskatchewan.

But I'd like to — at least from a personal point of view and as a Saskatchewan citizen point of view — I'd like to see Saskatchewan manage well. And just because other jurisdictions are in a similar predicament doesn't mean that we shouldn't take a stronger, proactive management point of view. In fact I think it would give our province a competitive advantage — a much competitive advantage — if you're putting more rigour behind what we're doing.

So the short answer to it is no.

Mr. Anguish: — I don't mind breaking new ground. And it certainly appeals to me that through the legislature people know more about what's happening in Crown corporations, and that there's some longer-term plan than a one-year plan for the general operations of government. But the logistics of it become very complicated . . . (inaudible) . . . well the logistics become very complicated.

We're limited to 70 sitting days per year in which MLAs (Member of the Legislature Assembly) would receive a per diem. In your wildest dream you could not convince me that in 70 days you could get through that kind of a process or anywhere close to it. You would end up having members of the Legislative Assembly in Regina for a great portion of the year to enable this to take place, especially in the early stages where there would be sort of an evolution of the way in which legislators in Saskatchewan would think.

And the reason it seems to work in the United States, I think, is because they've been doing that for a very long period of time. But it would change, I think, the political mindset of most members of the Assembly. And I don't say that from government side or opposition side. And I think you would find that the legislature, instead of sitting an average of maybe 75 days a year, would end up sitting 200 days a year in terms of going through that type of a process.

And I think that it would hold the interest of most members more than what the Legislative Assembly does now because you're into a very meaningful process where members, and through them the public, would feel more of an ownership in what government does, whether it be in the regular line departments or Crown corporations.

So I guess I agree with the intent of it. I think it's very good. But the logistics, I don't see how they would be worked out to enable that to happen.

Mr. Strelloff: — Well, Mr. Anguish, Saskatchewan isn't that big of a province. Other jurisdictions are far bigger, and even if they just focus on the departmental activities, are dealing with more dollars, more issues, more programs than we are.

I have a lot of confidence in the elected representatives, their ability to sort through the trade-offs being made. And I think, at least from my perspective, the public would expect their elected representatives to be able to scrutinize and challenge and debate right across all the government activities. I don't see it as a logistics problem.

Mr. Anguish: — Well that's because you're not locked into a 70 per diem per day . . . per year, sorry. The logistics problem is that it would get to be a focus on the cost of the legislature performing this valuable service. Just like in the paper, I think the reporter who's sitting here in the room wrote about the cost of accountability and how Doug Anguish from The Battlefords received 6,000-and-some dollars and the member from Saskatoon Greystone received 5,000-and-some dollars.

I mean, to start with, the press wouldn't participate in the process. And to be realistic, the logistics problem comes if you're going to be paid for 70 days out of the year to attend sessions and the sessions end up running 200 days out of the year to accomplish this very noble task. It isn't going to work unless you have all members who by some chance have a great independence of wealth.

And then you have the millionaires coming and running the system, and it becomes a system that's even — then if that happens — more removed from the public in terms of accountability because you get more to the worst of the American system where it's not the little guy who can grow up in a log cabin and become the prime minister or the president of the country; it's whoever can garner the most wealth or can be a billionaire and spend three months of their interest and come to toy with running as the president of the United States.

And the logistics lies within the inability of members to function under those financial constraints, and the media would beat the bag off us for doing that. And the opposition, unless they started thinking differently — and I don't say this opposition because we're in government now and somebody else is in opposition — unless we change our way of thinking, the focus would be on the wasteful spending of the legislature to get this good accountability process.

So I'm sorry, Mr. Auditor, but I see it as a great logistics problem in terms of making it function.

Mr. Strelloff: — Mr. Chairman, members, the alternative then is for . . . that the legislature should not plan, manage, hold the government accountable for what's going on as a whole.

I mean this group, Public Accounts Committee, from my perspective, is the audit committee of the province. A \$9 billion of revenues coming in, \$10 billion of expenditures going out, about. And that's a very onerous responsibility. You should be able to see what the plans are of all government organizations and hold people accountable

for those plans.

Mr. Anguish: — How many days per year do you think it would take to go through this process? And I agree with what you're saying, but how many days a year do you think it would require in the legislature to go through this exercise? And I agree it's a very important exercise in terms of planning and managing and reporting the whole accountability cycle.

Mr. Chairman: — We don't manage our time well, Doug.

Mr. Anguish: — Well I know we don't manage our time well because politics interferes with what we do, not only in the legislation, but in the way we conduct our day-to-day business as members of the legislature. But in the present system, you won't just go from being the way we've been developed since 1905 or earlier to all of a sudden you're into a paradigm and it's different the day after. I mean that just doesn't happen.

So I asked the auditor how long do you think it would take the legislature to go through this exercise?

Mr. Strelloff: — Mr. Chairman, members, I think you could do it in the same time frame that you have now.

Mr. Anguish: — I think you're naïve.

Mr. Kujawa: — I'm naïve number two about to speak. It seems to me that the number one job of government is to govern. The plan presented by the auditor, as I understand it, is that you shouldn't start building a building until you know what it's for, how big it's going to be, whether you can afford it, whether you can buy the land to put it on, and buy the heat to keep it going, etc. That's really all he is saying: that if you don't know what in heck you're doing, how can you do it semi-efficiently?

And I say that if we follow the plan and have an overall idea of what we're going to do, year after year, it's going to take us many fewer days per year to do the governing than it's taking us today. And instead of needing 70 we're going to need less than that because we're going to be, instead of playing games and wondering how in heck to do a thousand things that we hadn't prepared for, we're going to do them because we're know what we're doing. So I say that it is totally the opposite to increasing our problems. It is reducing them.

Now I know it is an extremely unusual way for human beings to act . . . is to know what the question is before starting to answer. And mostly we start building a building without knowing whether it's going to be good for cows or horses and exactly how we're going to look after them.

The plan here, I think, is great if we can follow it. We will once again be leading the nation as Saskatchewan has many times in the past.

Mr. Strelloff: — Mr. Chairman, members, I agree. You need to have it all on the table to know what the trade-offs are and where we're going. If you don't have it all on the table in terms of planning and also in terms of being able to manage and then hold the government accountable for

those plans and results, you're not dealing with what's really going on. And then move it out into a 1, 2, 3-year time frame would be the next step, certainly help your ability to scrutinize what's going on and discuss and assess whether moving towards either increasing health or cutting health compared to taking on a specific investment in another area of the economy is the right decision. How could I argue against the recommendation that government should plan, manage, and account for its operations as a whole?

I mean, they shouldn't plan, manage, account for the government as a whole? Is that what the belief is? Or that we recommend that an annual financial plan showing the proposed revenue-raising and spending programs of all government organizations should be presented. If I argue against that, does that mean that there shouldn't be an annual financial plan with all proposed revenue-raising and spending programs on the table?

Now the government has moved forward on this other one, that governments should prepare an annual financial statement showing the whole. Well am I supposed to argue that government should not prepare and issue a financial statement showing the whole? These are just basic planning management and accountability tools that are essential.

Mr. Chairman: — I've got a lengthy speaking list here. We'll take a five-minute break right now and get back. We have myself, Mr. Sonntag, Ms. Haverstock, all with comments to make in this area. Take a five-minute break.

The committee recessed for a period of time.

Mr. Chairman: — I was next on the speaker's list. I have just a quick comment about something that you said, Wayne, about the process and the issuing of a financial statement and mid-term report. I totally agree with that process, but one of the things that Mr. Anguish was alluding to about process and how you would have to charge the process in order to accommodate sort of moving down the road, as the opposition Finance critic I reviewed that particular document and found a lot of things that I could take issue with.

Mr. Strelloff: — Which document?

Mr. Chairman: — This is the mid-term report issued by the Finance minister, okay, on numbers. Okay? And as Finance critic you have to become a bean counter and . . . but the numbers, okay? I find a lot of issue with some of the numbers that are in the mid-term report. So in our present form of politics in the province I come out with a critical statement.

But there's nowhere really for the legislature to analyse that particular report because as Mr. Anguish says, we're locked into sort of a 70-day regime here because the taxpayer won't stomach paying us per diems for longer than that. So we don't have a session of the legislature when that mid-term sort of overview of the province is projected, to analyse it and debate it and see if we're on track.

Like you talked about a plan, and about as Mr. Kujawa

said, you started the construction of this building. And this mid-term report is given but there's no scrutiny process attached to it. There's no standing committee of Finance, for instance, of the House, that's sitting mid-term to give an all-party view of where we're at.

Mr. Strelloff: — Or if it's not referred, for example, to this committee.

Mr. Chairman: — It's not referred to this committee to debate, to know whether that plan is totally factual, or if it's partly factual, or if it's pie in the sky. Okay? I mean it's just simply presented by the bureaucrats in the Department of Finance under the direction of the minister, regardless of stripe. So right there you have a fundamental process problem.

I'd like a comment from you. If this, and I agree, is a good step for government to do is to issue a sort of a six-month . . . How would we pick that up to ensure that there's accountability and everything else that goes with that process before you would go to the year end in your normal budgetary cycle?

Mr. Strelloff: — Mr. Chairman, members, you focused on the mid-year report, and the first comment has to be that it's a good thing to have a mid-year report. I mean that's pretty obvious. Now how do you scrutinize whether that mid-year report is valid or is rigorous?

Well over time, as those mid-year reports begin to report on the whole, rather than perhaps I think that mid-year report is focused on the combined or the Consolidated Fund activities which are department activities, but what you should be looking for over time is statements of assumptions. There may be three or four key economic assumptions that drive whether a forecast is reasonable. And identify those assumptions and make sure that mid-year reports contain those assumptions.

You should have some assurance that the mid-year report is based on . . . there should be a statement in the mid-year report that says: we prepared this forecast using the same accounting policies as we use to prepare the summary financial statements for the province. So by having that stated, you know that there should be a degree of rigour into the administrative routines to prepare that information.

And the third one is that it should of course report on government as a whole. And there should be a statement in there that shows that.

Now that's just a first step. If that's taking place, that gives you some assurance that there's some underlying rigour to these forecasts. The actual forum for debate is a more difficult issue. I mean maybe the government or the legislature is moving to a fall and spring session. And if that's the case, the fall session, the timing is just right for that kind of debate; and then the spring session is for the financial plan.

So if it does move that way, maybe there is a forum that is developing.

Mr. Chairman: — Because the one area that I found the

most to question is the side that you've identified most over the last number of years, is sort of the Crown side; and whether those forecasts on the Crown side, given rate increases and other things, are totally accurate, given sort of the climate of the province and some of the other things that the Crown's involved in.

And I, quite frankly, don't think that they're as presented, but that's only my view of it. And I think there needs to be a different format to give accountability to those forecasts.

Mr. Strelloff: — Well that's . . . when I say that the financial reports and plans should be for government as a whole, one of the essential elements is to bring in the financial results, the actual financial results of Crown corporations into the mix, not what a particular government chooses to pull dividends out during a particular year or not.

That part is not the key. The key is what are the total earnings of SaskPower for the first six months, and what do you forecast for the next six months, and what's your plan in terms of using, say, their net income. Are you going to reinvest it into SaskPower, or are you going to reinvest 50 per cent into SaskPower and use 50 per cent to do something else with?

Without bringing it all together, you're always left wondering whether the forecast is accurate, or is real, or is rigorous.

Mr. Sonntag: — I think, Mr. Chairman, I'll be very brief because most of the points have been touched on already. With all due respect to my honourable colleague, Mr. Kujawa, his analogy used with building a house doesn't mean to suggest that when my father built a house years back, he just kept adding on and didn't really plan.

Mr. Chairman: — Most of us live in houses like that.

Mr. Sonntag: — He didn't plan family size either, for which I'm eternally grateful.

I think there would be some practical changes, though. I think I would agree with Mr. Anguish here. I think that initially we'd be looking at increase in the number of sitting days, a substantial increase. We may eventually . . . And I'm not taking a side on this because generally I agree with the statements that are made here. I think it would be excellent, sort of an ideal world where we could have everything planned ahead of time and have all of our plans laid out for discussion.

I would envision though, maybe a number of years down the road, where we would be looking at fewer days; we'd maybe reduce the number of days. But I think what would be required would be a change in public mentality, maybe where there would be a move maybe more to the U.S. (United States) model where there'd be much less partisanship and more to regional interests.

I just simply make those points because I think everything else has basically been said. But it's my opinion that without question, there would be changes if we were to follow this model. In practical terms there would be

changes. And I'd just leave it at that.

Ms. Haverstock: — Yes, I'd just like to add my comments, Mr. Chairman, on this issue. I see the central point to all of this being reform, and that what is very, very much contingent upon any of this working would be more participation by all members; in other words not the decisions being made by a select group. And we do have 66 members in this legislature.

What that would do to focus specifically on reform — which usually does not cost money, it's just based upon will — is that that would equal a change in process, and a change in process is going to ultimately lead to the paradigm shift to which Mr. Anguish made reference earlier, that there really needs to be a paradigm shift if in fact any of this is going to be plausible.

I think that it needs to be looked at in a realistic way and I do think that, of course it's going to look idealistic if we're looking at an end result. But what we have to do with anything in terms of making things achievable is to set goals and objectives that are achievable in small pieces. And I think that all of this is reliant upon two things: first, a political will, and secondly, personal commitment.

And Mr. Sonntag had indicated that it also requires public mentality changes. And I think that the role of people who are elected to be representatives of the people are also to be models for the people, and that it's very much the responsibility of people who come and are placed in charge of the public purse to demonstrate to the public that they can become much more accountable because of the responsibilities that they have been handed over from the public at large.

So I just think that this is an extraordinarily important thing that we're talking about today, and that to simply dismiss it as unachievable isn't acceptable. That what has to happen first of all, of course, is to look at how do we make it achievable, and perhaps be willing to take it in its doable parts. I would encourage everybody to be participants in this.

I know one of the complaints that I hear from people is, you know, there are 66 people there, but what do they all do? And maybe we could all be part of showing people what we could be doing by starting off with ways of trying to determine how we can implement something like this.

Mr. Anguish: — As I said previously, Mr. Chairman, I like the idea of having more involvement by the Assembly in planning, managing, and reporting, and the whole accountability cycle. I still maintain there's some logistical problems. I mentioned the ones about just the length of time that I think it would take if we just all of a sudden emerged into this type of a process. But I think it's certainly worthy of some further study by government.

Some of the other logistical problems, I suppose, is that . . . and some are minor — for example the fiscal years differing. Most of the Crown corporations have a fiscal year ending December 31. The government fiscal year ends March 31. And maybe that's a problem, maybe that isn't a problem. But it's some logistics that I see that need to be looked at.

I would also think of things like SaskTel and some of the communications ruling federally, if they're in competition with another communications company, do they want their budget being totally aired in public when they have to have some confidentiality because of competitive reasons in the market-place? That's another logistical problem that I see that would have to be worked out.

If those things come to mind that readily, I have to assume there would be other logistical problems as well that have to be worked out.

I'm wondering also whether the legislature is the only forum in the Legislative Assembly to deal with this. I find, in terms of both federally and provincially, the Public Accounts Committee as being one of the more meaningful committees. And anytime we can stay away from political harangues that go on, and I know I'm as guilty as anybody in the past of doing that, but if you can stay away from those types of political harangues, the Public Accounts Committee becomes a very meaningful committee. And I think that people in the comptroller's office and in government and in the auditor's office take our work to be very seriously when we do serious work.

And I'm wondering if it wouldn't be possible to, one, phase in this type of a system so that you don't do all the Crowns. And the chairman and I talked briefly during the coffee break, and that you maybe deal with one Crown corporation and you work out the kinks and logistics in that, and then you phase in maybe three the next year. And over a five-year period, you get to the point of where you're dealing with all of the expenditures of government, whether it's in Crowns or agencies or government departments.

And it might also be possible to utilize the Public Accounts Committee. Or it may be advisable to revive a number of the committees that are standing committees of the legislature that are not currently active to utilize those resources as far as the process, and then once all the details have been gone through and scrutinized by the committee, to forward that to the Legislative Assembly. And I can see those things saving time. I still see this as very cumbersome, even on a phased-in process of completing it in the period of time in which we're accustomed to sitting here. But maybe by utilizing the committees a bit more, that could streamline it so that we are dealing with it in a shorter number of days.

And I guess in conclusion, what I'd like to see happen with the committee is that when we report to the legislature, that we ask the government to examine the advisability of moving in the particular direction that the auditor and the Gass Commission set out, but I think more importantly the position that the auditor sets out in making us more accountable and giving us more of an ownership in the process of government's accountability and the setting of budgets.

Another thing that the chairman and I talked about briefly during the coffee break was that sometimes being a back-bencher in government is a fate worse than death. And I think that the chairman agreed with that, in that you

seem to have a lesser role in terms of the overall activities that would be a target to the legislature. And I think that all members, whether they be in government or opposition or third parties or independent members, would feel a real sense of more ownership in the process if they were able to scrutinize and provide advice and be involved with the establishment of budgets and then comparing budgets to actual expenditures to see whether or not targets are met.

I think it's important to have some gauging over time as to whether or not the plans that are set out are met. And if they are met, does that apply to other Crown corporations or other departments? As long as we can do these things in a timely and efficient manner, they're certainly important, I think, to proceed with. So in our report I'd like to see us asking the government to examine the advisability of moving in this particular direction.

Mr. Chairman: — Anyone else on chapter 1 on observations?

Mr. Strelloff: — Mr. Chairman, members, so my understanding is that the members do support our office's recommendation that the government should move towards planning, managing, and reporting for what it does as a whole, and that the government perhaps should come back and advise with a strategy or something on how this should be done. And how this should be done, as you say, might include sectoral legislative committees that over time will look at various components of the plan and the management strategy and therefore feed into the Legislative Assembly and also by doing that, would provide individual members with a more active, responsible role in overseeing what the government is doing with public money.

Mr. Anguish: — I don't disagree with anything you've said other than I think that government and resources . . . Like, we aren't swamped in terms of resources to carry out some of the detailed analysis that has to be done of this in terms of logistics and how it would come into place and the method we'd use to deal with it. So I think that government, with the resources that government has, to look at it and come back to us and maybe provide us with some opinions and what the problems are in bringing this in and what we can do to overcome those problems.

Yes, I don't think we disagree with the direction you're taking. In fact we agree with the direction you're taking. It just needs some further study by the government.

Mr. Strelloff: — Would you also support our recommendations that as we move to planning, managing, reporting on government as a whole which is, when you think of it, is just a basic accountability management function, that we also move towards a three-year planning horizon so that things can be discussed, debated, assessed in context, not in just a one-year horizon which we all know is really hard to deal with.

Mr. Anguish: — Yes. In fact I'm not sure that three years is long enough.

Mr. Strelloff: — Could be five-year cycles.

Mr. Anguish: — One of the problems when you're dealing with one year at a time is that the information, in terms of the format we use now, is not timely. For example, what are we dealing with? We're dealing with your report now ending March 31, 1991, and we're past March 31, 1992,

And I think that a longer-term plan, whether it be three years or five years, would help put things into a perspective where you feel it's still a meaningful part of the budget cycle and the planning process. Whereas now sometimes the items get one, two, maybe even parts of three years behind, and I don't think it feels as meaningful for members to be involved in that as it would to be in a long-term plan. So yes, we support a longer-term plan.

Mr. Strelloff: — I just have sort of a last comment. You do have a starting point with those summary financial statements. All members . . . to me if I was an MLA, all my financial questions would be in the context of those summary financial statements.

And when I hear an answer from a legislator or government member about a financial issue, the first question I would pose is: is that in the context of the government as a whole as reported in the summary financial statements, or is that in the context of the more limited usefulness of the useful Consolidated Fund financial statements? Because if you move it that way, you're beginning to debate, understand, and assess what government does in the whole context.

And that's a really important step, but you have to shift it. You have to shift the discussion and questions. And it's not easy because in the past the discussion has been primarily in the context of what happens in departments, and the revenues and expenditures and surpluses and deficits are all in that one context which doesn't give you the perspective.

If you move those questions, then you begin to automatically ask planning questions in the whole and management questions — management in the sense of resource allocation trade-offs. Why did we move money to health versus to new power lines? Those decisions are being made, and that one first step is really important, a real important, positive step, if it's used as the key financial accountability document. It's just a really important step.

Mr. Chairman: — As a final comment on this chapter, it's nice to know that two members of the Board of Internal Economy are amongst our members because I go back to the position that the committee took last year. And the vice-chairman and the chairman felt fairly strongly that some type of research capability, probably through the Legislative Library or somebody else, would be advantageous to this committee, Crown Corporations, and any other committee that was thinking about new horizons. Without competent people to advise and work with you, beyond what we have available to us, it's very difficult in the busy life of an MLA to take that extra leap. This committee seems to be fairly uniform in its focus about change.

My experience in both government side and opposition is that unless something gets put down in black and white and one can be a proponent of change, it's all treated as pie in the sky at times. And this committee may have to lead. The only way that you can lead is to provide arguments that are built on a sound basis rather than simply your own argument. People will argue with you no matter what your position is; if you can back up your arguments they tend to not want to take you on, and I firmly believe that at some place there has to be that component that all members of the Assembly feel very comfortable with rather than on a partisan basis, I just leave that out there with members to mull over, but I think it would be a sound investment for the taxpayer.

And I'm glad somebody from the press is here this morning because it would mean additional costs that would have to be borne by the taxpayer.

Mr. Kraus: — I haven't said anything all morning and I just wanted to comment that a committee like this can be quite effective and has been effective, but just supporting what you're saying, if the government was going to . . . if this thing was to develop and you were going to have other committees to examine, for example, the Crown corporations' budget, I don't think you could be that effective if you didn't have resources. Because for one thing you have to give some thought as to what you want to ask and you have to have an analyst, it seems to me, to do some work.

And I would even say that your committee here would be much more effective if you had that, where they can examine these issues with the parties and then when the people come in, whoever they are, they would even be able to prepare for the questions that you would probably develop well in advance. And they wouldn't be generic questions, they'd be very specific.

I'm just, I guess, trying to make the point that if these committees are going to become more effective than they are, they probably need that analyst support. Just an observation.

Mr. Van Mulligen: — We've dealt then with .06. Mr. Anguish took the position that while we may not agree with the auditor's emphasis that the government should present a financial plan, we certainly are of the opinion the government should be examining this question. And I don't know how . . .

Mr. Anguish: — Is that a summary of what I said?

Mr. Van Mulligen: — Yes.

But the auditor is saying the government should do this. We're saying that that's a good idea, but we think that the idea needs to be examined further before we can take a position saying yes, you should do that. I think that's a fair and reasonable approach to take. So in terms of the report from the committee, I think that's our understanding on that.

And as to the three-year statement, three-year plan, I agree. I mean I might point out that the government last year, I think for the first time, announced the

revenue-sharing objectives that it had for third parties, to school boards, municipalities, and the like, and I think hospitals as well, and give a two-year horizon to universities, a two-year horizon as to what kind of money would be available from government. So I think that's a step in the right direction.

I think that three-year plan is an appropriate vehicle to let people understand where the province is headed.

Ms. Haverstock: — I guess I have a different perception of what has transpired here this morning, and that is that I heard the member say that this in fact is something that the government should be doing, and that in presenting it to the government, that what they were going to do in return, one would hope, is to indicate what might interfere with their being able to do it and how they would go about making some changes, not whether or not they would do it. Did I misunderstand what was derived from the discussions?

Mr. Chairman: — I think it's a little bit open to a personal interpretation. I think I detect a willingness by the committee to endorse what the auditor is saying and we want the government to explore the resources that are available to begin implementation. Now what those resources are, they're not identified at present. We don't have a researcher attached to this committee. We don't know what's going on in the internal organs of government right now that may already be on that track, and I think that's what Harry is saying maybe . . .

Ms. Haverstock: — Well I misunderstood. I thought what Harry was saying is that we in fact are endorsing this, but the government then has a choice to say whether they will or will not do it, rather than presenting to us some approaches that they may take in order to endeavour to do some of these.

Mr. Anguish: — I think that the debate that we're kind of getting into now would be more appropriate when the Clerk prepares our proposal, and that's when we can debate what really was said because that's what's going to go into the report to the legislature. And I think when that's prepared, if there's some disagreement on what we feel we're saying, then that's the time to maybe correct it. And for now I think it's just a general direction.

Ms. Haverstock: — I just wish to be on record for how I interpreted this because I had a sense that Harry was stating that he was summarizing what he thought took place in our deliberations and I didn't quite concur with your interpretation.

Mr. Van Mulligen: — Yes. Again, like my feeling is . . .

Mr. Anguish: — He might not be here when we actually finish the final report so it doesn't matter.

Mr. Van Mulligen: — My feeling is that I agree in principle with what the auditor has to say; the government should do that. Okay? But that doesn't necessarily mean that I want to say to the government now, well you should do that. Because I'd like to get some feedback from the government as to what they think of this principle. In principle it's a great idea for my health

and whatever else, to go on a 20-mile hike today. In actual fact it's too cool to really contemplate doing that. And so a principle is a great idea.

In practice things may not quite work out the way you think they should, and you'd like to have some idea as to just how these principles might work before you come to a final conclusion, and say yes you should do that, having examined the various concerns that you raise and the positives and negatives. It's fine for us to sit here in isolation without any feedback from the government as to what implications there are and say, hey that's a good idea, you better do it.

Well I'd say it's a good ideal; I agree with it in principle. But I'd like at this point then to say to the government, I want some feedback from you before I go to a further step and say, well we want to now recommend to the Legislative Assembly that you in fact do that.

Ms. Haverstock: — Yes, and I misinterpreted then what you were saying. I didn't think that what you in fact stated in your summary was that one was simply, from this committee, asking the government for feedback. I thought that the statement was whether it would or would not do so.

And I think that there is a concurrence here about the value of these recommendations, and that I think that it's important for, first of all, the government to understand that and to then present ways in which some of these things may be able to take place and those things that would interfere with them being able to take place which is very different from either an acceptance or rejection of these recommendations.

Mr. Van Mulligen: — My feeling is that the discussion shouldn't end here, that we should begin the discussion about this whole process. But how that's finally going to resolve itself, I don't know. And I don't want to say, well it doesn't matter, you should do it; it's a good idea in principle, you better do it. Don't know yet. I'd like to get some further feedback.

Mr. Serby: — My comments will be really short because I think Harry just summarized what it is that I was going to say. That is that it seems to be that the discussions around future process and direction in terms of how we want to reach this whole accountability process that we're talking about here, it really began right here with this particular committee. And that we need to provide some leadership and I think those were your words, Rick. And it looks like we have that kind of unanimity here, at least in terms of understanding. So the process needs to come from here. How that translates out, I think, into the bigger picture when we talk about, you know, people's will to participate in this, what the political partnerships might be in it, I think those are all things that we need to check as we go along.

But I think we've laid the foundation and the groundwork, just in discussions that we've had from what I've heard this morning, to begin that process. Now how that partnership's going to work, I think, will depend on how all the actors are involved.

Mr. Kujawa: — It seems to me that I detected some concern about practicality of certain things in this morning's discussion. So I go back to what I think is a very old and very wise saying, that there's nothing more practical than a sound, basic principle. And I would like to emphasize that, that there is nothing more practical than that. And if you go without principle, in other words without a plan, that's the most impractical thing you can do.

Mr. Chairman: — Perhaps we can move on to the next chapter here then which is the . . . (inaudible interjection) . . . I thought we had gone through the points but if you wish to proceed from section 6 and 7.

Mr. Van Mulligen: — Seven, I think we agreed that there should be a three-year plan; .09, the annual financial report. Was that a summary financial statement? Is that what you're . . .

Mr. Streliaff: — That's what's happening, they are moving in that direction.

Mr. Van Mulligen: — I think the government's moving in that direction already. And also the question of issuing it publicly, yes. I don't have any problem with that, whether the legislature's sitting or not. I think that's what the government is doing now.

Mr. Kraus: — We go back to *Public Accounts* for March 31 already through the Clerk's offices, yes, which I assume may put Saskatchewan almost first in terms of the whole complete *Public Accounts*. If it isn't first, it must be about second anyway or third. We're fast.

Mr. Chairman: — That whole section, is everybody comfortable with it?

Mr. Anguish: — Which one? — 8 through 10?

Mr. Chairman: — 8 through 10.

Annual reports. What about that one on 14? It's always been a problem.

Mr. Streliaff: — Mr. Chairman, members, just a comment on 12 and then 14; 12 is being . . . the significant improvement has been made in that area in terms of preparing any reports for each government organization and making them public; 14 is an important one, a very important one. The analogy or the example could be . . . The example is NewGrade Energy, is right in paragraph 14.

And what we're suggesting that the legislature needs from the government is an explanation of what the objectives are of holding that investment. Now the objective could be for employment purposes, could be for, I don't know, some other purposes, but a clear statement on what the objective is to hold the investment. Or it might be a new transaction that might be entered into.

The second thing that would be part of that is, given this objective, what are the specific criteria that you're using to make sure or to assess whether that objective is achieved? For example, if the objective of the NewGrade

is to increase employment, then the criteria probably would relate to how many jobs, what type, where, how much, what do they cost — or, not cost, but the salary levels — how long are they expected to last? So you have specific criteria to assess whether the objective is being achieved. And then you would expect a very thorough analysis of the financial implications, the expenditures, revenues, just what do we expect this objective to cost over what time period?

Now if you actually have that set out in a public way, you actually can assess performance; otherwise you can't. I mean if you don't know what the objective is and how that objective was to be achieved and what were the expected costs and revenue implications, I mean you don't know if it's a good investment or a bad investment or whether it should be changed. Without that specific analysis provided to the Legislative Assembly, the Legislative Assembly would have a hard time just understanding and assessing.

Now the analysis could be done . . . Well for the existing investments, the analysis — and I think the government in its progress report on the Financial Management Review Commission has suggested that they are going to do these kinds of analyses — the analyses for the current investments should be made public right now. I mean if that kind of analysis isn't there, one would have to be concerned.

For ones that are for new transactions, they could either be done before, the analysis could be done before . . . For example, perhaps the regional health care issue. I mean there's a lot of transactions are taking place there. There should be a framework for assessing the objectives of that, and that should be done before or immediately after through an order in council. And only then would you, at least from what I can see, be able to assess the performance and understand the merits of the alternatives that have been considered.

So paragraph 14 has a lot to it and it goes right at the heart of basic management and accountability for spending public money.

Mr. Anguish: — In 14, the concern that I have with that is the financial statements in each corporation. Are we able to make that happen if in fact the government holds less than 50 per cent of the voting shares and the board of directors decide they do not want the financial statements of their company aired in public because they have no obligation other than us obligating them to make those financial statements public?

Is there not some other wording in there that could give some level of comfort that the corporation is on a sound financial footing. If the government, for example, could maybe look at return on their investment, what they've . . . (inaudible) . . . as opposed to the financial statements. And I'm not sure, if the government holds less than 50 per cent, that we could get those financial statements.

Mr. Streliaff: — Mr. Chairman, members, I would be worried that the Legislative Assembly would not be able to have access to the financial statements of such corporations where significant public monies are

involved. If you don't have access to them, then there must be a specific reason. The general rule one would expect of transactions involving public money would be that you would get the information.

If there is a specific reason why in a particular circumstance you should not have access to that information, well then those reasons should be brought to your attention for your scrutiny, challenge, and agreement or disagreement. Remember, you're the audit committee of an organization that has 9 or \$10 billion of inflows and outflows each year. I mean you should be able to get access to any information you want.

Mr. Anguish: — Not if we hold less than 50 per cent of the voting shares and the board of directors says no, we're not making our financial statement public. I don't know how we could compel them to do that.

So I ask, is there not some other financial information that could be provided to show that the investment by the government was a good investment? Like, return on investment. What have we gained by making this investment of 1 or \$200 million? What have we got back from it?

I just don't think that in every case that basically what is a private company, or you refer to it as a mixed corporation, I don't think they would always be willing to come forward. Even though the government votes may want that to happen, not having more than 50 per cent of the votes, I don't know that they could compel that to happen.

Mr. Strelloff: — Mr. Chairman, members, one would have to wonder entering into a transaction that you couldn't get access to that. That should be, as far as I can see, a condition of the agreement. But if it wasn't, then there should be a specific reason provided to you why you can't have access to those financial statements, at least this committee having access to those financial statements.

And then if that's the case, then you move to, okay I'd like a specific analysis of what is the objective of our government holding that investment. How do we know? What are the criteria being used to assess whether that objective is being met? What was the ... what are, right now, the expected impacts on revenues and expenditures? And what has happened to date?

So you move to a different kinds of analyses if for some reason you don't ... Well that analysis should be there regardless, if that would accompany the financial statements. But if you can't for some reason get the financial statements of the corporation, you should at least get that type of analysis.

Mr. Van Mulligen: — I think Mr. Anguish makes a good point. I'm not too sure that it's going to be a problem in the future, but this type of condition certainly would not be a problem in the case of any government investing or setting up a partnership with a publicly traded corporation because a publicly traded corporation has a requirement to file financial statements with shareholders, with the Securities Commission and the

like. So at least that level of information should, I think, by the government be made available then to the Legislative Assembly so that the members of the Legislative Assembly at least have the same information that's available to other shareholders, and you don't need pick up a share in the company to get access to the information. I think Saskoil is probably a relevant example of that.

But many of the deals that were entered into, or some of the deals that were entered into by the previous government, were not with publicly traded corporations but were with private corporations. Cargill, I think in terms of Saskferco, is probably the best example of that. These people have no requirement to file any financial statements with anyone. And I don't know what the deal is with them and what requirement there is that Saskferco issues a public financial statement; I don't know. But I think Mr. Anguish raises a good point.

Mr. Kraus: — I just wanted to say that I appreciate what you're saying there. And if the government was to pursue this, they'd have to be very careful as to what exactly they wanted to monitor. I'm not so sure that you have to have the financial statements *per se* to measure the objectives.

And I don't know what the objectives of Saskferco are in particular. I'm sure you'd find they could be well defined. But how you measure whether you're meeting those objectives wouldn't always necessarily mean you'd have to have a financial statement, although as an accountant, I think that there's some comfort in that.

But I agree, you can get yourself into a situation that private companies like that — and there are many of them that are large — they're just simply not going to provide that information to anyone; that's an internal matter. And you wouldn't want to forego the opportunity to do business with a corporation like that simply because they are not required to provide financial statements publicly.

Mr. Van Mulligen: — Just in an addition to that, you know, I agree generally with the recommendation. I think that there could be the odd problem, and I guess that's something the government will have to report. But like I think for years the provincial government carried on a number of shares in IPSCO, which is a publicly traded corporation, an entirely legitimate exercise for that. I don't know whether financial statement as such ... or at least there's a report to the Assembly saying, look, this continues to be our shareholdings; here's our objectives initially why we got into it, and these continue to be our objectives, and we invite you as a Legislative Assembly or at least a Crown corporation to ask some questions about is this continuing share a relevant thing for the government to participate in.

Or Saskoil used to have X number of shares. You know, here's your objectives for owning that. And yes, you should ask some questions from time to time, whether the government should continue to have shares in that company at all or a certain level of shares. What's the objective? Why are you holding that? I think that's an entirely legitimate exercise because it's public funds, the same as any public funds that are invested elsewhere, and you've got an opportunity to ask why are you spending

the money. So it's a legit exercise.

But I think Mr. Anguish points out a problem that may exist with some existing deals. I'm not sure it's going to be much of a problem in the future, but it may be . . .

Mr. Chairman: — It isn't reality today in Canada that government, rather than simply lending large amounts of money to attract industry or business or whatever, will be taking equity positions, either hard equity or what would be sort of a soft equity with various time frames attached to liquidating that equity. Taxpayers are saying we don't want to have anything to do with these things unless we have some knowledge that we can get our investment back out; therefore take equity, don't just loan the suckers money, okay?

In almost every sense of those deals, you will have commercial considerations attached to them. It doesn't matter if you're in the oil business or fertilizer business or what you're in, you will have commerciality as a fact of life. You may have a co-op involved which isn't necessarily a publicly traded company; it is simply a consortium of the people who make up the co-op. And it can be big or it can be small.

And I don't know what the answer is. I've often thought maybe you should, in these transactions, have a sunset attached to them that when you enter an equity arrangement you have a set period of time in which to either liquidate your equity or transfer it to a publicly traded company or something that gives the taxpayer confidence that that thing is meeting some objectives within a certain period of time.

The objective of Saskferco by the previous government, I know was to spin the 49 per cent off to other people within a certain period of time. I don't know what the new government's intentions are in that regard, but that it had some type of time limit attached to it.

And I don't believe for a minute that you're going to get Saskferco as they cut their way into the world fertilizer market, telling the rest of the folks what the margins are. And even if it was an all government-run operation, they'd be very hesitant to tell the rest of the boys in that game who are all very large, that this is what my margin is, and I'm going to cut market share out somewhere and I'm going to use this margin to get it. Now I don't know how you balance that with accountability.

Mr. Strelieff: — Well, Mr. Chairman, and members, it's the level of detail. Do you provide very specific information about industry strategy or corporate strategy, or are you backing off a little bit and setting out the general objectives of the government of holding that investment in Saskferco and how they hope to achieve those objectives, over what time frame, so that there's a general understanding of why we're in that business.

Now the specific corporate strategies, I mean if this committee wanted to discuss those specific corporate strategies, they could move *in camera* and ask them, or they could say okay, I understand that those more specific questions do impact competitive advantage for these reasons, and let's just back off at that point. But it still

doesn't . . . just the general principle of when you're setting out large amounts of public money, that there should be some sort of framework for setting out what the objective is, how you expect to achieve it, and the cost implications and performance to date. I mean that seems just too much of a general principle to argue against.

Mr. Chairman: — We've got just a few minutes here before the adjournment time that we agreed to. Does anyone else have a final comment? Do you want to close this section off? Do you want to leave it open for further discussion? What do you want to do with it? Do you want to just adjourn and leave this section open or do you want to attempt to refine it more in a few minutes, or just leave it until afternoon.

The committee recessed for lunch.

Mr. Chairman: — Call the meeting back to order and we can just keep perusing the notes provided by the Clerk on the special report.

Has everyone had the opportunity to look through the draft?

Mr. Anguish: — I'm sorry?

Mr. Chairman: — I said, has everyone had the opportunity to look through the draft?

Mr. Anguish: — I'd just like a couple more minutes if I could, please.

Mr. Chairman: — I guess mainly we were down to one particular item that was kind of left outstanding — and certainly anybody else that has other areas they wish to comment on — but it was section 3-3 in the special report which corresponds to section 10(c) in the draft. It was more or less outstanding, and that was the changes from the office of Executive Council, as recommended by the auditor, to the appropriate department or agency for the combination of *Public Accounts* and annual reports.

I guess the concern I would have with it is that in current annual reports, as I know them, there is no special notation that would identify costs associated with ministers. They're simply lumped in with expenses.

I think if it wasn't covered off in *Public Accounts* and you wanted it in an annual report, you should have a notation . . . (inaudible interjection) . . . that if there was something that wasn't covered off in your *Public Accounts*, the option being here that it then would be disclosed in the annual report, the appropriate entity. Nowhere in there is there an item that identifies that particular cost right now.

And I think for clarity of the public, you would want something that was consistent all the way through all annual reports.

Mr. Anguish: — Maybe I shouldn't have assumed this, and I don't know the process whereby Crown corporations would be asked to alter the format of their annual reports, but I was under the assumption, Mr. Chairman, that by approving section 10(c) that the Crown corporations would be required to include in the format

they use for their annual reports a section to disclose the expenditures made by that particular Crown that would be associated with a cabinet minister.

Mr. Chairman: — Well I'll let the auditor or the comptroller comment on that.

Mr. Kraus: — Perhaps the Clerk could clarify if I'm wrong but I thought that when the committee, the Public Accounts Committee made a report of this type to the legislature, that even though they accept it, it doesn't mean that there's anything binding on the government. And that the government still makes the decision as to whether or not it will follow up on any of these things.

And for example, if they decided, yes, 10(c) was an appropriate course of action, then I think someone, Executive Council and probably Finance both, or CIC, any one of those three or all three would probably have to issue letters to all of the Crowns to advise them of this because I wouldn't think anybody would be particularly aware of it other than ourselves.

Am I right in that assumption, that the government isn't compelled to do any of these things even though it's recommended, accepted by the legislature?

Mr. Strelieff: — Mr. Chairman, members, I think what the chairman was getting at was that if you have an annual report of a Crown agency or commission and the corporation is required to disclose specifically what the costs pertaining to the minister are, there should be one place to look for it.

And one idea is to say for those types of Crown agencies, the expenses incurred should be disclosed as a separate item in the notes to the financial statements of that organization. So that you just go to one place and if you want to know what the minister's costs are, you know exactly where to go to find it. If you find the first one, it's just in the same part of the annual report for the next corporation or agency or commission.

And if you signal that it should be in the notes to the financial statements, then I'm sure Gerry and his officials will coordinate one standard wording, one standard approach to it and they just drop the note in saying, here are the costs pertaining to the minister as related to the Sask Crop Insurance Corporation or whatever it's called.

Mr. Anguish: — I don't want to predetermine how the Crown corporations would alter their annual reports to reflect this. I don't think we need to write that here today. But I would assure the chairman of the committee that it was our intent that yes there would be a note in the annual report in regard to either the balance sheet or under expenditures, at least there would be an asterisk or a section that would be provided if in fact that Crown corporation made an expenditure associated with the cabinet minister. And then you'd refer to note 1 or 2 or 3 or 4 and it would explain what the expenditure was.

Mr. Chairman: — I only mention it, Doug, because I've just glanced at a couple of them. Usually they have an expense thing there and it says \$9 million. And I'm sure somewhere in the \$9 million . . .

Mr. Anguish: — Our intent was, and again I stress I don't want to try and write the new section that would be in there for Crown corporations annual reports, but certainly that there would be specific disclosure of that and it wouldn't be lumped into a \$9 million sum or a \$1 million sum. That there would be an asterisk to see note whatever and then you could refer to the notes to the financial statement and it would disclose what those expenditures were.

Mr. Strelieff: — That's what I said.

Mr. Anguish: — Yes. So I think we're in agreement on that.

And I guess the other point I want to make is that I feel that the draft copy reflects the conversation that we had discussing the special report of the Provincial Auditor and we concur with the draft.

Mr. Strelieff: — Mr. Chairman, members, you're still putting the permanent head responsible for a corporation or a department in the awkward position of paying for goods or services that were not provided to that organization and that he's not responsible for or accountable for. And when we ask the question, which we're going to be asking the question around the government organizations, we'll be asking: have you, deputy minister or CEO (chief executive officer), paid for any goods or services that haven't been provided directly to the corporation? I would expect that they would be telling me, yes I have and here are the items.

Mr. Anguish: — And we still appreciate the concern that you've expressed on that previously, and I guess that we'd be willing to deal with that when the time comes. And if appropriate measures would be required in the future, then we'd have to address them. And I'm sure that if you have concerns about that, that it will be noted at some future date in your Provincial Auditor's regular report.

Mr. Strelieff: — Well one way of helping them out a little anyway is to perhaps have a separate subvote or something that just says, here are the minister costs and they are the responsibility of the minister and not the department head. So there is a specific item that splits the responsibility a bit so it gives the permanent head some ability to manage what they're responsible for and say, well the minister is responsible for that item. So it's just a separate identification in the *Estimates* or the *Public Accounts* that say, here is the cost of the minister's office in this department; it's the responsibility of the minister.

Mr. Anguish: — Would that appear in the budget estimates as well or just in the *Public Accounts*?

Mr. Strelieff: — Both sides.

Mr. Kraus: — I know it sounds easy to do but keep in mind some of us have the view that there's far too many subvotes anyway, that if it was to be done . . . If you could do it magically, you might reorganize and make larger subvotes or organize the thing differently. And this is my opinion, not necessarily everyone else's in Finance.

But I just find that . . . I would question whether you'd want to identify another little bit like that separately. Quite frankly I don't care who you are, you can't budget with complete accuracy. And you're going to try to keep that number small . . . try to keep it reasonable, rather. I use the word reasonable. It's not going to be very big. You could say, well they shouldn't over-expend. But that means then there is another little subvote there that if it's overspent, you're going to have to vire money into it. And I can see . . . I don't know whether you gain a lot by this. This is a personal opinion obviously. I'm not just giving you facts here.

Mr. Kujawa: — If we're saying in our recommendation that people shouldn't give things away for free and the contrary, then why leave a gap in that general rule for a deputy minister of a department when he is going to have to spend God knows how much money on someone he has no control over and no say in.

And let's say that the minister is dealing with three different departments. Which of his deputies is going to be responsible for providing the payment to his ministerial assistants? The first one? The second one? All three evenly? Isn't it easy to say right now?

Mr. Chairman: — One way to perhaps rectify the situation would be in 10(d) to add the words that the *Estimates* and *Public Accounts* identify ministers' salaries, travel, and other expenses by ministers.

Mr. Strelieff: — That doesn't handle the dilemma faced by the deputy minister, but at least it's separately identified as here is a component that really relates to something I don't have any control over.

Mr. Anguish: — Mr. Chairman, you referred to something about being covered under section 10 something, and I wasn't listening.

Mr. Chairman: — Oh, I was just saying that this concern of some that, rather than sort of making 10(c) any grosser in size than what it is already, that we go to 10(d). Because we're talking about the *Public Accounts* identifying ministers' salaries, travel, and other expenses type of things. You could just say that the *Estimates* and *Public Accounts* identify salaries, travel, and other expenses by ministers.

Now you run into the problem that Gerry comes up with about having to vire funds.

Mr. Kraus: — If you talk practically about it, I mean there are trips that come up from time to time, particularly for a Finance minister, perhaps some of the other development-oriented ministers. Again I believe they probably would want to keep their . . . the size of their budget — because now they have their own little budget — reasonably small. And yet what happens when they do need to take a trip now to New York and they hadn't planned it?

Mr. Strelieff: — Well that's reality. If that's the reality I just . . .

Mr. Kraus: — Well I realize that, but I mean you have to

deal with the thing from a different perspective than this isn't just an accountability exercise without . . . Perhaps I'm the only one going to make this argument in the whole room, but I wonder what is gained by segregating the ministers' expenses separate from administration. I guess I am.

Mr. Anguish: — Well you've stood alone before.

Mr. Kraus: — Yes I have.

Mr. Anguish: — I don't know that we want to try and correct all of the possible deficiencies of government in the accountability cycle, the budget cycle, in this one meeting. And I think we're quite prepared, if this continues to be a problem, to deal with the auditor's report in years to come when you're obligated to make a special mention in your report that this continues to be a problem. And if so, let's deal with it next year, is the position we take.

Mr. Chairman: — I wonder if before having a motion of adoption here if we could wait until the end of the day. The member from Saskatoon Greystone is in the Crown Corporations Committee and will be coming back in here later, I understand, to look at this thing. So is there any problem waiting until 5 or whenever we're going to quit?

Mr. Anguish: — Does she have a copy of this now?

Mr. Chairman: — Her assistant does.

Mr. Anguish: — You'll get a copy to her so she'll maybe read it before she comes back?

Mr. Chairman: — Yes, right.

Mr. Anguish: — Okay.

Mr. Chairman: — After the break or something like that, we could ratify it.

Now if we could go back to chapter 1.14.

Mr. Strelieff: — Mr. Chairman, members, my understanding of the discussion of 14 is that we were concerned that in some cases you would not have access to the financial statements of each corporation. That was where we were at. And that why not just recognize that in some cases the objective is a reasonable . . . that you'd want to find out what the objective of making the investments are and keeping the investments. And that in general you'd like the financial statements of each corporation, but if there are particular reasons why the financial statements of a particular corporation cannot be made public or brought forward to this committee, that the reason for that be stated, and that's it.

Mr. Van Mulligen: — Mr. Chairman, again I reiterate that I have no problem in principle with the recommendation. I've always held that point of view. I guess I would like to, if it's possible for us to do this, to refer this particular matter to the Crown Corporations Committee and to ask them for their feedback on this. Because we're trying to . . . you know, we're trying to define here all the problems that are attendant to this recommendation, and it seems to

me we should ask them then what their viewpoint on this is.

Mr. Chairman: — I think that that, as I understand — the Clerk just confirmed it with me — there is no practice in this legislature of one committee referring to another. You have to refer it back to the House. The House can then refer, if it wishes, to a specific committee; that we don't have ability to make Crown corporations do anything.

Mr. Van Mulligen: — Okay. Well I would take the point of view that the committee agrees with the auditor's recommendation, but that it encourages the Legislative Assembly to further consult with the Crown Corporations Committee as to how this recommendation might be implemented by the government.

Mr. Chairman: — Anyone else with a comment on that? Could we go to government financial activities and management?

Mr. Anguish: — Mr. Chairman ... (inaudible) ... the complementary clause from the Gass Commission, its recommendations.

Mr. Strelieff: — No, it doesn't. The previous one that we just went through did, but I can't ... No, it doesn't.

Mr. Van Mulligen: — Mr. Chairman, I'm just wondering, at the luncheon today the minister suggested that there might be some impending legislation that may affect this, and I'd be interested to see what the government has in mind on this. I guess I'd like to hear more discussion and see what other points of view there might be on this question before I feel comfortable one way or the other with what's being suggested here.

Mr. Chairman: — Yes, please do.

Mr. Van Mulligen: — Central coordination is fine. Can central decision-making be far behind? I don't know.

Mr. Strelieff: — Mr. Chairman, members, it's consistent with the general direction of this chapter 1 where we're suggesting that the government plan as a whole, so a financial plan that takes into place all the component parts report as a whole which now they are beginning to do with the summary financial statement. And then if you're planning and reporting, you need to manage in a similar way.

And really Treasury Board, by legislation, has this responsibility the way it's set out right now, and it's just encouraging Treasury Board to take the responsibility and make sure that they are coordinating and directing all the financial activities of all government organizations.

As I note in chapter 15, at present there's many different kinds of segments that seem to be managed separately without someone, some group, some body helping Treasury Board look at it from a whole. And it's just basic planning, managing, reporting principles.

Members, just one further comment. Mr. Anguish mentioned something: did the Gass Commission say anything about this? They, as do, advocate a — they use

a phrase — consolidated estimates, that you use the same kind of accounting principles or accounting principles to prepare the financial report as you do the estimates, which moves you to preparing a financial plan or estimates for the whole. And if you're doing that, then the obvious is that you have to manage accordingly.

Mr. Van Mulligen: — Again, you know, the idea is compelling, it's interesting. You highlight some potential pitfalls, that is that you have coordination but you don't want centralized decision-making; or when you have central coordination that very easily slides into central direction and central decision-making. And I know what you're saying, that for government to have a better sense where all the money is spent, that there needs to be this kind of central coordination.

I guess I would like to see more discussion on the pros and cons on this. And even though I'm attracted to it, I would say that this whole area probably deserves further study.

Mr. Kraus: — Mr. Chairman, you may at some point when you call — I assume Finance would be called in in February — you might want to ask the deputy to speak to this. He may be able to explain in more detail how the current process is working.

I know before we went to the head table we were talking about it generally. And the government's position at this point still seems to be that they like to see the cross-subsidy of one Crown, you know, SPC (Saskatchewan Power Corporation) perhaps is helping out the bus corporation or the SEDCO and the cross-subsidization takes place in that CIC group of companies. And that doesn't mean that the information isn't disclosed through financial statements or that if there is a net subsidy required, it was provided in the estimates this year, and the House had the opportunity to ask questions.

I think so far anyway, it seems that they don't want to go as far as Gass had recommended where the dividends would flow, as the auditor was saying, directly into the Consolidated Fund, all of them. And then if there was going to be a subsidy for the transportation corporation or SEDCO, you would then see separate subsidies paid out to those corporations. But no, they prefer it to stay within the CIC model and attempt to manage it as well as they can and then fit that into the Treasury Board process at the end when they're preparing the budget.

Mr. Anguish: — Somebody suggested calling Finance before the committee. Do you think that if we called CIC they would have maybe a contrary point of view to Finance, or are they sort of walking in tandem on this?

Mr. Kraus: — I think at this stage we're working together. And I think it would be a good idea to have perhaps Don Ching and John Wright together. You know, then at least you can ask questions of the two people who are involved at the same time, and I think that might be worthwhile.

Mr. Strelieff: — The question that you might particularly be interested in is why wouldn't government want to plan, manage — or manage we're talking about now — in a coordinated way. That would be an interesting question

to ask. I'm certain I'd be interested in the answer.

Mr. Kraus: — But you can't assume it's not coordinated just because it doesn't come together. Remember that you do have a . . . and I'm not defending anything in particular, other than the fact that you do have ministers on both Treasury Board and the Crown Management Board, and there is some crossover there of knowledge. Presumably when they're putting the budget together on the Consolidated Fund they have some idea of what's happening in the Crown sector and they know whether they're going to have to subsidize them, they know whether or not they're going to get dividends perhaps. Hopefully we get some dividends.

So it's not operating completely independently as far as I can see. It certainly didn't in the spring.

Mr. Van Mulligen: — May I suggest we table this for potential further discussion.

There are a number of other issues, some that maybe we want to prioritize them at the end of the day as to which ones we want to tackle this year. Because some of these ones are going to be verbatim in the next report. And I mean we don't have to discuss all the issues at this point in time.

I can think of one issue or the next one that's coming up, the appointment of auditors, is no small issue. There's another one in terms of pensions and accounting for our pensions. And given the limited amount of time we have, I'd say let's table this one for potential further study and identify at the end of the day what other ones we want to look at and draw up a priority list and pursue those that are important to us at this point in time, because given the time that's available to us, Mr. Chairman, some of those issues — especially the pension one — I think this committee can comfortably spend one day, two days, three days, four days, a whole week listening to opinions on that and as to which way we should go and discussing that.

So I'd like to come back to this. I don't want to make a decision on this and say yes, you should do that. I'd like to get more discussion on that. Whether we do it this year or next year, I'm not sure yet.

Mr. Chairman: — I wonder at what point the legislative changes that were alluded to today will become evident — beginning of session, middle of session . . .

Mr. Van Mulligen: — When the legislature sits, next session.

Mr. Chairman: — Next session.

Mr. Van Mulligen: — Yes. So after the next session, we may table this. And after the next session we get a better idea and we'll also have the auditor's report again for the next year. And you know, we may come back to visit this. I don't know.

Mr. Chairman: — If there is no . . . if the legislation is less than anticipated, it will give us a good discussion point.

Mr. Van Mulligen: — Yes.

Mr. Anguish: — I think that what we're doing over this week in Public Accounts and some of the things that we're deciding will provide for good discussion in the coming two- or three-year plan down the road. I think it will provide some good discussion for the committee.

And Harry won't be on the committee any more.

Mr. Van Mulligen: — And things will go real fast.

Mr. Chairman: — Well Mr. Van Mulligen has moved that this sectioned be tabled to a later date.

Mr. Anguish: — I don't think he moved it, just suggested it. I mean, if there's agreement on that . . .

Mr. Van Mulligen: — We'll come back to it, but let's see what else we want to pursue.

Mr. Anguish: — I would like to hear Finance and CIC's opinion on that. I'd like to hear it before the committee.

Mr. Van Mulligen: — I know what John Wright will say.

Mr. Chairman: — We can sort of put that on the list for the Clerk that we definitely will want to visit with Finance and CIC.

Perhaps we can go then to this section, 18 through 22: the existing audit system.

Mr. Strelloff: — Mr. Chairman, members, chapter 2, this is just more of a summary unless we want a quick recommendation on paragraph 21. But chapter 2 does put it in more context.

Mr. Chairman: — More detail, yes. Okay, we can . . .

Mr. Anguish: — . . . 18 to 22, the key part in there, of course, is that the private sector auditors work as agents of your office. That's . . .

A Member: — That's the recommendation here.

Mr. Cline: — Is this not closely connected with the preceding recommendation in terms of the way that Crown corporations would be treated?

Mr. Strelloff: — I don't think in a management sense. The previous recommendation was, how do you manage the government as a whole? I don't see any obvious, direct link.

Mr. Cline: — Well for example, if the CIC presently appoints a private auditor for a Crown corporation that reports to CIC. This recommendation would have you appointing the private sector auditor . . . (inaudible) . . . CIC, would it not?

Mr. Strelloff: — Right now cabinet appoints the private sector auditors, not CIC.

Mr. Cline: — Okay. You say CIC does not appoint private sector auditors for any of its corporations.

Mr. Streliaff: — CIC doesn't have the authority to appoint auditors. It's cabinet. CIC may advise or recommend to cabinet on how to move or which auditors should be where, but it's cabinet that does the appointment.

Mr. Anguish: — Also in that regard is that sometimes in the past, private sector auditors were less than cooperative with the Provincial Auditor. And if they understood that they were agents of the office of the Provincial Auditor, they'd be more apt to respond with the information that the auditor needs to safeguard the public purse.

Mr. Cline: — But does this not impact on the way that private sector auditors would be appointed with respect to Crown corporations that report to CIC?

Mr. Streliaff: — Mr. Chairman, members, if you're thinking of Crown corporations like SaskPower or SGI (Saskatchewan Government Insurance), SaskTel — their accountability link is to the Legislative Assembly. They don't report to CIC according to the wishes of the legislature in its legislation. This recommendation would say that the appointed auditors are agents of our office and they don't work then for cabinet.

Mr. Cline: — Is CIC not the holding company for Crown corporations, including those?

Mr. Streliaff: — Mr. Minister, Mr. Chairman, Mr. Cline, in a legislative sense CIC has two main responsibilities. One is to manage what it has as investments — HARO, NewGrade, etc. — and the second responsibility is to advise cabinet on Crown corporation activities — on allocation of funds within Crown corporation activities. Crown corporations, period.

Mr. Cline: — Well I'm just making the point that I don't see how you can separate the two.

I mean if you're talking about, on the one hand, management of government financial activities and changing the rules with respect to corporations which report to CIC or in any event that don't report to the Treasury Board and in the next section you're talking about appointing the private sector auditors which would now be appointed by cabinet perhaps on the recommendation of CIC with respect to those companies, it seems to me that the two issues, you know, are somewhat interrelated in the sense that we're trying to make the decision whether there's room for coordination of Crown activities outside of Treasury Board and in CIC in both cases.

It just seems to me that there's an interrelationship there.

Mr. Streliaff: — Mr. Chairman, members, the thrust of 18 to 22 to me has to do with the accountability of corporations who have appointed auditors, accountability to the Legislative Assembly. That's the issue that we're getting at. And I'm recommending that I would be able to better serve the Legislative Assembly if when there is an appointed auditor, those appointed auditors work as agents of our office. If that was the case, I would be better able to get at issues in a timely manner

and a direct manner, and be able to report to you in a more timely manner. But the focus of 18 to 22 is on how our office could better serve the Legislative Assembly in helping you hold government organizations accountable.

Mr. Cline: — Well I guess the point I'm trying to make, maybe not very well, is that if we're going to hear from the Department of Finance and CIC with respect to 15 to 17, then it seems to me that we should take the opportunity to hear from them with respect to 18 to 22 as well. And we can certainly hear from them with respect to both of those sections at the same time. And I would like to hear what they would have to say about those, about the latter recommendations as well.

Mr. Chairman: — Does anyone else have a view on that?

Mr. Serby: — I guess I'm going to support what Mr. Cline is suggesting because I too have some difficulty differentiating between what the two roles are going to be. I think you're on one hand asking about accounting, the accounting principles; the other is the management. And I don't know that you can separate those two functions. If you're asking the private sector auditors, in this case, to have some accountability through your office in terms of the process, how does that not then involve you in the management of the accounting system for the Crowns and the public sector? I think it puts the management and the accounting in the same perspective.

Mr. Streliaff: — Mr. Chairman, members, the focus of 18 to 22 is that Crown corporations and other organizations are directly accountable to the Legislative Assembly. There may be an intermediary management scheme, either a resident in CIC or a resident in the Department of Finance, but they are directly accountable to the Legislative Assembly. And to help our office help you hold those government organizations accountable, it would make it a lot more rigorous if when you appoint a private sector auditor, that they are agents of our office, so that we're better able to examine and resolve issues directly and report whatever we find or whatever assurances we can provide you in a more timely way.

The accountability links are flowing from the legislature and that's . . . When I think of what our role is, I'm thinking of how best to help the legislature hold the government accountable and government organizations accountable. And this is one area that from what I've seen needs change, and for the reasons that we elaborate on in chapter 2.

Mr. Van Mulligen: — The change is desirable, given the situation that exists today. Whether one would go so far as to say that therefore it follows that all private sector auditors need to work as agents of my office, I'm not so sure. Prior, I think, to about 1982, most auditing work in government was done by the Provincial Auditor's office. There were some exceptions where private auditors were appointed. I'm not clear what the relationship was between those private sector auditors and the Provincial Auditor's office, but in 1983 there was a change to the Provincial Auditor Act in the way government did its accounting work, and more auditing work was farmed out to private sector auditors, about '83. But the

relationship at that time was those auditors reported to the Provincial Auditor.

Mr. Wendel: — There was no more put out, Mr. Van Mulligen. There were some problems . . .

Mr. Van Mulligen: — There was a change in the reporting relationship in '83.

Mr. Wendel: — Because of major concerns we had expressed from '89 . . . or '79 to '82 saying we were having problems, so they fixed the relationship in '83.

Mr. Van Mulligen: — Right. In '83 the relationship was altered so that there was a more direct reporting by private sector auditors to the Provincial Auditor's office. And in a sense, private sector auditors were acting as agents for the Provincial Auditor . . . or one could take, you know, exception to the choice of that term.

In about '86-87 I believe it was, the auditor's Act was amended again, this time changing the relationship so that from there on — and this continues today — auditors, private auditors, did their work, and if at the end of their review and their report the Provincial Auditor felt that he couldn't accept the report that they had given him, he was free and entitled, and in fact indeed had an obligation, to go back to review the work that that auditor did and perhaps undertake special reviews or audits of that organization in question, and make his reports.

And there have been a number of instances in previous years of where, perhaps even in this report for the year ended March 31, 1991, that he says, well I finally received the report of the auditor for an organization for the previous year and I couldn't agree with him, so since that time I've done a further review of that organization and here are my findings — those findings then being a couple of years out of date.

I'm not sure what the relationship should be. I'm not sure that one can take the point of view that any private sector auditor who does work for the government necessarily has to act as an agent for the Provincial Auditor. Private sector auditors are people, companies, or individuals who are part of a profession, operate within a code of conduct and professional ethics, and operate within a set of guidelines and standards that's enunciated by your professional organization.

I would not be surprised to see people such as Don Gass or others say, well I don't really know if I want to act as an agent for the Provincial Auditor. I note that Gass in his recommendation didn't go that far, to say that. So I'm not sure . . . I agree that the present system leaves something to be desired and that it's not really acceptable to have information come to us that's two years out of date. On the other hand, I'm not sure that I want to go so far as to say, you know, that the only alternative is that private sector auditors work as agents of his office.

Maybe we need to do more in terms of defining a reporting relationship as they go along, interim reports, I don't know. But you know, I know there's a problem; I don't know if I especially like the solution because that solution in the past led to a problem and probably will

again. Because that private sector auditor is saying, you know, here we are, we're a profession, we have a code of conduct, ethics, we follow the same standards as he does, how come we work as agents for him.

So I'm not quite sure what the answer is and I'm not sure what process the committee should take at this point to find out what the answer is. We may want to, I don't know, bring in other people. Maybe the point that we bring in Mr. Wright and Mr. Ching to talk about the question of Treasury Board and the relationship to CIC. That's maybe a discussion we can have and ask them about it as well. I don't know. But I don't like the specific recommendation at this point in time. But I recognize that there is a problem.

Mr. Strelieff: — Mr. Chairman, Mr. Van Mulligen, chapter 2 does deal with this in more detail. And in a general way it just sets out if as Provincial Auditor I have quite a few responsibilities and that if you want to thus hold me accountable for my responsibilities, I'm recommending that a change to the system is required. But chapter 2 is probably a better forum for discussing in more detail the specific reasons why the change is needed. And of course chapter 2 also sets out alternatives as well.

Mr. Kujawa: — Well I want to go back for just a moment to what I thought was a previous problem before, Mr. Van Mulligen. And that is I got the impression that there was a suggestion that if these private auditors were reporting to the Provincial Auditor's office, they would in effect be telling the corporation how to run its business which I think has to be dead wrong or else I'm dead wrong. Because the job of the Provincial Auditor is to report to the government on the finances of government entities. If there are private auditors and they don't make their information available readily to the Provincial Auditor, he can't do his job well.

Now I think I agree with Mr. Mulligen's statement about they shouldn't necessarily be agents. Because if I have an accounting office, I don't necessarily want this particular individual to tell me how to run my business. But there could be a provision which says that when I do my audit, I provide the Provincial Auditor with a report of it in a timely manner so that he can make his report as he is required by us to do.

Mr. Chairman: — I think we'll find when we get into chapter 2 that that is the practice now or that's the way it's supposed to be anyway. I think part of the problem — excuse me for interrupting — is that there has been the odd time a suggestion that some of the private sector auditing firms, because they are deeply involved with entities on the Crown side in some cases, on the private side in some cases, in more than simply the auditing function, that those particular firms because of their nature have also supplied management advice and other things, that it does raise the potential for conflict of interests in the eyes of some of the public. A case in point being the Co-op upgraders where you have a dual auditing function by two very well known firms, one of whom has been there for ever, providing both advice to Federated Co-operatives and also being an auditor in a government private situation. So there has been some concern that

way.

I think what our Provincial Auditor is saying, that he'd like to have the ability to sort of cut through that if need be. I'm also of very mixed feeling on this because, as Harry said, these people have a very stringent set of guidelines that this legislature has bestowed upon their professional association that they have to abide by. If they break the rules, they get in trouble.

Mr. Anguish: — There's a reference with this section we're discussing right now in the cross-reference to the Gass Commission report. Do you agree with the Gass Commission report that corresponds to this section?

Mr. Strelieff: — The Gass Commission's recommendation is:

The Provincial Auditor Act should be reviewed and, where necessary, amended to reflect the principle that the Provincial Auditor is responsible for reporting to the Legislature on all government-owned entities (this is page 5 of that schedule), but that private-sector auditors can be appointed to review the financial affairs of such entities, as long as it is clear that the use of private-sector auditors is not intended to restrict the Provincial Auditor in meeting his/her responsibilities for public accountability to the Legislature.

And our recommendation that when it is the public policy decision to use a private sector auditor, they work for us as agents, is certainly consistent with that recommendation.

Mr. Anguish: — I'm not sure . . .

Mr. Cline: — But not necessary — excuse me — to that recommendation.

Mr. Anguish: — I'm not sure it is consistent with that recommendation. That's the problem that I have. And I can well appreciate . . . and I'm torn like many other members as to whether we go a strong direction one way or the other on this.

My big bone of contention has always been that you audit in the view that the money that's being expended has the necessary legislative authority to do that. Private sector auditors don't view that as the same way. They're reporting more on the financial position of who it is they're auditing for.

Mr. Strelieff: — Mr. Chairman, Mr. Anguish, we both have the same audit objectives. We do reports on the financial position of the corporation, but we do . . . I mean my focus is on the ability of the Legislative Assembly to hold every government organization accountable. That's who I work for, that's who pays our office, and that's where my focus is.

But within that focus, we both report on whether government organizations comply with legislative authorities, whether financial statements are reasonably presented, whether internal control within specific

organizations is reasonably rigorous. We both have the same types of audit objectives. But my focus is on who I report to and who I work for. That's . . .

Mr. Anguish: — If you both audit in the same way, then what's the problem?

Mr. Strelieff: — Mr. Chairman, Mr. Anguish, chapter 2 does set out the concerns that we have.

Mr. Anguish: — That chapter is more detailed than the mention of it in chapter 1. And I was not of the opinion until I looked further into chapter 2, is it — you make the recommendation, I guess — is that it's your office also that hires the private sector auditors. And when I read chapter 1 to stand on its own, I don't draw from that that it would be you that does the hiring of the private sector auditors.

Mr. Chairman: — I think those were just alternatives, weren't they, Doug? There's a bunch of them there.

Mr. Anguish: — No. In chapter 2, .24, the one, two, third point under that:

Government corporation directors will be consulted before my Office hires a private sector auditor.

Mr. Chairman: — No, that's just one of the proposals.

Mr. Strelieff: — Mr. Chairman, members, we set out three alternatives. We went through the three alternatives and said: yes, they should be agents of our office. And when you are an agent of someone, you do the hiring. I mean, that's what an agency, in its essence, means. You may be able to work it a different way. But when someone is an agent of you, you normally would hire that person to perform your responsibilities and that person would report back to you. But you take responsibility.

Mr. Anguish: — I guess I'm becoming conscious of the time that we're spending on this section. Since chapter 2 deals with the issue in more detail and since there are changes being contemplated to The Provincial Auditor Act and in light of the fact that you say in conclusion of chapter 2:

Accordingly I will prepare a special report to the Assembly when the Government introduces the changes to the Act so the Assembly can understand and assess the views of my Office.

I'd like to table this section in chapter 1 and also all of chapter 2 and debate that at a later date, because I don't think we're going to arrive at a total agreement today and there is going to be other information come to light through the special auditor's report and the Act. Mr. Chairman, I'd like to see us table that part of chapter 1 and all of chapter 2 for a later date and go on in the general sections of the auditor's report so we can get through the areas where we do have substantial agreement.

Mr. Strelieff: — Mr. Chairman, members, we said we would issue a special report if legislative changes are brought forward. I would certainly appreciate, though,

hearing the views of this committee so that would certainly help me prepare a special report so I know whether my views and concerns of serving the Legislative Assembly are shared by this committee. That would help me.

Mr. Anguish: — I appreciate that. I think we can do that in February when we come back for that week in early February. And I think that would give you enough time to do an assessment. I'm just conscious that with two days left and we want to go through maybe 10 chapters or so of this report yet, that if we spend a long time on areas where we don't have substantial agreement, then we're not going to progress very timely with the agenda that we've got set out for us.

Mr. Van Mulligen: — I might just add to that, Mr. Chairman, that we have in the past in going through the auditor's report dwelt firstly on the areas of agreement, and have identified the areas that warrant further discussion, and then come back to visit them or deal with them otherwise appropriately. I don't think that's necessarily a bad way to proceed at this point.

Mr. Chairman: — Could we compromise here. I can appreciate that this is involved and that our time is short. But government members must understand that their ability to access, for instance, ministers through caucus contemplating legislative changes to a particular section of the auditor Act is far better than members of the opposition who don't have that same access and detail to the discussion.

If the auditor's been charged with bringing forward a special report in this area, then it would be nice for him to at least give an overview of section 2 to all of the committee here. We don't have to dwell on it a long time, but that we have a very sound understanding of where he is attempting to go in his special report, you know, background us well even though we don't have access for instance through a government committee to changes in the auditor's Act.

And it may only take 20 minutes or half an hour, and we can at that point move on. But I would like a very firm understanding of exactly where he's going. I've read it, but there are certain nuances that I think the auditor could add to this. We don't have to dwell on it a long time but I would feel remiss not taking this opportunity because we may not be back to it till February.

Perhaps we can dispense with sections 18 to 22 then in that regard.

Mr. Muirhead: — Yes, it's not particularly right on that. I'd like to make a comment because there is quite a few members of the committee here are relatively new. They were just elected in the last election, and maybe just . . . I'd like to bring them up to date on why we are even got this problem here.

Mr. Lutz was our prior — Mr. Lutz, I think was his name — was our prior provincial auditor. And being fair to you and what Harry said there, that auditors are under a code and they got a job they got to do and they're professionals. But when an auditor comes to give opinions . . . And

you're relatively new and we can't condemn for anything you've done yet because I like what I've seen personally, what you're doing.

But what was happening in the early '80s, as Mr. Lutz was here so long, that he got that his opinions were being taken throughout the province as being almost gospel, anything he said. And when you start to come to make opinions from one auditor to another, it's something like a cattle judge — you never get two of them that'll agree to putting the same animal to the top.

So there's where we had the problems. We had people that weren't in government, and I will say it was in our government and some in the opposition also because there was two members sit here at the time that we were discussing a lot of this. Then maybe we need to start bringing in some private auditors to get some different opinions. And that's how this kind of started.

And I understand your concern, for sure, why you would be . . . much easier for you if it all could go . . . all be washed through your department. But that's just kind of an explanation to some of the new members why this all come about.

I'm quite sure I'm quite right about this. It was the concerns that one auditor was there so long that he thought he could just write any opinion he wanted and that's got to be gospel. Just the same as that can happen to you as you get to be there longer, in your office longer. And well I've been here a long time, and my opinion's got to be right.

Not necessarily. I see there's another gentleman here who's been around here a long time. You don't always agree. We're not always agreeing. We're all human beings.

Mr. Chairman: — Gerry, you've been here too long?

A Member: — Yes.

Mr. Muirhead: — So I think that's what really it's all about. And I'd like to see whatever is going to be good for you, I'd like to see that to happen.

But I agree with the members opposite that we're not quite ready to come right down on this now. I think there's got to be, before we make changes — there was a change made — before we make another change, let's make sure we're going to do it right and make sure that . . . because we got to have the man that's responsible for this province, we got to have you happy and everything working right for you and it's got to work right for everybody.

Ms. Haverstock: — Mr. Chairman, I apologize for having been in Crown Corporations and having to be brought up to snuff yet again, but I'm wondering in fact what the concern is if in fact we're dealing with items .22 and .23. Is that where we are in chapter 2 at present?

Because when I read through . . .

Mr. Chairman: — Chapter 1.

Ms. Haverstock: — Oh, I'm sorry. Okay. I've already gone to "Appointed Auditors" and was reading through my notes — my copious notes on chapter 2. All right.

I guess my sense is that there must be a great deal of consistency between the two in some way because items .22 and .23 I thought would have resolved the issue. I apologize to my illustrious colleagues and I shall quickly read through .18 to whatever in chapter 1.

Mr. Chairman: — I guess to be consistent here, sections .23 to .27 are dealt with in chapter 3 in a more expansive way too, so rather than dwelling on those five points, perhaps it makes sense to go directly to the meat of the matter rather than beyond them.

It being 3:30, we're going to call a five-minute break. And respecting the . . . probably the majority opinion of committee, I still would like the auditor to give us a brief overview of section 2.

Mr. Anguish: — We'll deal with that when we come back. But .23, .24, .25, .26, .27, just to finish off chapter 1, there doesn't seem to be anything controversial in that.

Mr. Van Mulligen: — Straight reporting. No recommendations there.

Mr. Chairman: — No recommendations.

Ms. Haverstock: — Mr. Chairman, I have to go back upstairs to Crown Corporations because ACS (Agricultural Credit Corporation of Saskatchewan) is up now. And I have read through the second report and the only minor changes I have I will give to the Clerk. And if you have to vote on this in my absence, I agree with everything that's present in this report with these minor grammatical — punctuational actually — problems.

Mr. Anguish: — Are they all grammatical?

Ms. Haverstock: — No, they're punctuational. There's not anything substantive at all that I have concerns about.

Mr. Anguish: — You haven't stuck in a comma or anything to change the intent of the wording?

Ms. Haverstock: — I have in fact . . . no, no. I've taken out a period that doesn't belong there and put in a comma that does.

Mr. Anguish: — I guess we'd accept that.

Mr. Muirhead: — Particularly when you're better educated than the rest of us.

Mr. Anguish: — Doctorates usually are.

Mr. Chairman: — I think we can then deal with that matter. Maybe we should so Ms. Haverstock doesn't need to come back. Let's deal with it right now then. That the committee adopt the document . . .

Mr. Anguish: — Where do you want a period and a comma?

Mr. Chairman: — . . . adopt the draft report of the second report to the Legislative Assembly. That's agreed?

Mr. Van Mulligen: — There's also a . . . paragraph 2, second line it says, "reads." To be consistent with the tense that you've used throughout the report, we should eliminate the "s" so that it says "read."

Ms. Haverstock: — Thank you, I missed that.

Mr. Anguish: — You're not a word doctor. It's something else, isn't it? Right?

Mr. Cline: — I don't think it should be a comma; I think it should be a semi-colon in (d)(iii).

Mr. Anguish: — I move that the committee adopt the draft report as its second report to the Legislative Assembly.

Agreed.

The committee recessed for a period of time.

Mr. Chairman: — . . . the committee and perhaps just get the auditor to give us a 10- or 15-minute sort of overview of chapter 2 so that . . .

Mr. Anguish: — I can appreciate, while we're on the issue, wanting some more of the auditor's view on this. But I think I'm more of the opinion that this will be a bit repetitive. I think before we make a decision as a committee on this we want to hear from Finance and Crown Investments Corporation. And the auditor is going to have to present his view again at that time. And I don't know how his view now would differ much from then.

I propose that we hear from the auditor on chapter 2 during the February series of meetings that we've got scheduled for the periods of February 1 to 5 so that we get the three points of view. And maybe there's more agreement or maybe there's lots of disagreement and we would deal with it at that time rather than have the auditor state his case now and then state it again.

I really have a strong preference that we do it at the February meeting and try and go on to chapter 3 and others where we can find agreement to get that cleared up before the next time we meet in February.

Mr. Chairman: — I can, as I reiterate, Mr. Anguish, I can appreciate that there will be some repetition there. But the point I'm making is that my ability as chairman and as an opposition member and Mr. Muirhead and Ms. Haverstock to be sort of cognizant with the issues . . . He's been charged with, as he said, formulating a special report, okay, which may influence the legislative agenda of the government. No doubt. But that will be handled internally by government, I would suggest through government committees.

I don't know if you guys have a legislative review committee. We had one. You sat there and you formulated legislation. You had a regulation review committee where you formulated the regs that went with the legislation. But that is all an internal government

exercise that opposition has no purview to, nor probably should they. So the opportunity in this committee for us to be familiar enough with the issues before he crafts his special report to government, this seems to be the only opportunity that will present itself.

I fully agree with kind of a full and open hearing in February with Finance, with CIC, and with the auditor, all expressing their opinions at that time and we can spend a couple of days on it if we want. But I've read this. I just thought it would be useful if the auditor gave me half a dozen of these points that are the ones that should be freshest in my mind three months down the road when we approach this issue.

I'm not trying to be confrontational but I'm just trying to do my job as chairman of this committee. And I might have more difficulty fulfilling that role if I don't have it expressed here today.

Mr. Kujawa: — On that very point. There seems to be two views expressed and no others. May I come in and say that I think the point that you've just made, Mr. Chairman, is a valid one. And maybe this is my years of working for the government, but it seems like it's all pensionable service. And if it's sensible, why don't we do it as you suggest? We don't have to put in much time on it now. I don't think we can. But wouldn't I be in a better position to talk to Wright and Ching after listening to this for 15 minutes? I hope I would be.

Mr. Strelloff: — Thank you, Mr. Chairman, members. Chapter 2, the appointed auditor section. When I was hired in 1990, coming on board November, 1990, I knew coming into the job that this was one of the key issues that I had to come to grips with and make a recommendation and try to move it forward. And the issue is, how does my office best do its job for the Assembly, for the Legislative Assembly, when the government appoints its own private sector auditors? My objective in making the assessment and recommendation is to ensure that our office can effectively help the members of the Legislative Assembly hold the government accountable for administering all public money in all government organizations.

In '87, as Mr. Van Mulligen noted, The Provincial Auditor Act was revised by the government without obtaining the advice of my office. And what it did was permit my office, when there was an appointed auditor appointed or a private sector auditor appointed, it permitted my office the ability to rely on the report of an appointed auditor. And if we are unable to rely on the report — so we have to assess whether we can rely on that report — we are required to state so publicly. And as you know, since that date the government has appointed a lot of private sector auditors, and we have from time to time said that we have been unable rely on the work of an appointed auditor.

Now there's a number of difficulties with this system. The first one is that we have to work through someone else who doesn't directly report to us or work for our office. And the process of working through another auditor is time-consuming and at times confrontational. It is confrontational because I'm required to say, when I can't rely on them, I'm required to say that publicly, publicly to another professional colleague that, you, professional

colleague, I've looked at your work, looked at the evidence to support your work and I have determined I can't rely on it, and I have to report that publicly. That's a very onerous responsibility to put on somebody, and it's also something that leads to a very confrontational system, and getting to issues in that system is sometimes very difficult.

The system works that when the appointed auditor . . . or that our office has to wait until we receive the reports and working papers of the appointed auditor before we can make the assessment of whether we can rely on their work. And that means their reports are already made public to you, to the Legislative Assembly and to the public. And then sometimes we don't get those reports and working papers for months and sometimes several, many months. As a result much time goes by before we're able to examine specific issues and then report to the Legislative Assembly. You're not getting good service from our office through that system.

The second difficulty that is even of more concern to me as time goes by is that our office is more and more not obtaining sufficient firsthand knowledge of the activities of those organizations that have appointed auditors. It was four, five years ago when we did have the direct knowledge and now we're seeing the activities of those organizations through the eyes of someone else, and not even just through their eyes but how they document, how they write down what they've seen. And it's not a good way to maintain the knowledge of the business that you need to have to be able to make the assessment — can I rely on the reports and working papers of the appointed auditor? — which you've charged me to make that assessment.

And the next issue is that again the Legislative Assembly is not getting our views in a timely manner and may be making decisions based on inappropriate information. And I'm certain that the information that you got on the Crown Investments Corporation did not serve you well, for example, in assessing, understanding what the government was doing with significant dollars of public money,

I then go on to just set out some of the more glaring examples of not serving you very well. Remember, I'm taking the perspective that I work for the Legislative Assembly. That's who I have to report to, that's who holds me accountable, that's who pays me. And so my perspective is how best can I serve you through examining government organizations.

And of course the STC example is a classic example where it took two to three years before we were able to report to you on what was going on. Sask Telecommunications, there was another issue there where there just was insufficient evidence about a significant investment. The Crown Investments Corporation was providing you with really inappropriate accounting of what resources they had to invest. What they were doing was providing you an aggregation of 10 or 11 different organizations where you really couldn't sort out what was happening to the specific investments that they were charged to manage.

And there were examples of organizations within CIC that were subsidiaries that were owned by CIC, for example Saskatchewan Diversification Corporation.

And again the work of the Financial Management Review Commission. When I served as an advisor to that commission it gave me another overview of the need to strengthen the accountability of Crown corporations to the Legislative Assembly because almost all of the key specific transactions and events that that commission had concern with, relate to activities carried out through corporations where I didn't have direct access, and therefore couldn't, in my view, service the Legislative Assembly in the best manner possible.

I then looked at, well given the problem, what are the alternatives. And I consulted with my staff, with people around the country, and people within the province. And I recommended to the Minister of Finance that there are three alternatives. One is to continue the existing system. To me it's ineffective. To make it more effective would require significant resources and would require a duplication of effort so that I could hold, or so I can help you hold, the government accountable. That was the first alternative, and to me the one with least merit.

The second alternative is to have our office do all the work. So eliminate private sector auditors. Just go back to pre-'82 when there were only a couple of corporations that were audited by private sector organizations, and I think most of those no longer exist. And that's the least expensive. And I think it offers the Legislative Assembly the best ability to . . . it provides me with the best ability to help you hold the government accountable.

The third alternative is in the middle, is that okay if it's a public policy decision to hire private sector auditors, okay let's make them agents of our office so they're still doing the work, you're still getting the benefit of their perspective, I'm getting the benefit of their perspective, but they work for me and therefore straight to the Legislative Assembly and not for the government.

Now the third alternative, the agency system, is one that's modelled in Alberta. Alberta has this system and it seems to work well. And I'm recommending it for a number of reasons. The first is, that it is a good system of accountability because the reporting relationships to me are more rigorous. The private sector auditors work for our office rather than for government. And it also helps me in terms of getting direct access to difficult issues. That I'm there, I know what's going on, and before any reports are made public, I know what the difficult issues are and can hopefully resolve them or report to the Assembly in a more timely and effective manner. So when the public reports surface in a public way, you know what our opinion is, you don't have to wait six months or twelve months or a year or two years later.

And the last reason on the agency agreement is that the private sector auditors can provide the government, my office, with a valuable perspective. And the proposed system that I offer and suggest and recommend is that each year the extent of the work carried out by private sector auditors would be determined in consultation with the Board of Internal Economy. For example, and they

would tell me, okay the audit costs this year are, say, \$6 million, Provincial Auditor we would like X per cent of that to be carried out by private sector auditors. Then I would go and tender the work out, rotate it so that the firms are moving from organization into organization and are providing . . . or have the opportunity to broaden their experience and to help a wider range of government organizations.

Government corporation directors, the board of directors would be consulted before my office hires anybody so that we get their views and then there would be appropriate tendering criteria developed in consultation with the board of directors.

Again the government would have access to public accounting firms in a consulting capacity as they do at any time. We're not saying that you shouldn't hire public accounting firms for any purpose in a management consulting end of things, that's fine. But when it comes to helping me serve the Legislative Assembly, I need more ability to get to issues in a more direct manner and to ensure that when public reports are issued, you have our view on those reports at that time, not a number of years down the road.

At the date of this report and of this meeting, I don't know what changes to The Provincial Auditor Act are planned, the government plans to introduce. I understand from I think this meeting and from other announcements made by the government that there will be changes. And as I said in the last part of this report that when we do know what changes the government plans to introduce to the Assembly, we will report.

Mr. Chairman: — Thank you very much for that overview. That I think helps, I know certainly myself, in putting things in a perspective. And I think all members are better prepared now to deliberate in a broader sense come February when we will be actually dealing with the people that at present, I would presume, do the hiring.

I mean one would almost think that I was a little masochistic in wanting that report delivered, because most of that points to the ills of the previous government. But ills of the previous government should not become the sins of the new one, so I think it was worthwhile.

Perhaps we could move on to section 3 then, which is a very extensive chapter. And this is where a lot of the dovetailing between the Financial Management Review Commission and the auditor take place. And it's a fairly extensive section — pages 6 to 10 in the special submission prepared.

Mr. Kujawa: — Mr. Chairman, before we go on to this rather extensive one, could I just throw out for the consideration of the auditor and everybody else who may be interested another possible alternative to be discussed and dealt with in February, not today.

I think that there is a major difficulty in saying that anybody who does auditing is going to be an agent of yours. I think that is going to be very difficult to get. I wonder if it is desirable.

If it were possible to say this auditor will report to the Provincial Auditor in time, the time that's set, and that report would be to the Provincial Auditor, not to the public, so that that problem that you mentioned right at the outset will not exist to the same degree. We have to rely on some of the professional capability of other people, and you mention that some of these reports are not good. Well we have to admit that there's a possibility that somewhere on this earth there'll be an auditor who is better than you are, who sees things in a real, great light and reports to you in time and makes your reporting a cinch, because it's so good.

So consider the report through you but not hired and agent of yours. Because agent to me is a pretty serious legal term that has all kinds of connotations. In other words, you just about own them. And if I have my accounting firm out there, I don't want to be owned by some government agency. I think you can hear that more than once.

So thank you. I don't want to say any more about it.

Mr. Chairman: — Serge, my predecessor claims there was a better Crown prosecutor than you too.

Mr. Kujawa: — Well so he's wrong, but I think I helped Gary Lane get to the Court of Appeal.

Mr. Chairman: — Any questions on the section entitled: special advisor? Chapter 3. I didn't see any point in dealing with number 1; it seemed sort of self-explanatory.

Section 2 through to 9, I guess, are the . . .

I do have one question that no one has fully explained to me at all and maybe the auditor could. I was very critical of the conflict of interest guidelines that were involved in this process, the fact that they weren't published at the very beginning of the commission's mandate and seemed to come creeping along at some later date and then were very, very brief. I'd like to ask you, were you satisfied that those guidelines were stringent enough to decamp policies or commercial interests from that process?

Mr. Strelieff: — Mr. Chairman, members, the conflict of interest guidelines in the process were part of the report. In fact one of the chapters deals extensively with the process followed by the commission in a very specific sense. To me that describes the process that they did go through and I think it's up to readers of that chapter and the other information provided by the commission on the process to make that assessment.

Mr. Chairman: — Well you can probably make it better than me because you were there and I wasn't.

Mr. Strelieff: — Mr. Chairman, members, in a general sense I thought they did a good, honest job in a pretty short time period with a lot of information coming through their table. And I think they did quite a good job. And the recommendations they provide, if moved forward, will benefit the province as a whole.

Mr. Chairman: — So you actually saw someone declare conflict and leave the room when a certain matter is being

discussed.

Mr. Strelieff: — Mr. Chairman, and members, yes I did. Yes I did. That was a routine part of the meeting and they kept to that.

Mr. Chairman: — Any other questions on this first section? We'll move to the next one then, .09 through 10; move to 11 through 14. And that's the first one that I guess that we have in the reference that's been provided to us which would be 3.12. It's a fairly contentious point that was raised at the luncheon this afternoon about whether governments should have legislation in place to adhere to PSAAC (Public Sector Accounting and Auditing Committee) standards. There were differing views by the minister, by Donald Gass, by the auditor at that time. It's certainly one that would go a long ways down the road and have far-reaching implications.

Mr. Kraus: — I have an opinion that wasn't there. There was one point that wasn't raised and that is that it's one thing for the government to say that it recognizes these as important principles and attempt to, to the best of its ability, to adopt them and abide by them, and then be reported by the auditor for not complying in some cases which would probably happen from time to time, as is the case with pensions.

I think it's another situation for them to pass a law that says they will abide by these, decide they can't . . . some of them don't seem appropriate, and then not only be cited for not abiding by the accounting principles but also for breaking their own laws.

And that wasn't brought up today, but to me there is a problem with that. And that is a lot different than a private organization that has to comply with laws, Canadian business laws that require that they account in accordance with the CICA's (Canadian Institute of Chartered Accountants) accounting standards. Those laws weren't created by the very same entity that has to abide by them.

So I think while this may in theory have a lot of merit, I think there's some practical problems with it because you can be sure there are always going to be some issues where the government — this government or any other government — will say, well that doesn't quite fit; we just don't agree. And if you have any experience in this business, you'll know that the CICA will make recommendations for the private sector, and they will not be accepted. And through a process of no one is going to accept it, the profession, the standard setters have to go back and rethink it because, while they try to do the best job they can in arriving at suitable standards, sometimes they're just simply not doable.

And I think it would put any government in an odd situation to have to decide they're not going to adopt something because it doesn't make sense, and they're breaking not only the accounting principle but their own laws.

Mr. Van Mulligen: — I'm not sure what your recommendation is. Are you saying that in The Financial Administration Act, or wherever that it's stipulated, the

government shall follow the accounting principles and reporting standards as enunciated by PSAAC on any given day? Or are you saying as a general objective, it's stated somewhere in the FAA (Financial Administration Act) that the government shall attempt wherever possible to adhere to the accounting standards, or the accounting principles in accounting ... reporting standards enunciated by PSAAC?

If it's the former, well I'd like to hear your explanation as to how the government deals with rapidly changing accounting standards and begins to adjust that to its operations because it might create problems from time to time.

Mr. Strelloff: — Mr. Chairman, Mr. Van Mulligen, the idea of rapidly changing standards, the standards in the public sector certainly aren't changing any more rapidly than the standards are for private sector organizations. As new transactions and thinking is put there or it happens, movement takes place and the community adjusts.

The first part of your question is the recommendation ... there's two parts to the recommendation. One is if the government follow the accounting principles recommended by the Canadian Institute of Chartered Accountants, and that's the first part. And the second part is to make sure it happens in the future, that it be put in legislation that that is the practice of the government, that they prepare their financial reports in accordance with the recommendations of the Canadian Institute of Chartered Accountants, just like they require private sector organizations incorporated under The Business Corporations Act. It's just a more rigorous way of ensuring that not only this government, but future governments, prepare rigorous financial reports.

Mr. Van Mulligen: — I guess, like, then at some point that auditing or standards set by someone else begin to determine for you significant policy choices and choices that have significant implications for the taxpayers of the province. And you're saying that notwithstanding any of that, we should follow the accounting standards, that it doesn't matter what implications these may have for the taxpayers; it doesn't matter whether the government, the opposition, the people of the province, are agreed that a certain course or direction is desirable, nevertheless because we must rigidly adhere to the PSAAC standards, we should go in some opposite direction.

And a good example of that is the pension liabilities. I think that there is some significant policy issues — and I have no idea where the Liberal Party or the Conservative Party or for that matter where the government stands on that — and that's an interesting little issue that I think is going to deserve a whole lot of debate in the context of what implications it has for the taxpayers. And, you know, we who are elected to do that, I guess we'll make an appropriate decision based on all the factors in due time. And no doubt this committee will get into that discussion as to what we think as a committee as to what the government should do with that. At least I hope we'll get into a discussion on that.

But the fact of the matter is that we're able to entertain that discussion as to what we think is appropriate as opposed

to rigidly adhering to something that gives you no choice whatsoever. So I, you know, I have some concerns then about saying that: well, you shall follow the accounting principles. The fact that the government is probably adopting most of the PSAAC recommendations and the exceptions are rather limited at this point — but maybe there's good reasons for those exceptions and maybe suffice it to say that in the FAA that the government attempts wherever possible to follow the PSAAC guidelines. And if it doesn't, it should give some clear explanation why it isn't doing that. That's the concern that I have.

Mr. Chairman: — Harry raises a good point. It dovetails with what Gerry said. When a professional association wishes to make changes, or something comes along that they don't like, it's ... I remember when we did the chartered accountants here in '85-86. I mean, quite honestly they just showed up and lobbied to beat hell and said that 90 per cent of us don't want this. Government change it.

Going through the legislative process with a piece of legislation enacting this and then having to amend that legislation is not the easiest process in the world. I mean, House leaders think the House should be in session for all of five hours and then they'd be done and then the rest of us think that the House should sit ... You know, there's a whole different mix there of trying to redo a piece of legislation in this British parliamentary system.

And you would, I think, maybe get accounting principles wrapped up in politics rather than sticking to accounting. That would be my fear. Implementing a stringent ... I think this committee, is it not, Harry, from probably '86-87 talked about adhering to PSAAC standards. They've talked about gradually and I think ...

Mr. Van Mulligen: — I think it's come a long way.

Mr. Chairman: — The government's come a long way in that regard. I'm not sure you could legislate that creature at present. And I brought an example up at noon — maybe it's not a good one — with the auditor.

I disagree with those standards being applied to the Lake Diefenbaker water development scheme which, in my view, or in the view of the government necessitated a write-down on Sask Water. I don't think a 30- to 50-year project that will never develop its full potential until the value added components are attached to the water has any hope at all of meeting any semblance of accounting standards.

So you have a high front-end cost that attracts other things to it that may down the road ... And Alberta's done this successfully for 70-some years; quite frankly whipped our butts in that whole area of attracting value added industry to the water resource, because they were able to take that front-end hit with recouping down the road. According to these standards, that is something that you would never enter into.

And as Harry says, I think you can tie some policy development, that is, go way beyond the 3 to 5 years that we talked about in this committee as being the window of

opportunity to things that are even further out and down the road.

Do you want to respond?

Mr. Strelloff: — Sure, Mr. Chairman, members, Mr. Van Mulligen, you said that the basis of accounting will force you or automatically require specific policy choices or decisions. All the accounting does is say, here's what I owe; here's what I own; here's where I spent my money; here's where I got my money from. But it does it in a more rigorous manner. It doesn't mean that you can't spend money on a health program or on an education initiative or something like that. I mean that's your decision. All it does is say at the end of the day, here's what I did with your money.

And on the Lake Diefenbaker, Rafferty-Alameda question, there's nothing . . .

Mr. Chairman: — No, no, don't mix them up.

Mr. Strelloff: — Okay, Lake Diefenbaker, is that the one? There's nothing preventing the government from saying, here's my significant investment in infrastructure that has taken place over the number of years. And it is X billions of dollars and is represented by whatever the dollar amount is in the Lake Diefenbaker.

I mean that's a good piece of information that's not in the financial reports right now, and I think it should be. But certainly there's nothing in the accounting policies to prevent you from doing that. However the kind of policies do put some rigour into disclosing your debt and disclosing how much you have around to pay off that debt and where you get your revenues and expenditures from.

And as you're fairly close to having a pretty rigorous system right now, to me it makes sense to think about locking it in so that it would be very difficult for future governments to change that without having to, say, to make it very public.

Mr. Kraus: — Again I would point out that the point the chairman made, whether I agree with, you know, that particular issue or not . . . Just for example, this committee now is considering whether or not loans that have favourable interest conditions should be dealt with in the way they are now. And I'll give you an example. Let's say you had a billion-dollar loan program to a particular group of people and you were going to give them that at a preferred interest rate, 6 per cent.

At this point in time, the way the government accounts for that interest cost is, or the cost of that program, the cost of the interest in particular is on a year-by-year basis. If the bank is charging 13 and we're paying 6, that 7 per cent is an expenditure that's accounted for in the Consolidated Fund . . . (inaudible interjection) . . . Yes, it's a cost and it's sort of a . . . you recognize it year by year by year.

What is being contemplated, and it very well may be recommended, is that they'd say, well you know when you take this . . . when you determine what it is you're really going to get back at the end of 10 years — let's say they didn't have to pay the loans back for 10 years, just to

make it simple — the discounted value of that billion dollars is only going to be worth 700 million. So we think you've incurred a cost here of \$300 million this year, right away. That's the way you should account for it. Now I'm not saying that isn't an appropriate way to account for things, but it sure would have some impact on the way you've designed your programs and it might have some impact on public policy. It might be good from an accountant's perspective. But it would certainly affect the political process and the way you develop public policies.

Mr. Strelloff: — Mr. Chairman, Gerry's right, that showing what sort of the substance of the transaction is, or the reality of it, would have an impact on the decisions made. But it should have. You need to know what's going on before you make decisions and that's the benefit of those kind of accounting issues.

Mr. Kujawa: — My concern with enshrining X system of accounting in legislation comes from my belief that accounting, auditing, etc., is less than an exact science.

And I've had accountants of the highest order say on these facts the sum is 40,000. I've had the next guy come along and say in the same way, applying generally accepted accounting principles, the sum is 140,000. So I asked him — he's under oath — how can there be that kind of a difference when you both say it's generally accepted accounting principles? And the guy looked at me as if I'm a total idiot and says: well there's more than one set of generally accepted accounting principles. You see that is one of the difficulties we have in this area.

And I'm not picking just on this because I kind of believe Thomas Edison. Besides giving us the light he gave us this statement: you will never know one millionth of anything. And I think that applies to us, so we shouldn't be so damn sure that we have anything right, and we should be careful not to say that it's right until we know.

Mr. Kraus: — That point is the point I've tried to make to some of the people making these pronouncements. I've been involved in the process and I know that we don't know everything, and what is thought to be a good way for government to account today won't necessarily be in six years or ten years. And you can create one heck of a lot of confusion and, can I say, negative press for the government of the day, whoever it may be in whatever jurisdiction. Because out comes a pronouncement, they're not following it, the auditor gets on their case, you know there's a big kerfuffle, it adds to the perception there's something wrong, and lo and behold that's decided that 10 years down the road that wasn't right anyway. This is an art, it's not a science.

Mr. Chairman: — It has been suggested that the committee recess and we resume discussion on this point tomorrow morning. Is that agreed?

The committee adjourned at 4:30 p.m.