

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**February 4, 1993**

**Mr. Chairman:** — . . . I would like to call the committee to order. We have a slight change in the proposed agenda because of the various departments having problems, in that we'll be having the Department of Health before the Department of Agriculture and Food this afternoon. Just be a switch there. So we have Health then on from 1 to 3 and Agriculture from 3 to 5.

**Mr. Van Mulligen:** — 1 till 3?

**Mr. Chairman:** — That's my information.

**Mr. Van Mulligen:** — Or 1:30.

**Mr. Chairman:** — The deputy minister of Health even wanted in this morning and we could not accommodate that so he wants to come as early as possible. So we're just trying to be good people, you know. It's the usual way, Harry, the bureaucrats tell you what to do. Nothing's changed.

So if it's agreeable we'll proceed to chapter 15. Do you wish, Mr. Auditor, to have a few moments with the committee?

**Mr. Strelieff:** — I may as well just continue with that pattern.

**Mr. Chairman:** — Would someone please make a motion — Mr. Serby — to put us *in camera* for a few moments. Is that agreed? Carried. Thank you. Would all those people in the room who aren't officially attached to the committee please absent themselves.

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

**Public Hearing: Department of Education**

**Mr. Chairman:** — Good morning, Ms. Hynd, if you would mind introducing your officials to the committee this morning.

**Ms. Hynd:** — Certainly, Mr. Chairman. I'd like to introduce Rita Archer to my right, executive director of finance and operations. And sitting behind me I have Don Achtymichuk who is the accountant in our administration division; Linda Jackson, also an accountant in our financial planning and grants; John Janzen, manager of student financial assistance; Brady Salloum, director of student financial assistance; and Don Trew, director of administration.

**Mr. Chairman:** — Thank you very much. Do you have any comments to make regarding the auditor's comments in chapter 15 of the *Public Accounts* ending March 31, '91 before the committee begins questioning? Any issues that you think have been resolved?

**Ms. Hynd:** — Well we do have specific comments on each of the observations of the Provincial Auditor, Mr. Chairman.

**Mr. Chairman:** — Because we often give you the opportunity to mention some things. Rather than have the committee sort of drag it out, if you'd rather tell us about

some things. It's entirely up to you.

**Ms. Hynd:** — Well it's your call. I mean I can comment on sort of the current status of each of the observations that the Provincial Auditor has made. Because we have made some effort, Mr. Chairman, to try and address some of the issues that were raised by the auditor.

**Mr. Chairman:** — Proceed then please.

**Ms. Hynd:** — Thank you. The first issue that was raised by the Provincial Auditor was with respect to Northlands Career College and some concerns about the timeliness and accuracy of the financial statements.

I'd like to report to the committee that effective in February 1991 the board of Northlands College now receives monthly financial statements and those statements are comparing revenues and expenditures to budget.

Also the college realized that their current accounting system did not meet their needs and they're in the process of implementing a more recognized accounting package. In the meantime the board assures us that the information generated from the current system is accurate. So I think that we have begun to address the problems with respect to the timeliness and accuracy of the statements.

With respect to comparing the money received from funding agencies to the amounts that are due, the college has established in July '91 a subsidiary ledger for all amounts that are due from all funding agencies and from students. And they do track projects to ensure that they're getting the amounts that are due from students.

With respect to the accounts receivable, there was a concern that the Provincial Auditor had that the accounts receivable were not being reconciled and that this was having an effect on the accuracy of the financial statements as well. In January 1992 the managers began to review projects and division expenditures on a monthly basis. Corrections were identified at that time and the accounts receivable sub-ledger is now reconciled to the general ledger on a monthly basis.

So we believe that those changes are having a significant impact on the accuracy of the financial statements and the records and providing timely information to the board on which to make decisions.

There was a concern about overdue accounts receivable not receiving the attention of senior management and the board, due to the state of the financial records. And we believe that this is now being done as a result of the reconciliations, which I mentioned, in the new system.

There's also a credit policy in place now. And that ensures that no amounts due are misplaced and also that accounts receivable are followed up and collected.

The auditor raised a concern regarding other accounts not being properly kept. And they commented that bank accounts and payroll expenses were not being reconciled on a timely basis. As of June 1992, the college is now

balancing all of its bank accounts, reconciling them on a monthly basis. And it also now has a computerized payroll system which automatically reconciles the payroll expenses to the general ledger.

The last concern with respect to Northlands had to do with employee salary advances not being deducted from subsequent salary cheques. The college has now implemented procedures whereby advances are balanced to the payroll deductions to ensure that all advances are collected on the next cheque and that the records are accurate. So that we believe only . . . Oh and they've also, they are in the process of replacing their payroll system. So that we feel reasonably assured that the records of Northlands are accurate and that the board is getting adequate information.

Mr. Chairman, did you want to stop at each one, or shall I just sort of go through each of the comments in the report?

**Mr. Van Mulligen:** — You weren't aware of these procedures or you haven't had a chance to review what they've done?

**Mr. Strelloff:** — That's correct.

**Mr. Van Mulligen:** — So I guess it's fair to say that the department noted that a number of departments had been instituted by Northlands and the auditor will continue to monitor those improvements and that the auditor and a committee will report on a future time if there continues to be any problem.

**Mr. Chairman:** — We can do recommendations afterwards as is normal.

**Mr. Strelloff:** — I was just advised that for June 30, '92, that year end, the same kind of problems still appear to be existing. But the improvements that the deputy minister mentioned relates to '92-93, so there'll be a delay on it.

**Mr. Chairman:** — Please proceed.

**Ms. Hynd:** — The next observation had to do with Prairie West Regional College. The concern was that the college didn't adequately segregate the duties of its employees; that one employee did all of the procedures related to revenue, receipts, and record keeping, and that this caused inadequate internal control. The college has recognized that as a concern and has increased its account personnel by half a person-year in December 1991, so that they now have two and a half full-time equivalent person-years devoted to the accounting function. And they advise that they're now segregating the duties related to receipt, deposit, and recording of funds.

In addition to that, the principal of the college periodically reviews the receivable and payables ledgers for accuracy. And I believe that was the only recommendation to do with that college.

**Mr. Paton:** — Mr. Chairman, I just might want to point out that the deputy is referring to items that are detailed in the detailed letter that went to the department, and if you're trying to follow these issues in your *Public Accounts*, you

probably won't have that level of detail.

**Ms. Hynd:** — The next concern had to do with the Saskatchewan Indian Regional College, probably better known as Saskatchewan Indian Institute of Technology. And the concern was that the college is governed by the regional . . . or is registered under The Regional Colleges Act, and there are a number of requirements in that Act which govern regional colleges. The concern of the Provincial Auditor was that there was some requirements of the Act that were not being adhered to with respect to the particular institute.

The issue here is that the Saskatchewan Indian Institute of Technology is fully funded by the federal government and receives no funding from the provincial government. Their reason for wanting to be covered under the Act rather than being exempted is that it recognizes them as a provincial training institution and allows them to deliver accredit adult basic training programming. But because they receive no provincial funding they're somewhat reluctant to be governed by some of the control provisions of the Act that the other colleges are subject to.

The department recognizes this is a problem. We have initiated a review of all our regional colleges as required in the legislation. And that's currently . . . the review is currently under way and should be completed shortly. Once that is done we will take the recommendations of the review committee into account with respect to changes needed to the legislation, including this one, and attempt to resolve this issue.

**Mr. Chairman:** — How long has that particular arrangement been in place, Ms. Hynd, do you know?

**Ms. Hynd:** — Five years since that version of the Act was in.

**Mr. Chairman:** — Does their level of funding vary very much? For instance, have they had annual increases tied to inflation, or is it strictly tied to the number of programs that they are delivering in a given year? In other words, certain areas are being targeted by the federal government; I would presume certain opportunities through employment or . . .

**Ms. Hynd:** — I'm sorry, Mr. Chairman, I'm not able to answer anything particularly too specific with respect to this college because it is quite independent. It does receive all of its money from the federal government. Now I do know that they get some funding from Indian Affairs, as well as training funding on a project basis from Employment and Immigration. What the proportions are of those, I'm not aware.

**Mr. Chairman:** — It makes it very difficult to the auditor in the points that he brings up to have them sort of subject to the scrutiny that we would normally subject someone to in the system, and then have that funding level sort of ricochet off the walls each and every year. And I would view that as sort of having your cake and eating it too.

It would appear to me that only a legislative change would rectify the situation suitably, either amendments to

the existing Act or a brand-new Act that was specific to. And perhaps some of the ramifications of treaty land entitlement would provide those opportunities. I don't know.

**Mr. Van Mulligen:** — If they receive most of their money from the federal government — is that what you said?

**Ms. Hynd:** — I believe they receive all of it from the federal government. They receive none of it from the provincial government anyway.

**Mr. Van Mulligen:** — But normally we're responsible for them? Even though they receive their money from the federal government?

**Ms. Hynd:** — They are governed under The Regional Colleges Act, which is provincial legislation.

**Mr. Van Mulligen:** — The question I have: have you consulted with the Auditor General of Canada on this? Because if there's federal dollars going in there, my guess is that he'll have some interest about federal accountability for the dollars that are spent.

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, the Auditor General of Canada's office does not examine this college and we have seen sufficient information about the college to be certain about this part, that they have reliable financial statements but they're just not complying with the provincial legislation.

**Mr. Van Mulligen:** — Some things just don't fit neatly into pigeon holes and this is one of them. And if they object to a provincial presence or provincial intrusion in some way, is it not reasonable to ask the Auditor General if he has any suggestions as to how we can jointly assure ourselves that funds are expended for the purposes for which they were granted? And, you know, like I mean there are other instances of where . . .

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, the reason the Auditor General of Canada would have . . . is not involved is that they wouldn't have any jurisdiction with a provincial agency. But in our report we haven't said that they have spent the monies for different purposes; what we've noted is that the term deposits were not approved by the Minister of Education as required by the Act and that the minister hasn't approved the budget before adoption by the board as required by the Act. So that's within the legislation of the provincial government. That's required and that's not happening. Or you're thinking that because the federal government provides all the funding, they would have more leverage to make sure that the board or the college follows provincial legislation.

**Mr. Van Mulligen:** — I guess what I'm saying is this is not a clear area. And my guess is that we will increasingly in future years encounter these kinds of anomalies.

**Mr. Strelieff:** — You're right. There's many federal-provincial programs, for example, the NewGrade or the Bi-Provincial, that the legislative auditors across Canada are increasingly working more closely together to try and sort out those issues together and have joint

projects. That is certainly the trend that's happening.

**Mr. Van Mulligen:** — I guess in this one it's even more dramatic when you speak of aboriginal self-government and what they feel their rights are as opposed to levels of government saying these are rights, and therefore an auditor is saying, well that's the level of government that's saying that, so therefore that must be right and that's our responsibility. And I'm wondering, you reported before and it doesn't seem to be as much resolution on this, unless the province knows something I don't.

**Ms. Hynd:** — Mr. Chairman, the province's main interest is to ensure the quality of the programming that's provided by SIIT (Saskatchewan Indian Institute of Technologies). That is our main interest.

Now the areas of non-compliance with the Act don't relate to the quality of the programming. I mean, having the term deposits approved and the budget adopted are more related to where they get their funding from than the quality of their program.

So, you know, I agree that there's technically a problem here in compliance with the Act. But we believe our main interest is being served, and that is the education that these colleges are providing.

**Mr. Chairman:** — In the question of governance who . . . the Department of Education is satisfied that the terms of reference for governance are suitable, in other words, the way the board of directors is selected and that type of thing. You feel quite comfortable with that?

**Ms. Hynd:** — We feel comfortable that the programs they deliver are quality programs and that they're managed and controlled in an adequate way. But yes, SIIT has its own board of directors. They're governed under legislation of the Federation of Saskatchewan Indian Nations and that's their accountability.

**Mr. Chairman:** — So it is basically in the realm of the self-government right now then, or almost.

**Ms. Hynd:** — In a way.

**Mr. Chairman:** — In a way, and it will probably go that way further.

**Mr. Van Mulligen:** — My feeling on this is that it's probably time, not just because of this particular case, but also because of changes that we may well see occur, that the Provincial Auditor and the provincial government get into discussions with the federal government and the Auditor General as to the whole question of accountability for institutions such as this, because the pigeon-holes we have don't seem to work here.

**Mr. Chairman:** — Perhaps we could . . . if you wish, do you want to make a recommendation of when we do it later.

**Mr. Van Mulligen:** — Yes, yes.

**Mr. Chairman:** — Okay, we'll put that in some type of official form. You got any other comments, Ms. Hynd, as

far as a question the auditor has raised?

**Ms. Hynd:** — No, I don't, Mr. Chairman. Not on that one.

**Mr. Chairman:** — I'll entertain questions. Back on the . . . you made a comment on the monthly payroll deductions and that type of thing for Northlands. Was Northlands' procedure any different than any of the other colleges within the SIAST (Saskatchewan Institute of Applied Science and Technology) component that way or have they all instituted payroll changes since the last report of the auditor? What made Northlands different that way?

**Ms. Hynd:** — I think the issue with Northlands was that it was a combination . . . it was formed as a combination of three different community colleges and the process of bringing three different systems together as well as some difficulties they had in hiring qualified staff in La Ronge, they just ran into some problems in getting the records done properly. Now I'm not aware of any problem with the other colleges.

**Mr. Chairman:** — Okay, so it was a simply of matter of arriving at a procedure and changing the computer system to do the proper things.

**Ms. Hynd:** — Right. Proper computer system, qualified staff, and the devotion and attention of management.

**Mr. Chairman:** — Anyone else? If not, then I would thank you very much for coming in this morning and your diligence and help.

**Mr. Van Mulligen:** — He says you mentioned . . . (inaudible) . . .

**Mr. Chairman:** — No, no. I meant any other questions.

**A Member:** — Oh, I'm sorry about that.

**Mr. Chairman:** — I was waiting.

**Mr. Serby:** — I thought you were just talking about Northlands.

**Mr. Chairman:** — No.

**Mr. Serby:** — Well I would be interested in having the deputy minister continue with completion of the other two sections, particularly the one on the student aid fund. Some issues have been identified by the auditor on that. And I wondered if you might just continue to proceed.

**Ms. Hynd:** — Certainly, Mr. Chairman. With respect to the student aid fund, the Provincial Auditor has a number . . . some descriptive information. I have a number of comments to do with how the fund is managed. They basically have to do with the adequacy of the audit, particularly in the prepayment area. This is the audit that's done before the loans are given to the students.

And so I thought that what I might do is just run through, very generally at least, the verification procedures that we have been instituting in the recent past to try and attempt to address some of the issues that the auditor has raised.

As you know, the branch administers both the Canada student loan program and the Saskatchewan student loan program. Now the Canada program requires the province to audit 5 per cent of the files processed. There's some uncertainty as to whether that's 5 per cent of the applicants or 5 per cent of the loan value. But in any event, our goal is to audit at least 10 per cent of those applications. However we've not been able to achieve that because of workload pressures in the loan assessment and collection area.

Some of the things that we do do, in the prepayment area first of all, we do require applicants to provide certain supporting documentation with all of their loan applications. For example, their parents' income tax return. Verification of information that requires confirmation by third parties can't reasonably be done on a prepayment basis if we're to get the payments out to students in a reasonable length of time. Therefore the bulk of the audit activity is done on a post-payment basis.

Looking to the post-payment verification that the department does, and with respect to sample audits, during 1991-92 loan year we processed 15,570 loans for a total of \$51 million under the Canada student loan program. In addition to the prepayment audit that I just spoke about, the branch selected and audited 520 files from this program, and the assessed value of the file selected and audited was 1.8 million or 3.56 per cent of the value of the loans.

For 1992-93 we believe we've made some significant progress in the audit area in the branch. We have now developed a statistically sound audit and we've done this in close cooperation with the comptroller's division who've been very helpful in trying to develop a statistically sound audit for the branch.

This plan will see the branch complete a post-audit on over 500 files that are selected from assessed dollars, and it's designed to concentrate on the nine key fields that can be verified independently. These audits will be used to make inferences about the entire 1992-93 assessed population.

Some of the other audits that the branch does is we've developed a new edit routine with as Saskatchewan Government Insurance whereby 100 per cent of all students that provide a vehicle number on their loan application and have a 1986 or later vehicle registered are being audited.

We also have a new edit routine with Saskatchewan Health to verify the information with respect to such information as family size. And we also have a program which compares the information on the student's application with our own student record system.

One of the other things that we're also doing is that our audit staff are listing over-awards on a student's file due to discontinuation of studies. Those are situations where a student either quits or drops his class load . . . his or her class load below 60 per cent of a normal class load. And in those cases, in 1991 we found \$12 million were over-awarded as a result of discontinuance. We cancelled 6.3 million of that prior to disbursement and

5.7 million was deducted subsequently.

So those are some of the things that the branch is doing to try and address the overall audit concern raised by provincial audit.

**Mr. Serby:** — Just one question. The post-audit, you indicated that you're doing approximately 500 random selections. Is that the number that you're looking at?

**Ms. Hynd:** — Yes.

**Mr. Serby:** — And that's an increase over what the audit was previously in terms of random selections.

**Ms. Archer:** — It's almost double in terms of comparing to the same type of audit before. And we also do referral audits, a sizeable number of those where people report, you know, reason to be suspicious of. And we have a policy whereby we follow up on all of those. Sometimes that squeezes out some of the random sampling because there's usually a fair number of those over the year.

**Mr. Serby:** — The other new procedure then is the nine key factors that you've included in your review. Is that what you're saying? Or nine key fields that you're reviewing . . .

**Ms. Hynd:** — Those are part of the statistical audit sample that we're doing. We pick nine different areas that we want to verify.

**Mr. Serby:** — Okay. And that's a change over what it was.

**Ms. Hynd:** — Yes. That's just for 1992-93. That's when we started.

**Mr. Serby:** — Okay.

**Mr. Van Mulligen:** — I guess, again, you haven't had a chance to evaluate or to comment on that. It goes along the lines of what you're hoping . . .

**Mr. Wendel:** — Mr. Chairman, Mr. Van Mulligen, I think for 1992 the problem will be reported again as to whether the procedures in '92-93 were corrected. It sounds like they're statistically sound and if you work closely with the comptroller, it should be all right. But we'll have a look at it when that happens.

**Mr. Chairman:** — Any more questions on this section?

**Mr. Van Mulligen:** — Just one. Do you do some ongoing cost/benefit of the costs of your audit function versus the monies that you save?

**Ms. Archer:** — We've looked at that. In terms of the year that was under review here, we had total loan recoveries or cancellations of about half a million as a result of the audits that we did. I guess the bigger return is certainly on the monitoring of the discontinuations, which is a different sort of audit activity. That's what really pays — making sure you know when students quit and making sure you've got systems with the schools because they're the ones that have to let you know, you know, they and the students.

I think as much as anything the value comes in the deterrent, you know. Like we certainly advertise in our material to students that they could be the subject of an audit and that we do audits and that it's incumbent on them to provide us with accurate information and to update it as necessary. Because a lot of the information we have, one of the problems is it's estimated. And the biggest factor is students' earnings. They apply in May for a loan in September, and we say: how much money are you going to make over the summer? Well at that point they may not even have a job. They may not know, you know. So it's very difficult for them and for us. But that's where, you know, making them aware that they have to let us know if there's a change in their circumstances.

**Mr. Chairman:** — Any other questions on this area? If not, anything on the next section, which is pensions and that type of thing?

**Mr. Van Mulligen:** — Just a question of interest write downs.

**Mr. Chairman:** — Student loans?

**Mr. Van Mulligen:** — Yes.

**Mr. Chairman:** — Okay, .43 through .50.

**Ms. Hynd:** — The interest write-down plan was approved in June of 1986. And at the time the rules were unclear as to the period of the write down. In 1987 the rules were clarified so that the period of the write down would be limited to the first three years. So what is at issue here are the loans that were issued during that first year in 1986 to '87 and the issue is how long the interest write down should be.

Now the understanding was that the interest write down would be limited to the three years. The auditor has pointed out that that was not included in the promissory notes with students or in the advertising that was done at that time due to this lack of clarity. The department did . . . In 1992 we did raise this issue, an attempt to get funds appropriated to extend the interest write down for the entire period of the loan, but due to our fiscal situation we weren't able to get the appropriation, so we still have the same situation with respect to these loans in this one-year period.

**Mr. Chairman:** — Do you know what the interest rate was . . . would have been normally without the 6 per cent at that time that it was brought in? Any idea, like?

**Ms. Archer:** — Probably close to 12, 11 or 12.

**Mr. Chairman:** — And today it is?

**Ms. Archer:** — Today it is about 10 per cent . . . 9.5 for students entering repayment this year.

**Mr. Chairman:** — Right.

**Ms. Archer:** — That's fixed for a one-year period.

**Mr. Chairman:** — Mr. Van Mulligen, do you have a

further question in that area?

**Mr. Van Mulligen:** — How much money is there that we're looking at in terms of write down?

**Ms. Archer:** — It's about \$6 million, I believe; this issue represents about \$6 million.

**Mr. Van Mulligen:** — Isn't that an interesting question. So the nub of it is that you're saying that we should give up this \$6 million? Or it has been given up? No.

**Ms. Hynd:** — No, it hasn't. It would cost \$6 million in our estimation to extend the write-off period.

**Mr. Van Mulligen:** — Okay. You haven't had any legal challenges on this one then?

**Ms. Hynd:** — No, we haven't.

**Mr. Van Mulligen:** — No? Okay.

**Mr. Chairman:** — Maybe if we don't talk about it, nobody will . . .

**Mr. Van Mulligen:** — Well it's a public hearing and . . . (inaudible) . . .

**Mr. Chairman:** — Any questions on the next section? We had a very significant discussion in here, prior to you coming in, on pensions and that unfunded liability. And I think the committee's thoughts were that maybe we will look at the whole picture as a bigger picture in depth at some point in the future and try and come up with some reasoned comments by this committee to help government out. Anyone with a specific question that they'd like in this area?

**Ms. Hynd:** — I do have one comment perhaps, Mr. Chairman, that I should make just with respect to the issue that's been raised by the auditor on this lack of clarity on what the minister's contribution must be. And I think I need to point out that any changes to the superannuation plan are subject to negotiation at the bargaining table.

The issue was we did attempt to address it in a tentative agreement that we arrived at in 1992. However, the agreement was subsequently rejected by teachers and so we are back to the table again, and the issue is on the table.

**Mr. Chairman:** — Any other comments? Going once, twice. Thank you very much.

**Ms. Hynd:** — Thank you very much, Mr. Chairman.

**Mr. Chairman:** — Harry, you had a couple of other recommendations that you wanted to talk about here . . .

**Mr. Van Mulligen:** — On Education?

**Mr. Chairman:** — Yes.

**Mr. Van Mulligen:** — Oh yes, lots. I'm assuming it's in addition to the pro forma motion. In addition to the pro forma motion that we would normally entertain at this

point, the committee notes, with respect to the Northlands Career College, the department reported on a number of improvements that had been instituted in '92-93 fiscal year in response to the auditor's findings. These changes will be evaluated by the auditor.

With respect to Prairie West Regional College, the committee notes this matter has been resolved to the satisfaction of the auditor.

With respect to the Saskatchewan Indian Regional College, the committee notes the concerns of the auditor but recommends that the Provincial Auditor and the provincial government enter into discussions with the federal government, the Auditor General of Canada, and the appropriate organizations representing aboriginal people, concerning the question of accountability for the Saskatchewan Indian Regional College and similar institutions.

With respect to the student aid fund, the committee notes the department reported on various procedures established in the '92-93 fiscal year to audit loans. These procedures will be evaluated by the auditor.

Furthermore the committee notes the auditor's comments concerning lack of authority to limit interest write-down subsidies. Period.

With respect to the matter of the Minister of Finance's contribution to the teachers' superannuation fund, the committee recommends the government attempt to resolve the issue of the amount the Minister of Finance must pay to the teachers' superannuation fund.

**Mr. Chairman:** — I'm wondering if we shouldn't put another one in there, that because this committee is going to look at this in a . . . at the bigger picture of pensions, as was suggested by Mr. Van Mulligen earlier and seemed to be in agreement by the committee, that in the case of the task force or whatever name the government puts on the pension review thing, because this one's such a big one, if it wouldn't be wise for us to have the auditor, as our servant here, kind of attached to that commission or study group or whatever, the same that it was done with the financial review . . . the Gass Commission.

**Mr. Van Mulligen:** — I don't think that we can tell the government how it should do its . . . conduct its affairs.

**Mr. Chairman:** — No, we're not telling the government. We're suggesting to the government.

**Mr. Van Mulligen:** — Well maybe they will; maybe they won't. I don't know. I don't know where they're at on that. My guess is that the auditor's concerns, the recommendations of PSAAC (Public Sector Accounting and Auditing Committee), are crystal clear. Those considerations will no doubt be entertained by any pension review committee.

But do I want to take the step now, and say, well if you do review pensions, the auditor must be part of that review?

**Mr. Chairman:** — No, I don't think he's saying "must", just consider.

**Mr. Van Mulligen:** — I don't know. I guess I'd like to have more wider-ranging discussion on that whole question. I'm not opposed to that, but I don't know what the government's attitude is on that either. They may have reasons why they don't want the auditor involved. Maybe the auditor has got reasons that he doesn't want to be involved.

**Mr. Chairman:** — I obviously can be voted down on this issue, and I don't want to push it. I just thought it was a hell of a good suggestion because of the role the auditor played in the financial review commission. If he's good enough to do that when we're writing down several hundreds of millions of dollars because of what that commission brought down then in the question of reasonable approaches to teachers' pensions plans, it would seem that he has certain . . .

**Mr. Van Mulligen:** — Why don't we flag that one for Friday, because it's not just a question that pertains to the teachers' superannuation. It's a more broadly based question of how the government's going to deal with the question of pensions. You know, I think your idea has got some merit and that needs to be looked at, but that will give us till tomorrow to look at that and we'll see where we go at that time.

**Mr. Chairman:** — Other than . . . we don't really want to use this motion then until tomorrow then to clean it up.

**Mr. Van Mulligen:** — But the rest of it . . .

**Mr. Chairman:** — Yes, that's fine.

**Mr. Van Mulligen:** — You know, like I'm not opposed to it. You know, we'll come back to your suggestion tomorrow, Mr. Chairman. I agree that we should do that.

**Mr. Chairman:** — We take a . . .

**Mr. Strelloff:** — Mr. Chairman, members, did your motion mean that the recommendations that we put forward are also adopted?

**Mr. Van Mulligen:** — No.

**Mr. Strelloff:** — So just the phrasing, whatever the phrasing of the motion that you put forward just now?

**Mr. Van Mulligen:** — Yes, I don't want to make a recommendation that the Indian Regional College obey the law or have the law changed to exempt the college from provincial government controls. I think there's other issues at stake here.

**Mr. Strelloff:** — What about the other ones?

**Mr. Van Mulligen:** — They will say you've got no business saying that we obey your law. And as to recommending the department establish procedures to determine the amount of ineligible loans, they said they've done that. And I'm saying we've noted that they've done that, but that you're going to evaluate whether they've done that. And we'll hear more from that, I guess, if they haven't done that.

As to recommending the management of Northlands Career College establish certain kinds of procedures, is he saying that the department has . . . or that Northlands has in fact done that in response to your concerns? Not in time for you to be able to make a note of it in the report you have before us, but that they've done that.

And I guess we should say that the department has reported that they've done that, and also saying that these changes are going to be evaluated by the auditor. I think that's a more accurate reflection of where things are at. I mean we've now got information that you didn't have.

**Mr. Wendel:** — I guess, Mr. Chairman, Mr. Van Mulligen, from the point of view or recommendations of the committee, like a recommendation of the committee has a considerable amount of weight. Like, we'll bring those forward if there's an actual recommendation. If it doesn't get corrected, we'll bring it forward.

**Mr. Van Mulligen:** — Yes.

**Mr. Wendel:** — I suppose that's why we would look for a recommendation. And if you want to make a note that the department's . . . (inaudible) . . . has also been corrected that's . . . I just wondered how you wanted to handle that.

This recommendation we will then bring forward and say the committee recommended that Northlands Career College establish procedures to result in timely financial statements. We would then report that yes, they complied with that. That's all we were looking for.

**Mr. Van Mulligen:** — But they said they've done that.

**Mr. Wendel:** — Yes.

**Mr. Chairman:** — I guess the point is there's no proof in the pudding. There's none whatsoever. I've seen many public servants say that certain things were going to happen, and then another budget crunch came along and well, we had good intentions but the Finance minister said that I couldn't have X number of person-years to do whatever and it didn't happen. Now you would have said that the public . . . you're saying to the public, this is already fixed, and then bang.

**Mr. Van Mulligen:** — No, no. I'm saying that the department reported on a number of improvements that had been instituted and had said these changes will be evaluated by the auditor. She went to some length and in great detail to respond to the issues that have been raised by the auditor and clearly indicated these had been put into place for the '92-93 fiscal year.

And the auditor agreed that he had not yet had an opportunity to evaluate whether or not what she had been saying has in fact occurred. And I'm saying that's what we need to report to the Legislative Assembly. And my guess is that if Northlands community college and these other functions don't do as she has reported, that these issues will come back again in the next Provincial Auditor's report along with the comments that the committee had to make at that point. And I entirely agree. But she said they've done that.

**Mr. Chairman:** — The next report won't cover it, unfortunately.

**A Member:** — Oh yes.

**Mr. Chairman:** — No it won't. I already checked that. The next one, which will be '91-92, which is March 31, '92, doesn't cover any of this. So what we're in effect doing is putting recommendations or things in that are jumping two years.

**Mr. Van Mulligen:** — No, what happens is that the next auditor's report will say exactly the same thing as it says now, okay? But by that time the auditor will also have had an opportunity to review what is happening during the current fiscal year.

**Mr. Strelieff:** — The next year's report will be on the year ended '92, so it won't pertain to what's happening in '92-93.

**Mr. Van Mulligen:** — That's right. But you've got a number of recommendations here . . .

**Mr. Strelieff:** — That we'll be looking at and making sure that . . .

**Mr. Van Mulligen:** — And you've given us a list of things that have been resolved to your satisfaction since the report came out. Now it may well be that this is another issue that will be resolved to your satisfaction since the issuance of your report.

**Mr. Strelieff:** — Yes, that's right.

**Mr. Van Mulligen:** — It may not be, in which case . . .

**Mr. Chairman:** — I guess it's important how that wording is done and that the assessment is the proof in the pudding.

**Mr. Van Mulligen:** — Yes, and we'll know soon enough I think. We'll know soon enough. And if they don't do it and it continues to be a problem, then I think this committee should sort of take some additional time to look at that, as to why the auditor is concluding these things. The department say they supposedly are doing these things but they're not doing these things, then we've got a problem to deal with. And we then may want to make some specific recommendations as to what needs to be done.

**Mr. Chairman:** — All right, we'll just leave this open except for that one . . . agree to it except for that one area then?

**Mr. Van Mulligen:** — The pensions, yes. We'll look at that tomorrow, sure.

**Mr. Chairman:** — We'll have a 15-minute recess.

**Mr. Van Mulligen:** — Can we agree to the motion?

**Mr. Chairman:** — Okay, that the hearings in the Department of Education be adjourned subject to recall if

necessary for the following per favourable.

**A Member:** — Further questions.

**Mr. Chairman:** — Further questions? You write as bad as I do, Bob.

Does that meet with what you're trying to get at?

**Mr. Van Mulligen:** — Yes, it includes all the comments that we made here.

**Mr. Chairman:** — Is that agreed? Agreed. We'll have a 15-minute recess.

The committee recessed for a period of time.

**Mr. Chairman:** — I think I would like to stay with practice, and that means that the auditor has a few comments to make that we always make in a short *in camera* session. And he's requested that, and I agree totally with the procedure and we don't want to break precedent here. So if I could just have anybody that isn't directly attached to the committee, please absent themselves for a few minutes.

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

#### **Public Hearing: Investment Corporation of Saskatchewan**

**Mr. Chairman:** — Thank you for being so patient. The committee had a number of questions to ask the auditor and we're now in a better position I think to understand some things.

As is usual, Mr. Black, we give the entities involved in the auditor's report the opportunity to comment on the specifics of it prior to opening it up to questions by members. So from chapter 25 dealing with the issues involved there, if you'd wish to make any comment, we'd be pleased to hear it.

**Mr. Black:** — Thank you, Mr. Chairman. Let me first say that as described in the report of the Provincial Auditor, the issue *vis-a-vis* the Investment Corporation is accurately described. But as the committee knows, the Investment Corporation of Saskatchewan is not a creature of legislation. It is a privately owned company incorporated under the laws of Saskatchewan, specifically The Business Corporations Act, Saskatchewan, and has taken a consistent position that its operations do not therefore fall within the mandate of the Provincial Auditor.

We have, as does the Provincial Auditor, legal advice supporting our position and we have discussed the problem with the Provincial Auditor on various occasions. And as you will see from his report, he has accurately described that we have agreed to disagree on the issue of his jurisdiction and our corporation.

Our firm, bottom-line position is that the Provincial Auditor does not have authority to audit the Investment Corporation. However, notwithstanding our position on the scope of the Provincial Auditor's jurisdiction, we



decided to accept the invitation of the committee to appear. And we did so because the client shareholders of the Investment Corporation of Saskatchewan are principally public sector pension funds and other funds in the public sector themselves subject to the jurisdiction of the Provincial Auditor, and it is in their best interests, we feel, that we cooperate with the committee and indeed the auditor to endeavour to help the members to understand the position that we have taken *vis-a-vis* the jurisdiction of the Provincial Auditor.

Further, we think it's important that the members understand the Investment Corporation, its operations, and the important commercial reasons why we at the Investment Corporation feel the entity resides outside the jurisdiction of the Provincial Auditor. We have grown increasingly concerned that there are some substantial misunderstandings about just what our company is and what it does.

Our hope is that today's session will clear away some of those misunderstandings, and without qualifying our position as to the issue of the auditor's jurisdiction, we want to do what we can to ensure the committee fully understands the nature of our operations. We're confident that a fuller understanding of the situation will eliminate whatever concerns the members might have about the implications of our disagreement with the Provincial Auditor.

I'm informed that it was the intent, in 1988 when ICS (Investment Corporation of Saskatchewan) was created, to ensure that it was completely at arm's length to government; the intent is implicit in the enabling legislative amendment that was passed to facilitate the various pension funds to remain independent investment counsel and any other professional advisers of their choosing. ICS was not referred to in that legislation and does not enjoy any legislative management . . . or mandate from the Crown, hence it is not subject to the jurisdiction of the Provincial Auditor.

Our clients in fact have the freedom to hire any manager they wish, anywhere in Canada or indeed the world, to manage their investment portfolios. The Investment Corporation competes daily for a competitive advantage in a market-place to earn the opportunity to continue to provide our investment management service to our clients and to retain management and control of their invested assets within Saskatchewan.

The Investment Corporation of Saskatchewan is a Regina-based, private sector Business Corporations Act owned by approximately 20 pension and other public sector funds, all of which are Saskatchewan domiciled. ICS is a provider of investment management services only. It is a modest operation with 25 staff persons and an annual operating budget of approximately \$4 million. It is only one shareholding within a very large investment portfolio of each of our client owners. In that respect, it's no different than the holdings of the Canadian Imperial Bank of Commerce or Northern Telecom that they own.

The Investment Corporation is not a Crown corporation or an agent of the Crown. It is not the owner or holder of record or custodian of any pension or other fund monies

or assets. It does not have unrestricted discretion over the investment of the funds of our clients. We are accountable to boards of trustees in each and every instance, and we are confined by investment policy guidelines established by those boards as effectively our job description.

It is not a significant investment for any one of the owner pension funds, as ICS has a modest capitalization of approximately \$1 million, and the shares that each of our funds own in the Investment Corporation represents less than .0002 per cent of their invested assets.

The Provincial Auditor's report, as I said, accurately describes the fact that we have a differing view as to his purview of our operations. There are adverse consequences potential to having the Investment Corporation subject to Provincial Auditor audit. It creates a perception that we are a Crown corporation and/or government operation under government direction or control. And what that does is create the perception that there is somehow some influence over the investment activities that we conduct on behalf of our clients. That is in direct conflict with trust law and would in turn dictate that all of our . . . which the law in turn dictates that all of our activities, actions, decisions, must be in the sole best interests of our clients and no one else.

Therefore in a highly competitive world in which we operate, our competition would seize on the opportunity to spread the myth that we are a Crown corporation; our name tends to suggest that. And people who we compete with already attempt to perpetuate that myth. Our competitors also would be allowed insight into our operations and accounts where we don't enjoy similar opportunity and would therefore be put at a competitive disadvantage.

So in summary, Mr. Chairman, I see us as a private company. It is not and was never intended to be an agent of the Crown. Its client owners are public sector entities, but whose activities are subject to the purview of the Provincial Auditor. The shares in ICS are simply one small equity investment within a much larger portfolio of investments of each of our client owners. And ICS was created and established by the owners, not by the Crown, to provide a service that heretofore was not available within the bounds of the province of Saskatchewan from a Saskatchewan domiciled company.

ICS in fact is not compelled to domicile itself in Saskatchewan. It is here because our owners chose to establish it here and to sustain it here. And with that, Mr. Chairman, I'll turn it back to you for questions.

**Mr. Chairman:** — Thank you, Mr. Black. Mr. Auditor, do you have any . . .

**Mr. Strelieff:** — No further comments.

**Mr. Van Mulligen:** — I just want to make this clear now. Your client owners are shareholders which are either Crowns, government agencies, and to a very great extent pension funds.

**Mr. Black:** — That's correct.

**Mr. Van Mulligen:** — All these entities are subject to the scrutiny of the Provincial Auditor. Is that correct?

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, no, I think some of the funds that you manage are from non-government organizations. I can't remember which ones they are. A significant majority of the funds that the corporation manages and the share ownership of the corporation, the significant percentage of the ... a significant majority of the share ownership of the corporation are held by government corporations and funds.

**Mr. Van Mulligen:** — And you have the authority to audit and you do in fact audit some of those entities?

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, that's true. That's not the issue here. The issue here is that the shareholders of the corporation, the Investment Corporation of Saskatchewan, a significant majority of the shareholders of the corporation are government organizations. Therefore the government owns a significant majority of ICS. Therefore under The Provincial Auditor Act it requires us to examine the operations of the corporation.

**Mr. Van Mulligen:** — Including how the corporation deals with private capital that is obviously of no ... it certainly wouldn't fall under the authority of the provincial government or your office.

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, The Provincial Auditor Act defines a Crown agency as an organization where greater than 50 per cent of the shares are held by the government. And under that definition and when you look at the Investment Corporation of Saskatchewan, it falls under the definition of a Crown agency. And then under that definition and through our Act we're required to examine the activities of that organization including the Investment Corporation of Saskatchewan. It just flows naturally.

And if the corporation also manages monies that come from non-government organizations, that's not really relevant to the responsibility our office has to examine it. As long as the government owns the majority of the shares, our office is responsible to examine directly that corporation.

**Mr. Van Mulligen:** — It may not be relevant to your office, but I guess it certainly is relevant to the operations of ICS.

I just wanted to pick up on one point that Mr. Black made and that is the question of the arm's-length relationship. When the matter of freeing pension funds and the like to pursue independent investment management as opposed to staying with the function that had been provided by the Department of Finance, when this issue was raised in the Legislative Assembly there was some debate on this matter.

And even if the auditor is saying that the legislature's intention wasn't clear or he's saying if it is the Legislative Assembly's intent that we should not audit, we recommend a change to make that intention clear, it's my

understanding in a debate in which I participated, that the intention of the Legislative Assembly was crystal clear.

Alternatives to an independent investment management corporation as we have now, were proposed and discussed. The government felt no, it wanted an arm's-length relationship not reporting to the Legislative Assembly as opposed to a Crown corporation model which would have reported to the Legislative Assembly. And there is just absolutely no doubt in my mind what the intention of the majority of the members of the Legislative Assembly was that day.

**Mr. Black:** — Mr. Chairman, Mr. Strelieff touched on I think the essence of our differing view, and that is the ownership of the corporation. I think he accurately describes the intent of the Legislative Assembly in regards to his access to organizations that are greater than 50 per cent owned by the Government of Saskatchewan or indeed beneficially owned by the Government of Saskatchewan.

The difficulty here is our differing view on who these owners are. While these owners are directly related in many respects to the Government of Saskatchewan, the funds that those shareholders control, those investment portfolios, those assets belong beneficially to the pension plan holders and not to the Government of Saskatchewan. Indeed in virtually every instance, I would submit, that it would require an Act of the Legislative Assembly to get any monies back out of those funds and into the hands of the Government of Saskatchewan. Once they're resident in those pension funds, they belong to the fund and beneficially to the ultimate beneficiaries of those funds.

And that is really where the crux of the argument is. We submit that the auditor today has access to every one of the those funds, every cash transaction, every investment transaction that occurs within those funds, but that he should be stopped short of reaching into private companies that are owned by those funds in the same way he would not suggest that he should audit the Canadian Imperial Bank of Commerce because we own shares of the Canadian Imperial Bank of Commerce in the public employees' pension fund. Just because the public employees' pension fund own shares in the Investment Corporation of Saskatchewan does not mean that access should be granted to the Investment Corporation.

**Mr. Chairman:** — Mr. Black, if the working men and women of a particular entity which is on your board decided to remove their pension fund from ICS and reinstitute it with the Government of Saskatchewan, could they do that?

**Mr. Black:** — Yes.

**Mr. Chairman:** — So if they got their board to, say, change or they went and ousted their board or whatever, and said we aren't comfortable with our pension money being in ICS any more; we want it to go to X — maybe the Department of Finance, maybe another investment house ...

**Mr. Black:** — Maybe an investment manager resident in

Vancouver or Montreal or indeed Zürich.

**Mr. Chairman:** — They could do that?

**Mr. Black:** — They could.

**Mr. Chairman:** — They could do that.

**Mr. Black:** — The amendments made in an Act in 1988, described as the investment provisions amendments Act, set out very clearly, I think, as was described earlier, the intent of the legislature. And it amended a number of Acts and the investment provisions contained in those Acts. And the section that deals with amending The Crown Corporations Act, 1978 says this: the corporation may enter into any agreement, engage the services of or retain any technical professional or other advisers, specialists, or consultants, or do any other things that the corporation considers necessary for the purposes of managing, investing, or disposing of all or any part of the assets of any fund established pursuant to the clause — and it cites the clause — and the cost incurred pursuant to the subsection and in other expenses related to managing, investing, or disposing of all or any part of the assets of any fund established pursuant to the clause are a charge on and payable out of the fund.

That is what allowed the funds to hire us. Now we weren't there at that particular point in time, but those funds joined together as a group and said rather than going out and hiring somebody in Toronto or Montreal, why don't we create an industry that doesn't exist in Saskatchewan at the moment, keep control of the management of those assets here. An important distinction is that we never touch the money or the securities; we simply make management decisions. Nobody has their money inside ICS. There's no big pool of money sitting in our vault. We don't have a vault.

**Mr. Chairman:** — Thank you very much, Mr. Black, for coming and enlightening us this morning.

**Mr. Black:** — Thank you, Mr. Chairman.

**Mr. Van Mulligen:** — Mr. Chairman, again there's no doubt in my mind what it is that the Legislative Assembly intended ICS should be, and that is an independent corporation operating at arm's length in the Legislative Assembly. The auditor evinces concerns that it's still not clear enough in terms of his responsibilities. So therefore I would move, or at least I'll put it out here for a vote later on, notice of a motion that the government review the matter of its relationship with ICS and the obligations of the Provincial Auditor in this regard.

**Mr. Strelieff:** — Mr. Chair, members, my understanding of the motion would be similar to our recommendations that if it's the intent that we don't have a responsibility to audit an organization that is owned by the government, then change the legislation and exempt us from it.

**Mr. Van Mulligen:** — If that's required.

**Mr. Strelieff:** — If that's required or if that's also the wish. Our view is that an amendment would be required unless the ownership changes which it may change over time.

**Mr. Van Mulligen:** — I know in a lot of your recommendations, you say, will change the law. And I guess I'll have the government review that and it may well be that a change in law is required.

**Mr. Chairman:** — You'll probably get a paralegal . . .

**Mr. Van Mulligen:** — But I'm not going to take the position, go change the law. That's perhaps a different way of stating the same thing but . . .

**Mr. Chairman:** — Right.

**Mr. Kujawa:** — It seems to me to be an illustration of point number one of the 12 that were handed out yesterday. Let's figure out what it is we're trying to do.

**Mr. Chairman:** — Yes. Good comment. On that we'll adjourn the committee then until 1 o'clock.

**A Member:** — Could I just make a comment?

**Mr. Chairman:** — Sure. Quick.

**Mr. Strelieff:** — Before we adjourn, Mr. Chair, and members, on Tuesday we had a significant discussion on whether budgets for government corporations should be provided to the Legislative Assembly, and in that discussion I referred to the Auditor General of Alberta and his recent recommendations related to NovAtel.

And I thought . . . And yesterday, when I got back to my office, I got a letter from the Auditor General of Alberta. And attached to that was the Government of Alberta's response to the Auditor General of Alberta's recommendations on strengthening the accountability of Crown corporations in Alberta.

And it was a very interesting response or position of the Premier of Alberta that went a long way, I think, to moving forward, strengthening the accountability of Crown corporations. And I thought you would be very interested in it, so I prepared a special report just for this committee for today and attached to it are two letters.

The first letter is a letter I sent to Mr. Swenson, as the chair of the Standing Committee on Public Accounts, and I also sent that letter to a number of other people. And in that letter I just make you aware of what was happening in NovAtel and listed the five recommendations of the Auditor General of Alberta and said that they provide interesting food for thought for moving similar issues forward in Saskatchewan.

And then I also attach a letter that's on the public record right now, and it's a letter from the Premier of Alberta to the Auditor General of Alberta setting out how the Premier's agreement with those recommendations — the five recommendations of the Auditor General . . . and how he plans to move them forward in the future.

So I thought given that we're going to be having a discussion on the accountability of Crown corporations tomorrow morning, that these two documents — they're only about five pages — would provide an interesting

perspective for the members.

**Mr. Van Mulligen:** — I appreciate that and note with interest the comments of the new Premier of Alberta who is no doubt anxious to disassociate himself from the activities of his predecessor as Premier of Alberta and note with interest his plans for the future, and will certainly take all that into account and consider it in its appropriate light.

**Mr. Chairman:** — Thank the Clerk for copies for everyone.

The committee recessed for lunch.

**Mr. Chairman:** — Perhaps we could . . . I'll call the meeting to order so that we can get back in session here. All of you have had the opportunity to receive a small, special report by the auditor dealing with some things going on in our neighbouring province of Alberta. You may or may not want to ask questions arising out of that tomorrow morning.

**Mr. Van Mulligen:** — I think we're going to discuss this matter tomorrow and look forward to the opportunity to review of the letter from the Premier of Alberta in its entirety and what it says, and what interpretation any reasonable person might draw from this letter as into what the Alberta government purports to do or is going to do.

There is an outstanding issue in terms of the Investment Corporation.

**Mr. Chairman:** — Right.

**Mr. Van Mulligen:** — And I would move:

That the government review the matter of its relationship with the Investment Corporation of Saskatchewan and the obligations of the Provincial Auditor in this regard.

**Mr. Chairman:** — Shall I add that on to the motion?

**Mr. Van Mulligen:** — Yes.

**Mr. Chairman:** — Or do you want a separate motion in that regard?

**Mr. Van Mulligen:** — It doesn't matter.

**Mr. Chairman:** — Okay, we'll do it in a separate motion then. Perhaps we could have this moved then: that the hearings into ICS be adjourned subject to recall if necessary for further questions.

**Mr. Van Mulligen:** — I'll move that.

**Mr. Chairman:** — Now we have an agenda change that I just want all of you to note for tomorrow morning. Instead of 8:30 with the Family Foundation, that will be at 9 o'clock instead. And then there will be consideration of the committee's draft report as soon as we finish the Family Foundation.

Now to deal with the separate motion as proposed by Mr.

Van Mulligen, that the government review the matter of its relationship with ICS and the obligations of the Provincial Auditor in this regard. Is there any discussion? Is that agreed? Agreed.

**Mr. Van Mulligen:** — Mr. Chairman, we had one other outstanding with respect to the Saskatchewan Transportation Company, the auditor had a number of recommendations, and we didn't deal with them the other day. I wondered if . . .

**Mr. Cline:** — I have a motion in that regard, Mr. Chairman, if you'd like me to present it now.

**Mr. Chairman:** — Why wouldn't we want to clean that up in the morning with the rest of it?

**Mr. Van Mulligen:** — We can do that.

**Mr. Chairman:** — If we've got time today if we go through this stuff, I'd just as soon. I've got people out there waiting who told the committee that they were in a terrible time bind, so . . .

**Mr. Van Mulligen:** — Tsk, tsk, tsk.

**A Member:** — You are a forgiving soul.

**Mr. Van Mulligen:** — That's the wrong thing to say to the committee.

**Mr. Chairman:** — Who am I to question the deputy minister of Health.

Could we have a motion for someone to move us into camera so we can have a short discussion?

**Mr. Van Mulligen:** — I'll so move that we go *in camera*.

**Mr. Chairman:** — Agreed. Carried.

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

### Public Hearing: Department of Health

**Mr. Chairman:** — Welcome to the committee.

**Mr. Adams:** — Thank you, Mr. Chairman.

**Mr. Chairman:** — I wonder if you might introduce your officials to the committee, please.

**Mr. Adams:** — Yes. To my immediate left is Kathy Langlois who is the executive director of our finance and administration branch, and to her immediate left is Velma Geddes who is our director of administration in the finance and administration branch.

**Mr. Chairman:** — Good. Thank you. Before I open the floor to questions on chapter 20, Department of Health, ending March 31, '91, do you have any comments you wish to make to the committee in regards to observations made by the auditor?

**Mr. Adams:** — Just one general remark which applies to the facilities which were audited that we're paying

third-party grants to. There is one common issue which arises, having to do with the way we accounted for the accrued vacation pay, which at the time of this report was a debate between the auditor's office and our department which we agreed to settle for the purpose of getting these reports down, and the issue is still being reviewed between the auditor and the department. So it's a common issue. Beyond that, Mr. Chairman, I have nothing to add.

**Mr. Chairman:** — Thank you.

**Mr. Cline:** — Yes, Mr. Adams, referring to paragraphs .11 and .12 in the Provincial Auditor's report, the Provincial Auditor points out that the board of governors of Lakeside Home did not report . . . make its annual report to the Legislative Assembly by the date required. Have you taken any steps to ensure that that hopefully will not happen in the future?

**Mr. Adams:** — Yes, we have. This is more precisely the issue that I was alluding to in general terms. The preparation of annual reports was delayed while there was a resolution of an issue between the department and the Provincial Auditor regarding the appropriate accounting treatment for accrued vacation pay. The department subsequently conceded to the auditor's suggestion so that we could get these reports tabled for the committee.

The issue of the appropriate accounting of treatment . . . the accounting treatment for accrued vacation pay is still — it's a rather complex issue — and it's still under review and we've committed ourselves with the auditor to resolving that this year so that this is not a lingering problem for this committee.

**Mr. Cline:** — Okay. Then in paragraphs .16 and .17 the same point is made with the La Ronge Hospital Board. Does the same answer apply?

**Mr. Adams:** — Same problem, yes.

**Mr. Cline:** — Okay.

**Mr. Adams:** — Oh pardon me, no, no, excuse me. We have that common problem. Are we referring in the case of La Ronge to the . . . Yes, okay, that's the same problem. There's two issues . . . Oh, I'm sorry, I'm sorry.

With regard to this particular reporting problem, the La Ronge Hospital Board was established during that year, 1989-90, and the board was new and it failed to recognize reporting requirements associated with its responsibilities, and this resulted in a delay.

Mechanisms have been established to ensure that future annual reports will be tabled in accordance with legislative requirements, and this includes the awareness of the board of the tabling requirements. We've been quite clear about that. And a system has been established within the department to monitor the completion of annual reports on time.

**Mr. Cline:** — Thank you. And then if I can refer you to paragraphs .28 and .30 which deals with the Souris

Valley Regional Care Centre. The auditor points out that the centre's 1990 annual report to the Legislative Assembly included unaudited financial statements and he feels that the Souris Valley Regional Care Centre should include audited financial statements in its annual report. Have steps been taken to resolve that particular problem?

**Mr. Adams:** — Yes, we agree with the auditor in respect to this observation very much. They should have audited financial statements contained. But in this particular case that wasn't possible. The issue of appropriate accounting treatment for accrued vacation pay was at the root of this problem, and also that created the delay in getting an audited statement. That will be resolved. They've been warned about it. We're on top of it.

**Mr. Cline:** — Thank you. Those are all the questions I have, Mr. Chairman.

**Mr. Chairman:** — Anyone else?

**Mr. Van Mulligen:** — Just to clarify then the question of the tabling of these annual reports, Lakeside, La Ronge, Wascana, has all been compromised by the question of outstanding vacation pay?

**Mr. Adams:** — Yes. Not for La Ronge. But the problem with the accrued vacation pay is that there was, according to the contract, you take your vacation or you're entitled to your vacation the year after it's earned.

The question in auditing terms then is, how do you treat that accumulated liability in the current year that you're looking at. And the auditor had the view that we had changed our policy in a department concerning this matter; we believe we did not. And so we've had some discussion about that.

It's an honest matter of facts. We determine how to treat this issue in the correct auditing procedures and for everybody to get doing the right thing.

And while that was being discussed, at the point where these reports should have been produced, a few of them didn't get produced on time and they're late. That's what happened,

**Mr. Van Mulligen:** — Just cash versus accrual in that issue, or . . .

**Mr. Strelloff:** — Mr. Chair, and members, it is related to cash versus accrual. Funding, do you get . . . do you provide funds to a hospital on the basis of their cash needs, or do you provide funds to a hospital based on their costs, which would include vacation pay which you haven't paid out yet but that you owe? And that's where the issue centres.

**Mr. Van Mulligen:** — So if everybody moved to accrual it would certainly clarify that.

**Mr. Strelloff:** — Mr. Chair, members, it's not quite that simple in this case. Because there is a discussion on whether the hospitals are funded on a cash or an accrual basis all along. That's what we're discussing.

**Mr. Van Mulligen:** — That's it. No more questions.

**Mr. Chairman:** — Mr. Adams, I have an area that I would like to . . . And I don't think you can probably have answers from you today. But in reviewing a department such as yours, which is obviously a great deal of third-party involvement, very large expenditures, one of the areas that we've dealt with in our review of the *Public Accounts* for this particular year, but are issues which will be there in '91-92 and '92-93 and on and on and on, and we've discussed these generally with Crown Investments Corporation and Finance and others so don't think that we're picking on you. As a matter of fact there's a set of 12 questions which the auditor informed us about that has to do with public accounting procedures Canada wide. And some of those may or may not be applicable to the Department of Health.

But there are four questions that I noticed in our review of this year's *Public Accounts* and they're on page 17 on chapter 3, and it's section .25. And I made a note of it as I was going through it because I thought it had particular relevance to your department and the process that you're going through with your health boards, the formation of health boards. And those four questions tie into a lot of the recommendations that the auditor has made through his presentation this year and I'm sure will be sort of thematic down the road.

And I know you can't answer these today, but I would like you to note them and expect that those questions may be asked . . . well I can assure you they'll be asked probably next year. Because I find them very, very relevant to that process and the way that the public will want accountability to flow through that process. And I know you have legislative commitments that you have to make and others, but I would like you to review them and think of ways that those will interact.

**Mr. Adams:** — Mr. Chairman, could I make sure I've identified the section you've made reference. That's chapter 3, item .25, and the four bullets as a part of that.

**Mr. Chairman:** — That's correct.

**Mr. Adams:** — They're good questions. Mr. Chairman, you're alerting me that I should be aware to provide answers to these in the next year or do you want something more on this, this year?

**Mr. Chairman:** — Well I think I might be precipitous asking you to answer those questions given that you're in the midst of . . . I understand legislation, Mr. Adams, and what you have to do to sort of get your house in order that way. So . . .

**Mr. Adams:** — Well I think that the questions are good questions. And it's the kind of question that the public would, as well as this committee, would want to see answered. And as part of the overall reform and the kind of instructions we'll give to new districts, we will certainly take this into account, and I will be prepared to answer these at the next sitting.

**Mr. Chairman:** — Thank you.

If there are no other questions from members, thank you, Mr. Adams, and to your officials for appearing before us today.

**Mr. Adams:** — Thank you very much.

**A Member:** — I'm not sure we have a quorum.

**Mr. Chairman:** — We don't. I was hoping we could deal with some of those other items if we've got some space.

We'll see if we can bring Ag in a little quicker.

Do you want to give us the gist of your STC (Saskatchewan Transportation Company) comments and then as soon as we've got a quorum we can . . .

**Mr. Cline:** — Well sure. Actually since we've just finished Health, why don't I make a suggestion to see if this would be satisfactory for everyone.

The auditor has six recommendations and he said that three of them were corrected. And I wonder if it wouldn't be in order to have a motion with the pro forma part, and then the second, third, and fifth recommendations that are set out on page 9 of the auditor's report of January 20, 1993.

**Mr. Chairman:** — Oh the summary of that, okay. Those were numbers . . .

**Mr. Cline:** — Well the second, third, and fifth, because the first, fourth, and sixth were identified as having been corrected already. And I understand from what Mr. Adams said, the others are, but I think it wouldn't hurt to include them in the motions. If we had the pro forma motion and then the second, third, and fifth recommendations.

**Mr. Chairman:** — Does everyone understand what Mr. Cline . . . Good. Is that agreed? Okay.

**Mr. Cline:** — And then on STC, I would suggest that, looking at the Provincial Auditor's summary on page 11, that I would make a motion if it could be prepared with the pro forma part. And then the first and second and fourth bullets, and then under the fourth bullet there's five other bullets; and then the third bullet would be replaced by different wording, which I'll read.

**Mr. Chairman:** — So you're saying move the existing ones as they are — first, second, fourth?

**Mr. Cline:** — Yes, and replace the third.

**Mr. Chairman:** — And replace the third. And you're going to propose a motion.

**Mr. Cline:** — Yes.

**Mr. Chairman:** — Okay.

**Mr. Cline:** — And I would propose that this committee — and I have this in writing:

That this committee recommends that STC work with CIC to: (a) improve efficiencies within STC; (b) identify uneconomical routes and quantify the cost of those routes so decisions can be made on their continuation, and see that any decisions made be reported to the Crown Corporation Committee for review.

**Mr. Chairman:** — So I get this straight, Mr. Cline, what you're saying is rather than have the narrow focus of which routes are presently uneconomical and need subsidization, you want a broader question of review.

**Mr. Cline:** — Yes.

**Mr. Chairman:** — Is there any other discussion on the proposed motion by Mr. Cline in regards to STC? If not, is that agreed? Carried.

That the hearings with the Department of Health be adjourned subject to recall if necessary for further questions as per the recommendations we've already carried in the auditor's report. Is that agreed? If somebody would put their John Henry on that, please.

Now what else we got? Harry, was there another matter that you had wanted to deal with just before we started.

**Mr. Van Mulligen:** — No, that was the STC one.

**Mr. Chairman:** — Just the STC one?

**Mr. Van Mulligen:** — Yes.

**Mr. Chairman:** — We're trying to ask Agriculture to come as they can, so perhaps do you want to have a recess or do you want to go on to other matters? . . . (inaudible interjection) . . . Well just the stuff we'd discuss tomorrow morning.

**Mr. Van Mulligen:** — Sure.

**Mr. Sonntag:** — We could also go *in camera* for the Department of Agriculture.

**Mr. Chairman:** — Yes, that's true. We'd get that out of the way.

**Mr. Van Mulligen:** — Sure, let's do that.

**Mr. Chairman:** — So moved by Mr. Sonntag. Agreed? Carried. We're *in camera*.

#### **Public Hearing: Department of Agriculture and Food**

**Mr. Chairman:** — You may begin.

**Mr. Scott:** — Thank you, Mr. Chairman. I'm Terry Scott. I'm acting assistant deputy minister for policy for the Agriculture and Food department. And with me to my left is Dale Sigurdson who is acting assistant deputy minister for administration for the Department of Agriculture and Food. And to my left is Harvey Murchison, director of the administrative services branch; and to his right is Ken Petruic, the accountant for the Department of Agriculture

and Food.

**Mr. Chairman:** — Good. Thank you.

Before I open the floor to questions from members, is there anything that you wish to report to the committee in regards to chapter 13, Agriculture and Food, year end March 31, 1991? Any comments that the auditor's made that you wish to reply to or anything, prior to opening it up?

**Mr. Scott:** — I think we would prefer to take the approach of responding to questions, Mr. Chairman, if that's appropriate with you.

**Mr. Chairman:** — All right. The floor is open to questions.

**Mr. Sonntag:** — I don't want to presume anything but, Mr. Chairman, you may want to read that little sheet of paper.

**Mr. Chairman:** — Oh, right. Thank you for reminding me. The Chairman has been negligent today. I need to inform you of a statement before we get on with it here.

Witnesses should be aware that when appearing before a legislative committee, your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidences.

The witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the chair. Thank you.

**Mr. Sonntag:** — Thank you, Mr. Chairman. Okay, now that we've got you where we want you after he's read you that, I can appreciate, first of all, Mr. Scott, the large department that you're dealing with and my questions will pertain primarily to the auditor report and his recommendations.

First of all, under the section, Agricultural and Food Products Development and Marketing Council, paragraph .07, specifically with respect to the annual reports and annual report needing financial statements, the auditor recommends that financial statements though not required by law, should be included. And we'd be interested in your comments on that.

**Mr. Scott:** — Are you referring to the issue of the audited financial statements being included in the annual report

of the natural products or the agri-food council? Was that your . . .

**Mr. Sonntag:** — That's correct, yes.

**Mr. Scott:** — Okay. We are having some discussions on that. I guess the thing to keep in mind, on the marketing boards and development boards that report to the agri-food council, is that they are dealing with producer monies as opposed to government monies, so it has been the department's position that those boards would not necessarily be required to report to the Provincial Auditor.

I believe the Provincial Auditor is taking a different view of that. But there are some discussions going on now, that hopefully we will resolve that issue.

**Mr. Sonntag:** — In paragraphs .10 and .11, the auditor recommends the council monitor the activities of the marketing boards to ensure that it complies with the authorities and that it has adequate rules and procedures to safeguard their assets. And I'd be interested in your comments on that as well.

**Mr. Scott:** — Sir, I'm sorry, I'm having trouble hearing you.

**Mr. Sonntag:** — Oh I'm sorry. Okay. In reference to the annual report, paragraphs .10 and .11, further to your comments under the same section, the auditor recommends that the council monitor the activities of the marketing boards, the boards that it controls, to ensure that they comply with the authorities and have adequate rules and procedures to safeguard and control their assets, and would like your response on his recommendations there.

**Mr. Scott:** — The agri-food is looking at a new strategic plan that it is in the process of having some discussion with the Minister of Agriculture and Food. And one of the areas that the agri-food council is looking at is the entire area of financial and operational accountability of the boards and commissions that are established under the Act, and will certainly be looking at the Provincial Auditor's suggestion as to include the financial statements of the agencies in the annual report.

I think there's some reluctance by the agri-food council to do that, given that they haven't typically had the kinds of resources available to them that would allow them to do any kind of a monitoring function with respect to the financial aspects of those boards and commissions.

So the position, I think, of the council is at this point that they would prefer not to be involved as a council on that part of it. They have some clear responsibilities with respect to the general operations of marketing boards and development boards. But they see themselves more as a public watchdog, so to speak.

Some of the boards and commissions have some fairly extensive powers. They can effectively tell producers how much to produce of a certain product. They run supply management systems. There are central-desk selling agencies involved.

And so the council's view is, it is their job to sort of represent the public interest in that process but not to get deeply involved in ensuring that the financial aspects of the boards are looked after. They would see that as being something that they wouldn't be resourced to do, at least at this point in time.

**Mr. Sonntag:** — Okay, good. Moving on then to the . . . Sorry, go ahead.

**Mr. Van Mulligen:** — If I could just ask on this . . . you say they don't comply with the authorities governing their activities. What authorities are those?

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, the authorities we're referring to relate to the sheep board which is following, and the vegetable board.

So we're saying that in paragraph .11 the council should monitor the activities of the board to ensure that the individual boards do comply with the authorities and have adequate procedure in rules and procedures.

And then if you go on to the sheep board, there will be some examples of where the sheep board . . . written procedures and rules and procedures need strengthening. For example, no policy for determining when credit sales should be made, and the insurance program. And then if you keep on moving to paragraph .18 to .20 to .22 where there's no annual meetings and no minutes and the sheep counts that we talked about earlier not taking place. And then paragraphs .24, .25, .26.

So in paragraph .11 we're saying to the council, you have an oversight responsibility for all these boards. When we look at the boards, we're finding some internal control problems and compliance with legislative authority problems while you should, as part of your responsibility, make sure that the boards are operating more adequately.

**Mr. Van Mulligen:** — The question I've got is: what is meant by oversight? Does it mean then a responsibility to tell the boards that you have to comply with authorities, that is, you've got some regulatory role there? Or is it one of . . . is oversight meant in terms of coordination?

**Mr. Scott:** — I think the distinction would be that the council would not see themselves as being the body that would go in and review the financial affairs of a board, in this case vegetable board and sheep board. But once those problems have been identified, then certainly the agri-food council is quite prepared, and have been attempting, to work with the boards to see that the problems that are there get resolved.

Both of the boards, I think it's clear that there have been some continuing difficulties in this area. And there is a bit of an underlying problem in a sense that we're dealing with two boards that have a very shallow revenue base, if you will. These are not large industries in Saskatchewan. So although they have a check-off that they can collect producer revenue, the amount of the check-off that they can collect because of the small base of those industries is very small, and it creates some difficulties for them in terms of administering services to producers and meeting



all of the requirements that need to be met for internal financial control.

We're in the process, recognizing that there have been a number of issues identified by the Provincial Auditor. What we have done and the agri-food council has done, is to sort of step back and ask these boards to do an overall review of what it is that they are capable of delivering by way of services for producers within the financial capabilities that they can have based on the size of their industries. Now that may mean some significant changes for either or both of those boards. But that process has certainly been started.

The vegetable board is looking at the possibility of suspending collection of check-offs, and we're looking at that internally as well while this review takes place.

**Mr. Van Mulligen:** — But it's not clear here, from what's been related by both the auditor and by yourself, just what the mandate of the council is to monitor the activities of boards and to ensure they comply with authorities.

I'm not . . . You know, you say you've asked them to do things. Well asking groups to do things is one thing; saying, look you've got to comply and do the following, is something else. I'm not sure what the mandate is here. And by saying we recommend that you monitor and so on, are we enhancing the mandate of the council? It's not clear to me.

**Mr. Strelloff:** — Mr. Chairman, Mr. Van Mulligen, in The Agri-Food Act, section 7, it spells out some of the responsibilities of the council. It says the council shall, in paragraph (b), be responsible to the minister for the operation and administration of boards and commissions and for that purpose shall make and enforce such regulations as may from time to time be approved by the Lieutenant Governor in Council.

So the council is responsible to the minister for the operation and administration of the boards and commissions that we're talking about by virtue of The Agri-Food Act.

**Mr. Sonntag:** — Okay, moving on then to the Saskatchewan Sheep Development Board. In our *in camera* session the auditor pointed that section .17 has already been corrected, so I guess there is some overlap here with respect to your comments earlier, the auditor recommending that your document be in . . . that the Saskatchewan Sheep Development Board document, its policies and procedures, and I'd like you to comment on that as well.

**Mr. Scott:** — Mr. Chairman, the sheep board has met with the Provincial Auditor and the department has been involved as well to look at the kinds of things that can be done to improve the internal control, the issues that I think you've identified, and the board has agreed to work with the auditor to develop written guidelines and procedures.

**Mr. Sonntag:** — Good. Thank you. Also then with respect to the lack of annual general meetings, has anything been

done about that?

**Mr. Scott:** — That issue will be addressed in the sort of overall review that I mentioned earlier. I think what may come out of that is some changes to the system of holding their annual meetings. There are some, I think, different interpretations as to what the regulations actually required the board to do by way of annual meetings.

They have this sort of two-tiered system where they have regional meetings and then also a general meeting. And that issue will certainly be cleared up in the overall review. It will be made very clear in the regulations what they are required to do by way of an annual meeting.

**Mr. Sonntag:** — Okay, thank you. Also then in paragraphs .20 and .21, the auditor notes that minutes were not kept at the annual meetings.

**Mr. Scott:** — Yes, Mr. Chairman, I think that issue as well relates to the previous issue. My understanding is that at some of these meetings some were very poorly attended, and I think it's clear that the minutes were not kept the way they probably should have been. And when we do the new written procedures and make whatever regulatory changes we end up making, certainly that issue will be addressed at the same time.

**Mr. Sonntag:** — Okay.

**Mr. Chairman:** — Mr. Scott, is this the year that they changed over from the old sheep and wool commission to the sheep development fund?

**Mr. Scott:** — They made the change just before this year, Mr. Chairman. I think it's fair to say that in the transition period they did struggle with the change-over in the administration. And it could be that some of these issues are issues that do relate to transition to some degree.

**Mr. Sonntag:** — In sections .22 and .23, where the auditor notes that there is not adequate verification system in place, he recommends that proper procedures be put in place to ensure that the law is complied with. What are your comments on that?

**Mr. Scott:** — Again, that issue we're dealing with in the same review and the procedures will be improved.

**Mr. Sonntag:** — Okay, thank you. In section .24, he refers to the fact that there's been no penalties assessed. Has anything been done on that?

**Mr. Scott:** — The message that is being conveyed to the board is certainly that whatever penalty system is put in place has to be implemented. And whether the — as a result of the review — penalty system is changed, we are unable to say at this time. But it will be clear that whatever penalty system is put in place, they do have to follow that system.

**Mr. Sonntag:** — Following along then in section .25, the auditor notes that the board needs proper insurance. And again I ask if anything is being done on that.

**Mr. Scott:** — That will also be dealt with in the overall

review. What we've done is clearly step back from . . . with a number of problems that are there, and we're taking a full look at them.

And I think we need to understand that there is some degree of a fundamental, underlying problem here in the sense that the board needs to develop a set or a range of services for producers that it can afford to deliver, based upon the check-off, and still leave themselves with adequate dollars to do the kinds of administrative and internal controls that are necessary to run the operation.

And that will be one of the issues that will be cleared up in that process.

**Mr. Sonntag:** — Thank you. In the last two paragraphs, in .26 and .27 dealing with public accountability, the auditor notes . . . or recommends, I should say, that Saskatchewan Sheep Development Board include its audited financial statements in the annual report in the new year. And I know you referred to some of that a bit earlier, but I would like you to specifically comment with respect to the Saskatchewan Sheep Development Board.

**Mr. Scott:** — The problem, Mr. Chairman, on that one was that the financial statements were not available in time to be included in the annual report.

And what we're looking at there is a change to the procedures to enable those financial statements to be completed in time to be included in the annual report of the board that goes to the producers.

**Mr. Sonntag:** — Okay, thank you. We got through that section without my colleague, Mr. Van Mulligen, making any bad jokes.

**Mr. Van Mulligen:** — Can I just ask one . . .

**Mr. Sonntag:** — We didn't.

**Mr. Van Mulligen:** — That is you're talking about a review, but in the meantime there is statutory obligations, right? What's your time line in terms of a review? I mean what are you looking at?

**Mr. Scott:** — With respect to the sheep board?

**Mr. Van Mulligen:** — Yes.

**Mr. Scott:** — With respect to the sheep board, there is a report that is being prepared that we expect to be discussing very shortly within the next number of weeks with the agri-food council and the sheep people and the department. So we hope to be making some decisions on it very soon and implementing whatever regulation changes are required to avoid the kinds of problems that we're talking about in the future.

**Mr. Sonntag:** — Okay. Moving on then to the Saskatchewan Vegetable Marketing and Development Board, in paragraphs .31 to .33 the auditor recommends that the marketing board establish a system to ensure all eligible producers are registered as required by law. And I'm wondering what you would . . . what your comments are on those sections.

**Mr. Scott:** — One of the difficulties — I guess two difficulties — that I think we see there, one is the one that I alluded to earlier, that with a small revenue base the question becomes: does this board have the necessary dollars to ensure that they have a system in place that they can be certain that they're getting revenue collected — check-off revenue collected — from all of those who are required to pay it?

That's one side of the problem. The other side of the problem, I suppose . . . is do they have a system or do they have a check-off mechanism that is the most efficient in terms of them knowing whether they are collecting the check-off that is due?

One of the difficulties with that particular one is that they have a requirement that all producers selling over \$10,000 worth of vegetables are required to pay check-off. The difficulty is that they do not have an easy way of knowing who is marketing more than \$10,000 worth of vegetables. To this point they've been relying almost solely on the buyers of vegetables to submit the check-off to the board, and the difficulty of course is in verifying for purposes of financial control.

**Mr. Chairman:** — Is that in taxable or non-taxable dollars?

**Mr. Scott:** — That would be, I believe, taxable dollars.

**Mr. Van Mulligen:** — Is this crop value or cash value?

**Mr. Scott:** — Sorry.

**Mr. Van Mulligen:** — Is this crop value?

**Mr. Scott:** — This would be cash value at the time of sale.

**Mr. Van Mulligen:** — Oh, okay.

**Mr. Sonntag:** — Okay. Moving on then to the Agricultural Credit Corporation.

**Mr. Scott:** — Mr. Chairman, the Agricultural Credit Corporation people, I believe, were to be here by 3.

**Mr. Sonntag:** — I can go on to section . . .

**Mr. Chairman:** — We can do other things if they're not.

**Mr. Scott:** — If they are here, then . . .

**Mr. Sonntag:** — Sure.

**Mr. Van Mulligen:** — Can I just ask, on the Vegetable Marketing Board . . .

**Mr. Scott:** — I'm advised they are here, Mr. Chairman, so whatever you wish.

**Mr. Chairman:** — What do you think? Do you want to . . . Why don't we knock off this other stuff and then we've got ACS (Agricultural Credit Corporation of Saskatchewan)?

**Mr. Sonntag:** — Absolutely.

**Mr. Van Mulligen:** — Just on vegetable marketing . . . The Act says something — you've got to collect the fees; the board's saying, look, it's not practical. Can you outline reasons why that may not be . . . The question I've got is, how does that get resolved?

**Mr. Scott:** — Well it could be a number of things, I suppose. But, you know, anything at this point, I think would be to some degree speculation by my part until the review is completed. But it may be that the board has to look at delivering a different range of services. You know, is what they are trying to do now affordable within their revenue base?

They may have to look at a different mechanism for collecting check-off. And another avenue I think that is being explored is to work with the buyers to see if there is a system where there can be this verification that we talked about earlier occur on a regular basis, so that there is some assurance that when producers are being required to pay the check-off, that they know that every other producer who is required by law to pay the check-off is also paying it.

So I think there are a number of different things that are being looked at, and how it will ultimately be resolved is not possible for me to say at this point.

**Mr. Sonntag:** — Okay. The auditor notes that in the next section, cattle marketing deductions fund, everything has been corrected to his satisfaction.

I move on then to the farm purchase program, sections .64 to .65, where there's a reference to a loss of public money. The auditor recommends that the department charge farmers lease rates required by law, and I'd like your comments on that.

**Mr. Scott:** — Mr. Chairman, I will ask Harvey Murchison to respond to that one.

**Mr. Murchison:** — The revenues here refer to . . . These are revenues that are collected on rental of Crown lands by the Department of Rural Development. So that department is responsible for the actual collecting of the revenues.

Some of these revenues pertain to lands that are rented . . . that come from the old land bank operation which are now under the farm purchase . . . or were under the farm purchase program fund at that time. So the purpose of the fund was to collect the . . . the fund would receive the revenues from the lease of these lands and then pay out interest payments for the . . . from the purchase . . . funds borrowed to purchase that land.

Now these particular changes that were implemented by Rural Development, my understanding is that because of the tough times that farmers were encountering, that a decision was taken that they would not . . . the government of the day would not increase the rents to the farmers. That seemed appropriate under the regulations which governed the lands, the general Crown land that was administered by the department, but was not appropriate under the land bank appeal regulations

which govern those lands which were from the old land bank system. The regulations have since been amended for '90-91 to allow for the deferral.

And normally what would happen with the rents is there's a complex formula that's involved, that the rents are sort of automatically adjusted each year. So in in that particular year the decision was taken to waive the rents, and it was just an oversight that the land appeal regulations were not amended to allow for that.

**Mr. Sonntag:** — And you say they've since been amended?

**Mr. Murchison:** — Yes.

**Mr. Sonntag:** — Okay, the next two sections then, the horned cattle fund and also the Prairie Agricultural Machinery Institute, the auditor comments that those have been corrected.

I'll move on then to the section under the Saskatchewan agricultural stabilization fund starting at paragraph .79. In paragraphs .83 to .85, dealing with the borrowing authority required, there was a recommendation by the auditor that the department obtain proper authority for its borrowings. And would like you to comment on those three paragraphs, please.

**Mr. Scott:** — The issue arose as a result of an oversight of the statutory limit; and as a result, the statutory limit was exceeded. The program is no longer in place so that the issue, I guess, becomes somewhat of a non-issue as a result of that.

**Mr. Sonntag:** — Then finally under that section in paragraphs .86 and .87, with respect to public accountability again, the auditor recommends the department give annual reports for the Saskatchewan agricultural and stabilization fund to the Legislative Assembly by the date required under The Tabling of Documents Act, and such was not the case.

**Mr. Scott:** — Yes, Mr. Chairman, the report was delayed due to a number of different reasons and things that arose in completing the financial statements — that would be the '89-90 report. And the '90-91 report, I believe, was tabled on time.

**Mr. Sonntag:** — Okay. I was a bit presumptuous. There is one . . . or two paragraphs he had left under that section, that dealing with the payments lacking proper authority. The auditor recommends that the department recover the overpayments or also that the law be changed to allow payments to be made, and I'd be interested in your comments on that.

**Mr. Scott:** — Mr. Chairman, was the question referring to section .84?

**Mr. Sonntag:** — No, it's not, it's referring to section .89, .88 and .89, Mr. Chairman.

**Mr. Scott:** — .88 and .89.

Mr. Chairman, the Beef Stabilization Board believed at

the time that they had the authority to direct the agriculture stabilization fund to make that payment under the phase-out provisions from the provincial plans into the tripartite plan. The board did not realize that additional legislative authority was required. We would note however that the phase-over is now complete and the payment is a one-time event that would of course therefore not be repeated again.

**Mr. Van Mulligen:** — What about the overpayments?

**Mr. Sonntag:** — You're talking about the Beef Stabilization Board? Unless there's some confusion here, we're still referring to the section under the Saskatchewan agricultural stabilization, under the fund yet? Are we on the same wavelength here?

**Mr. Scott:** — .88 and .89 . . .

**Mr. Sonntag:** — Yes.

**Mr. Scott:** — . . . are the ones we're dealing with.

**Mr. Sonntag:** — Yes, okay. Thank you.

**Mr. Scott:** — Thank you.

**Mr. Van Mulligen:** — What about the overpayments?

**Mr. Sonntag:** — There's an overpayment of 108,700 reported by the auditor.

**Mr. Van Mulligen:** — In his report, the auditor talks about unauthorized payments. Then in a separate report to us he talks about that they recommend the department recover the overpayments. Therefore there's an implication that in paragraph .88 when he talks about unauthorized payments, that these were overpayments, which may or may not be the case.

And I'm curious to know which is which now. Were these overpayments or were these payments that, in your view, were proper but simply lacked some authority, or were these payments in addition to other payments and therefore should not have been made and should be collected? It's not clear.

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, as Mr. Montgomery prepares for a more detailed response, my overview response is that since they were not authorized payments — they were unauthorized payments — therefore they were overpayments; they paid too much.

**Mr. Chairman:** — Mr. Scott, I don't remember exact dates of implementation. Was this the overlap period between the implementation of the national tripartite and the phase-out of the provincial? What was the first quarter when it went to national tripartite?

**Mr. Scott:** — Mr. Chairman, we have Wes Mazer here, and I think with that level of detail I would like Wes to respond to that particular question. If we could just have one minute please?

**Mr. Chairman:** — Mr. Scott, would you have your official identified to the committee please?

**Mr. Scott:** — I have with me Wes Mazer who's the manager of the Beef Stabilization Board.

Mr. Chairman, this issue does arise as a result of the phase-over that we talked about from the provincial stabilization plan into the national tripartite plan, and what we were attempting to do there, from the point of view of the policy, was to ensure that in the phase-over payments that were made to cow-calf producers were made so that they would receive the higher of the tripartite payment, or the payment from the cow-calf-to-finish market insurance plan, which was the provincial plan. We didn't want to penalise them as a result of the phase-over.

Now the Provincial Auditor has pointed out that the opinion that the authority did not exist to do that. It was felt that as a matter of policy it was the correct thing to do. That phase-over is complete; it was a one-time thing. There have been no efforts to recollect that money.

**Mr. Van Mulligen:** — What's your view of this thing? Like you're saying these are overpayments that should be collected. They're saying no, these are payments that they think, in their estimation, were payments that should have been made even if the proper authority wasn't there. It wasn't as if people were being overpaid.

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, the higher payments, the top-up payments didn't have the proper authority. Therefore we reported that the top-up payments were unauthorized. Since they didn't have the proper authority, we're suggesting that the committee consider recommending they be repaid.

Now the department may say that that's not practical, and that's what you have to debate and discuss.

**Mr. Van Mulligen:** — Putting aside the question of the payments that have been made, the real issue here is that in the future they obtain the proper authority to make the payments that they do make.

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, that certainly is a solid recommendation but it's also . . . We brought to your attention there was some higher payments that were made that weren't authorized.

**Mr. Van Mulligen:** — Can I just ask, like, in your estimation it's not as if there's been some overpayment to people, that is to say producers, collecting something that they ought not to have collected. If they were receiving something over and above that they would normally collect, you don't consider this an overpayment?

**Mr. Scott:** — I think the intent there was to, as a result of the phase-over from a provincial plan into a national plan, the objective was not to penalize producers as a result of the phase-over.

In other words, if they were going to get X amount of dollars under the provincial plan in that year as we move them into the national plan, let's not end up giving them X minus 2 dollars.

So that was the policy and it was there to facilitate a transition from a provincial plan into a national one without penalizing producers, paying them less money than they thought they were going to get under the provincial plan.

And the stabilization board was of the view that they did have the authority. It's recognized that there is a difference of opinion on that.

**Mr. Sonntag:** — Okay then, moving on to the last section, Saskatchewan Beef Stabilization Board, in paragraphs .93 through to and including paragraph .100, the auditor makes comments on the interest on the trust funds. Further, he recommends the department establish procedures to ensure that in the future the department pays interest from trust funds to beneficiaries on a timely basis. And I would like remarks on that if I could.

**Mr. Scott:** — Mr. Chairman, this issue arises as a result of there not being a predetermined procedure for dealing with these funds upon the wind-up of the board.

There are some options that are being looked at now to deal with the funds that are still left in the surplus fund. Some of those funds have been allocated; some remain unallocated.

I also am aware that there is a government-wide initiative to lay out procedures for dealing with monies that are held in trust, so that in future this kind of issue should not arise.

In this case the program is over, and there were not procedures laid out that specified exactly how that money that was left over would be dealt with. And as a result of that, the policy will basically be to spend the money in some way that benefits the industry.

**Mr. Sonntag:** — Okay. I don't have any more questions from the auditor's report other than to ACs. I do have some in the *Public Accounts*.

**Mr. Chairman:** — I have one. Mr. Scott, back in . . . and I should have dealt with it in section .61 to .65 I believe, when we were talking about the land bank and the shortfall arriving thereof. In the year under review, were any of those land bank lands under the lease-to-own option?

**Mr. Scott:** — Mr. Chairman, we do not have that information with us. That would be probably an issue that would fall to Rural Development. But we could certainly get that information for you and follow up.

**Mr. Chairman:** — I'm just wondering, because as you know, that lease-to-own purchase where you're basically making your rental fee and what not might in fact put a little different picture on this than if it was just a straight lease agreement. And I don't know what other fees were attached to that, but I'm just wondering if that particular program being in place changed this picture at all because I think it was introduced either in this year or shortly before, or something like that.

**Mr. Scott:** — I would be confident in saying that the

lease-to-own program would have been in place in this year, but that's all I would be able to say with certainty.

**Mr. Chairman:** — Can you tell me, has that been cancelled on land bank land? Is lease to own still an option? Or is that not an option any more?

**Mr. Scott:** — I couldn't answer that question for you, Mr. Chairman.

**Mr. Chairman:** — And yet your department is obviously charged with some of the accounting responsibility that goes along with it.

**Mr. Murchison:** — Mr. Chairman, our only involvement under this program was to receive the revenues. The way the legislation was set up under The Farm Purchase Program Act, our department was left with responsibility for the administration of the fund. So the revenues were actually collected by Rural Development, transferred to us, where we simply deposited them into the fund.

So we had very little to do with the background in terms of the administration of the leases or the various programs under this area. But we are certainly in a position that we could dig up that information for you very quickly.

**Mr. Chairman:** — I'd appreciate that. Are there any other questions pertaining to these sections, from members? If not, perhaps we could invite the people from ACS to . . .

**Mr. Sonntag:** — Excuse me. I'm sorry, Mr. Chairman, I didn't make myself clear. I have some questions under the . . . not from the audit report but from *Public Accounts*, from the actual statements here.

**Mr. Chairman:** — Oh, okay.

**Mr. Sonntag:** — On page 40 of volume 2, I have some questions. These don't need to be necessarily answered right now. But if you have the answer, then fine, and they could be in written format later on if you wish.

Noting on page 40, specifically, payments to Roberts & Poole Communications for 1,108,497 — we'd like to know what was done for that amount of money. We'd also like to know what campaigns were advertised. If you want I can just go . . . I've got three or four questions here. Maybe you might want to answer them all at once. Or would you prefer that I just list them one at a time?

**Mr. Scott:** — Mr. Chairman, that money was expended on a number of things. One was an agriculture communications strategy and that amounted to about \$1 million. There was some work done with respect to safety-net programs which amounted to about 1.5 . . . or \$1,500. There was some work with respect to the Canada-Saskatchewan crop assistance program and that was about \$22,000; Century Family Farm Award, \$5,000; and then a number of miscellaneous advertising items of about \$36,000.

**Mr. Sonntag:** — Okay, that's fine. All of my questions are now for ACS.

**Mr. Chairman:** — Can we have the folks from ACS

please.

**Mr. Scott:** — Mr. Chairman, will we be coming back to any issues on Agriculture and Food. If not I would probably let the people leave.

**Mr. Chairman:** — I don't believe so. You can let everybody go except for ACS.

**Mr. Scott:** — Thank you, Mr. Chairman.

### **Public Hearing: Agricultural Credit Corporation of Saskatchewan**

**Mr. Chairman:** — Good afternoon, Mr. Ballagh. Would you introduce your officials to the committee, please.

**Mr. Ballagh:** — Thank you, Mr. Chairman. To my right, Morley Machin, vice-president of administration; to my left, Barry Miller, director of finance; and to his left, Lyle Pittman and Brian Drayton, the private auditors, Price Waterhouse.

**Mr. Chairman:** — Good. Thank you. Do you wish to make any statements in regards to questions raised by the auditor in chapter 13, Agriculture and Food, prior to opening the floor to questions?

**Mr. Ballagh:** — I don't think so, Mr. Chairman.

**Mr. Chairman:** — Thank you, Mr. Ballagh.

**Mr. Sonntag:** — Thank you, Mr. Chairman. Good afternoon, gentlemen. I'll be referring to sections .34 in the audit report through to and including section .55.

With respect to sections .36 through .40 talking about public accountability, the auditor makes a number of comments, the first recommendation being that appointed auditors submit required reports and information to the Provincial Auditor on a timely basis. And would like your comments on that, please.

**Mr. Ballagh:** — Mr. Chairman, I think the issue in that regard is that in the year in question Price Waterhouse submitted draft reports. Previously they had been submitting draft reports which were discussed with the Provincial Auditor and then finalized. They were not aware that a change had been made by the Provincial Auditor to not accept or discuss the draft reports. Do you want to add anything to that?

**Mr. Drayton:** — As Mr. Ballagh had commented, that had been the policy in the past. Our audit report date was May 24, 1991. We actually prepared draft reports. We held those in our file until such time as the Provincial Auditor reviewed our working papers, at which time in the past we would discuss our draft reports with the Provincial Auditor and make any wording changes or resolve any issues that might arise between the provincial auditors and ourselves so that the reports that could be issued could be as much in agreement between the provincial auditors and ourselves as possible.

And basically the policy that was followed with the present Provincial Auditor was to have those reports filed on time which is June 30. And we were actually in a

position to do that, so that in the fall of the year when — I think the Provincial Auditor came in in October of 1991 to review our working papers that year — our draft reports were available at that time, and we had continuous, ongoing discussions with the Provincial Auditor from then until the time he was releasing his report.

So at the time his report was prepared he actually had our draft reports and we were in process of discussing some of the items that are disclosed in the Provincial Auditor's report.

**Mr. Sonntag:** — Mr. Chairman, to the auditor, do you have any comments on that further than what you told us *in camera*?

**Mr. Strelloff:** — Mr. Chair, members, in paragraph .39 we note that we were unable to rely on the appointed auditor's '90-91 reports on compliance with authorities because the reports do not include the manner described in paragraphs .42 to .48. That issue took some time to resolve and delayed a lot of the discussions and report clearances, and as a result we were late in preparing our reports. And the record of discussions that we've had just took a long time to clear.

**Mr. Van Mulligen:** — You had a problem then: year ended March 31, 1991. Have you got a problem now?

**Mr. Strelloff:** — Mr. Chair, members, none that I am aware of.

**Mr. Van Mulligen:** — Good.

**Mr. Sonntag:** — Thank you. I think we'll press on then. In reference then accorded to . . . Okay, I guess this has been answered in .42. Forty-two to .48 they're talking about fees lacking authority. The auditor recommends that the department not charge 2 per cent capital loan fee or else that the law be changed to allow for the fee, and I'd be interested in your comments under those sections.

**Mr. Ballagh:** — I guess what we have here is a difference of opinion between the Provincial Auditor, ourselves, our solicitors, and Department of Justice in terms of whether or not we do have the authority to charge the 2 per cent fee.

Section 10.1 of the Act sets out that the rate of interest payable on a loan is a prescribed rate. And section 25(d) of the regulations provides authority for the Lieutenant Governor to prescribe the interest rate on loans for the purposes of section 10 of the Act.

A couple of Supreme Court decisions that Justice and our own firm of solicitors have looked at, drew a distinction between the term "interest" and cost of the loan. Day-to-day accrued interest . . . or day-to-day accrual of interest seems to be an essential characteristic of interest. All other items such as fees, charges, or bonuses lack that characteristic, the characteristic of day-to-day accrual, and are therefore not interest. That was from a Supreme Court decision in 1963.

And a Supreme Court decision sometime later in 1977 reinforced that earlier decision — that to constitute

interest a charge must include the day-to-day accrual of such interest.

It was the opinion of the Department of Justice that the loan fee that we were charging does not constitute interest, in that it lacks the essential element of accrual of day-to-day . . . or day-to-day accrual of interest, and the charge may more be properly characterized as a one-time fee based on the size of the overall loan.

Essentially our lawyers have indicated the same position. So I guess what we have here is essentially a difference of opinion, and we feel that our position is valid.

**Mr. Sonntag:** — Do you want to make any further comments on that, Mr. Streliaff?

**Mr. Streliaff:** — If you want me to. Mr. Chair, members, looking at what we see in the 2 per cent on all capital loans that was based on a capital loss allowance fee, the net result was to increase the effective rate of interest of 2 per cent. The lawyers do . . . to disagree on whether the corporation has the necessary authority or not. So we recommend that if the Assembly wants the Ag Credit Corporation to collect these fees, which look like interest costs, that the law should be cleared and changed to make sure that it's clear that the corporation has that authority.

**Mr. Sonntag:** — Thank you, Mr. Chairman. Moving on then to paragraphs . . . (inaudible interjection) . . . Sorry.

**Ms. Haverstock:** — Mr. Chairman, Mr. Minister, farmers can't see the utility in even having a government agency if it can't provide terms better than its private counterparts. And I'm wondering if you'd be willing to provide us with a figure for the numbers of farmers affected by this surcharge.

**Mr. Ballagh:** — We started charging the fee, Mr. Chairman, in October of 1987, so virtually every capital loan approval since then would have been affected by the fee. I'm sorry, I don't have the number there . . . or the number with me.

**Ms. Haverstock:** — Would you be willing to establish how many farm families are affected by this?

**Mr. Ballagh:** — Certainly.

**Ms. Haverstock:** — I have a point and that is that I would say I receive more calls related to agriculture in terms of its complaints about ACS than just about anything, so it would be of help to me to even have some idea of the numbers out there that are mulling about.

**Mr. Chairman:** — Can you make 20 copies of that available to the Clerk so that it may be distributed to the committee?

**Mr. Ballagh:** — Yes, I will.

**Ms. Haverstock:** — I'd also . . . I'm sorry, Mr. Chairman, I have another question regarding that.

**Mr. Chairman:** — Same topic?

**Ms. Haverstock:** — Yes.

**Mr. Chairman:** — Okay.

**Ms. Haverstock:** — Who within ACS devised this charge in the first place? And then who authorized its implementation?

**Mr. Ballagh:** — I guess in terms of who in ACS devised the charge, management. As CEO (chief executive officer) I'll take responsibility for the work that was done in-house. There was an item that as I recall was discussed with our board of directors, and was actually part of a budget submission in that particular year, as a means of reducing our administrative costs . . . sorry, our loan loss costs.

**Ms. Haverstock:** — In the auditor's report it indicates that to March 31 of 1991, this charge had collected up to \$1.264 million. And I'd like to know for what purpose then the money has been put? Has it offered any benefit to the clients of ACS?

**Mr. Ballagh:** — The monies are in a separate fund to offset loan losses that may arise as a result of the loans against which it was charged.

**Ms. Haverstock:** — How many of those affected have loans on which payments are no longer current?

**Mr. Ballagh:** — I wouldn't have that information here with me. We can provide that information.

**Ms. Haverstock:** — Thanks very much. I'd appreciate that.

**Mr. Sonntag:** — Thank you, Mr. Chairman.

Then moving to paragraphs .49 through .52 inclusive, with respect to segregation of duties, the auditor recommends that Agricultural Credit Corporation adequately segregate the duties of persons using the computer systems. And I would like to know if anything's being done with respect to that.

**Mr. Ballagh:** — Mr. Chairman, the security tables, we brought the responsibility for that in-house in '90-91, and the segregation of duties in the following fiscal year.

**Mr. Sonntag:** — Good. Thank you.

Moving on to the last section then, paragraphs .53 through .55 inclusive, with respect to ACS having to write . . . should have written and tested their contingency plan. I noted with a smile: that they should have tested it. I'm curious whether that means they're supposed to destroy a bunch of files and see whether they can really get them back or not. Don't try that, I hope.

My question then obviously would follow from the auditor's recommendation that your department does prepare and write a contingency plan, and test it as well.

**Mr. Chairman:** — Maynard, you should run that test on the farmers in Meadow Lake. They'd probably love you.

**Mr. Ballagh:** — I guess, Mr. Chairman, just to provide one point of clarification at the outset, we have always maintained adequate off-site backup of computer files. So it wasn't an issue of the files being destroyed or not being able to recover the files.

We're nearing completion of negotiations for emergency replacement of equipment, and that's about 75 per cent complete. Negotiations and the plan should be completed by the end of March, and we're scheduling a test in May of 1993 without actually destroying data to do it.

**Mr. Sonntag:** — Okay. Thank you. The rest of my questions, Mr. Chairman, relate to counselling and counselling for farmers. So if somebody else has some questions specifically to ACS, then please do.

**Mr. Chairman:** — Ms. Haverstock, do you have more questions specific to ACS?

**Ms. Haverstock:** — Yes I do, Mr. Chairman. On page 52 .35 you indicate that you have assets of \$667.7 million as of March '91. In 1986 the government offered \$25-an-acre production loans through ACS. And I'd like to know the total value of the money lent and the value of what remains in arrears. As well, how many clients are affected by these loans which are in arrears, because I'm sure it would deal with the liability side.

**Mr. Ballagh:** — Mr. Chairman, the amount originally disbursed under the production loan program was \$1.98 billion. Of that amount . . . That was disbursed to 57,614 clients, and 14,401 clients as of March 31, '91, were in arrears.

**Ms. Haverstock:** — Do you know the value of those arrears?

**Mr. Ballagh:** — Of the arrears?

**Ms. Haverstock:** — Yes.

**Mr. Ballagh:** — Mr. Chairman, perhaps just to provide a somewhat more completed answer, the total outstanding as of March 31, '91 was 466.551 million and the delinquency dollars were 142,604, roughly 30.6 per cent.

**Ms. Haverstock:** — What was that percentage?

**Mr. Ballagh:** — 30.6.

**Ms. Haverstock:** — Thank you, Mr. Chairman, I'm finished. My other questions were actually regarding the annual report.

**Mr. Chairman:** — Any other questions pertaining to Ag Credit Corporation?

**Mr. Sonntag:** — Counselling assistance for farmers.

**Mr. Chairman:** — Okay. Counselling assistance for farmers.

**Mr. Ballagh:** — Mr. Chairman, just for clarification, are

you through with us for today then?

**Mr. Chairman:** — I've asked everybody present, and they've held their peace.

**Mr. Ballagh:** — I'm not begging for questions but just seeking clarification.

**Mr. Chairman:** — Thank you very much, Mr. Ballagh.

**Mr. Ballagh:** — Thank you.

**Mr. Sonntag:** — Is that not . . . they're looking after some of that stuff now?

**Mr. Chairman:** — Not to my knowledge. At least not in this thing here.

**Mr. Sonntag:** — Apologies. I was noting the date of this report when I made the last comment.

Okay. With respect to counselling and assistance for farmers, I'd be curious first of all who set this program up.

**Mr. Scott:** — Mr. Chairman, that program was set up I believe in 1984. It was set up through legislation and through regulations passed by cabinet at that time.

**Mr. Sonntag:** — Thank you. The panellists for CAFF (counselling and assistance for farmers), did they require any training? Or what kind of training did they receive or require?

**Mr. Scott:** — The CAFF panellists received training at various workshops that were held to deal with various financial aspects of farm financing.

**Mr. Sonntag:** — Would it have been common practice to allow repeat loans?

**Mr. Scott:** — It was common practice, I would say. What happened with an operating loan program of this type, the guarantee would be placed for an operating loan in one year; and of course prior to all of the proceeds from sale of the crop, say, in 1985, prior to the sale of that entire crop, the farmer would be moving into the production of the crop for 1986. So there was always the question of do you offer another guaranteed operating loan for the '86 crop, even though the operating loan from the previous year has not been completely closed out.

So what happened was that you found various producers who actually had two operating loan guarantees at a time just because of that overlap.

Now the other part of it of course is that even though there may have been a claim made on an operating loan guarantee, there were also instances where farmers could still qualify to get a further guarantee in a later year. And those kinds of situations would be looked at from the point of view of asking: why was the guarantee claimed upon? Was it an unusual year? Were there particular drought disasters that affected the farmers' ability to repay, or was it a management problem?

And of course if it were an unusual circumstance beyond



the farmer's control, and provided that the farm plan for the year that the guarantee was being applied for made some sense — in other words, the operating loan could be repaid based on realistic projections — a further guarantee could be placed even though there had been a claim on a previous one. Those kinds of situations did happen.

**Mr. Sonntag:** — Thank you, Mr. Chairman, who would have authorized . . . who or where would the authorization for loans, more than one loan and one guarantee in one year, where would that have come from? Would it have been from the same place?

**Mr. Scott:** — The program chairman had the authority to grant those guarantees.

**Mr. Sonntag:** — Okay. Were there any controls built into the program with regard to funding and/or effectiveness of the counselling component?

**Mr. Scott:** — I'm not sure I understand the question. Controls in terms of . . .

**Mr. Sonntag:** — With respect to the actual counselling component of the program, were there any controls built into the program to see whether they were actually effective or not?

**Mr. Scott:** — The main control in the program would have been when farmers applied for a guarantee, the farmer would have to fill out a financial plan and there would be a review of the financial plan by a panel of farmers who had been trained through these workshops that I had mentioned earlier and had some previous credibility in farming. And if the financial plan made sense and it was judged that yes, this was a repayable operating loan or a consolidation loan, then the guarantee would be granted.

**Mr. Sonntag:** — Okay. My last question then in this section deals with . . . or just curious what the status of CAFF is right now.

**Mr. Scott:** — As of April 1, 1992, the CAFF program stopped accepting new clients. The remaining clients who were on the program as of that date, their business has been transferred to the Agricultural Credit Corporation. Actually their transfer was effected on August 1, even though the April 1 was the actual cut-off for new clients. And the plan is to have existing CAFF clients phased out over a three-year period ending in 1995.

**Mr. Sonntag:** — Than you, Mr. Chairman. I have no further questions.

**Mr. Chairman:** — Anyone else have questions pertaining to counselling and assistance for farmers?

If not, any questions in general before we wrap up chapter 13?

Thank you very much, Mr. Scott.

**Mr. Scott:** — Thank you.

**Mr. Chairman:** — Could we turn our attention to the auditor's recommendations.

**Mr. Van Mulligen:** — Turning to the recommendations, Mr. Chairman, can we suggest the following? The first one, that the provincial government review the matter of the Agriculture and Food Products Development and Marketing Council and including the financial statements of marketing boards under its control in the annual report.

The second one, we agree with that. The third one . . . we agree with all the ones — .1, .2, .3, .4, .5, .6, .7, .8, all the ones down to .31 through .33 — but would also note that a review of the board is under way in addition to all these recommendations. I wish to point out to the Legislative Assembly that even as we make them, there is a review that is taking place.

**Mr. Chairman:** — Which board?

**Mr. Van Mulligen:** — The Saskatchewan Sheep Development Board, known as the SSDB for short.

Paragraphs .36 to .40. Recommend appointed auditor submit required reports and information to the Provincial Auditor on a timely basis but would note that this would now appear to be taking place in this particular instance.

Paragraphs .42 through .48. The committee notes a difference in opinion between the Provincial Auditor and ACS concerning ACS's authority to charge a 2 per cent capital loan fee.

Just to back up. And noting that a review of the SSDB is underway that should go from paragraphs .15 at the top of the page through to paragraphs .26, .27. The Saskatchewan Vegetable Marketing Board being an entirely different entity, we certainly concur with the recommendation that the auditor has there. But in terms of Ag Credit we note the difference in opinion.

Paragraphs .49 through .52. The committee notes that ACS reports it has adequately segregated the duties of the person using the computer systems. This matter will be reviewed by the Provincial Auditor.

Agree with the next one. Recommend they prepare a written contingency plan.

The next two, .59 and .60, those were resolved to the satisfaction of the auditor.

Agree with the next one.

.69, .70, .71, .72, .76, .78: those were all resolved to the satisfaction of the Provincial Auditor.

Paragraphs .83 through .85: the committee notes that SHARP (Saskatchewan hog returns assured program) is no longer in existence but will certainly recommend the department obtain proper authority for all its borrowing in the future.

Paragraphs .86 through .87, we concur in the recommendation but would note in addition thereto, the

department reports the '90-91 report was tabled on time.

Paragraphs .88 through .89: as opposed to what's there, we would say that we recommend in future the department obtain the proper authority for any and all payments it makes.

Agreed with the next one, .93 to .100.

And the last two — .104 to .106; .107 to .110 — those were also all resolved to the satisfaction of the auditor.

**Mr. Strelloff:** — Mr. Chairman, Mr. Van Mulligen, in the 2 per cent capital loan fee, when you say that you note the difference of opinion between the Provincial Auditor and the corporation, does that mean you still recommend that they quit charging the 2 per cent capital loan or change the law to allow the fee?

**Mr. Van Mulligen:** — No, no. They say the law is on their side; you say the law is on your side. Now if we say, we recommend you change the law . . . Look, I don't want . . . I suppose if you get down to it, we could sit here for some time and listen to the legal arguments on both sides and make up our minds as to what we should recommend. Personally I'm not prepared to do that at this point.

**Mr. Strelloff:** — I just wanted to have the clarification of whether you were just noting the difference of opinion or whether you were noting and still recommending. But you're noting.

**Mr. Van Mulligen:** — I'm noting the difference of opinion. I would not want to sit here and listen to legal arguments.

**Mr. Strelloff:** — So then they'll be continuing to charge the 2 per cent fee then. Okay.

**Mr. Van Mulligen:** — I guess . . . But we're certainly noting that they're doing it . . . (inaudible) . . .

**Mr. Kujawa:** — Since the matter is not clear, we can save a few hundred thousand dollars by writing a simple, one-line explanation of which we prefer. And we don't decide which it ought to be; the government does. So let's draw to their attention that we can save a lot of litigation, a lot of lawyers' fees by writing a simple sentence telling us which way it ought to be.

**Mr. Strelloff:** — Do we have simple sentence yet?

**Mr. Kujawa:** — It is under your jurisdiction, if that's what they choose, or it is not under your jurisdiction. Whichever they choose.

**Mr. Chairman:** — Which one . . .

**Mr. Kujawa:** — That's what the government's for — to decide things like that.

**Mr. Chairman:** — Which one do you put in though?

**Mr. Kujawa:** — I don't know.

**Mr. Chairman:** — It doesn't matter.

**Mr. Kujawa:** — I don't think we're here to decide that part.

**Mr. Van Mulligen:** — If it was in the interest of all the members to want to sit here for some time to listen to the legal arguments of the learned legal counsel on both sides in this issue, then I guess we could certainly come to some conclusions. But I don't want to do that.

**Mr. Chairman:** — Could you repeat that again? Harry, you read it out. Would you please repeat it again. I missed something there.

**Mr. Van Mulligen:** — The committee notes a difference in opinion between the Provincial Auditor and ACS concerning ACS's authority to charge a 2 per cent capital loan fee.

**Mr. Chairman:** — Any other comments or discussion by the committee on the list of recommendations?

**Ms. Haverstock:** — . . . to myself and I should have asked it when I had the opportunity, to request from the minister in charge the legal opinion. I'm not talking about the Supreme Court decisions of 1960-whatever and the like that were cited today; I'm talking about the legal opinion that was . . .

**Mr. Chairman:** — That would be very appropriate, I think. We can request that in writing for the committee.

**Ms. Haverstock:** — I would appreciate that. I would be interested in reading it.

**Mr. Chairman:** — By all means.

**Mr. Van Mulligen:** — Members can certainly request legal opinions of government agencies; whether they want to provide it or not is something else.

**Mr. Chairman:** — Again, you're absolutely right. That's entirely up to them.

**Mr. Van Mulligen:** — For a government agency, it seems to me, to make public the legal opinions it receives begs then the questions of others who feel they may have a differing legal opinion to take action against the government and the taxpayers at large. And so therefore it may not be in the interest of the government to publish certain legal opinions. But you can certainly ask if you want to.

**Mr. Chairman:** — I'm sure that he could also use freedom of information to . . .

**Mr. Van Mulligen:** — Well maybe, but the government, it seems to me under that it doesn't have to publish all its . . .

**Mr. Chairman:** — Anyway we can ask and see what happens. How's that?

**Mr. Kujawa:** — All legal opinions of any consequence, which means all legal opinions of the Supreme Court of Canada, are already published. They're available to the public. That's what you have seven acres of court-house

library for.

**Mr. Chairman:** — Okay. We need to move that the hearings with the Department of Agriculture and Food be adjourned, subject to recall if necessary for further questions — added to the list of recommendations which Mr. Van Mulligen has just put to the committee. Is that agreed? Carried.

So for tomorrow we have the Department of Community Services at 9 o'clock, not 8:30 . . . or Family Foundation after. And then we move into some issues that are outstanding, which is the four questions relating to the joint meeting between Finance and CIC. The related issues are the meeting with Executive Council; the discussions of the document which was received by members today, presented by the Provincial Auditor who has agreed to discuss those tomorrow morning and the draft report to the Assembly. So that everyone's aware.

**Mr. Van Mulligen:** — What's this about Executive Council?

**Mr. Chairman:** — Well there is the same . . . some of the same issues that we addressed to the joint Finance-CIC committee were addressed to the people from Executive Council because they pertain to the question the auditor asks — if you're not in control and you're not in control, are you in control. We agreed to discuss that as part of the bigger picture.

So everyone come prepared to discuss those issues tomorrow. And we will attempt to finish our business by 12 noon, and just see what happens.

The committee adjourned at 4:05 p.m.