

The Vice-Chairperson: — I'm going to call this meeting to order. And this morning we're continuing with our briefings and we have the Provincial Comptroller who's going to brief us on the role of the Provincial Comptroller with the Public Accounts. And I'm going to invite him to come up here, and we'll move out of the way. And then he'll make his presentation and then we'll have a question period after that, if that's acceptable.

Mr. Kraus: — I have quite a bit of material to hand out. I know that some of you have heard some of this material . . . or heard this presentation before and I may move rather quickly through parts of it, and then take some time on other parts that I think are a little more important even if you have heard it before.

The first material I'm . . . package we're handing out is called "Parliamentary Control over Public Monies." There will be two parts to this thing and the second part is also going to have a handout. As I say, I won't be providing . . . I won't be covering all of the material, but I thought at least I'd give you the written material to look at.

The written material has, at the back of it, the overheads that I'm going to use, so if you want to follow along with it and write notes down, you can. I think maybe I'll also just turn the front lights off.

I'm going to try and impress everybody today before I'm done that the government does provide a lot of financial information. And while I won't go through all of it, I'm going to show that what it is and where you can find it. That's only some of it, of course, and that'll be in the second part of the presentation.

Before you can understand the system that we have for controlling parliamentary control over public monies, I think you have to have some appreciation of the major features that we do have in Saskatchewan. And again, I just want to point out that this presentation is from my perspective specifically — the way I see it working.

First there is the authority of the legislature to raise and spend monies, or the concept of what I'm calling now the General Revenue Fund concept — I know we still have a Consolidated Fund but we're hopeful that The Financial Administration Act is going to be passed this spring and we'll have a General Revenue Fund; control over expenditures by the Provincial Comptroller; a financial report of the *Public Accounts*, in fact to the legislature annually, prepared by myself and my staff but tabled by the Minister of Finance; the independent audit and report annually by the Provincial Auditor; and finally, the annual review by legislative committees like yourself, the Public Accounts Committee, of the *Public Accounts* and Provincial Auditor's report.

And one area I want to spend a little bit of time on is this first one — that's the right of the legislature to raise and spend monies in concept of a single General Revenue Fund. Under that concept — and it's a very

important one — all the monies over which the legislature has the power of appropriation are to flow into one fund and can only come out of that fund if authorized by the legislature.

Now the legislature creates situations where revenues could flow to other places other than this one fund. We used to have the Heritage Fund; it's now eliminated. But we have Crown corporations, and Crown corporations are established by the legislature. Crown corporations like SPC (Saskatchewan Power Corporation), SaskEnergy and so on, and they have the right to provide services for fees, collect those fees, and spend those monies outside of the legislature. Legislature does not have to provide authority for spending of those kinds of monies.

And there has been some discussion by the Gass Commission. I think the auditor has also raised concerns that more funds that exist . . . Or let's put it another way: there should be fewer separate funds. The ideal is to have as much as possible flowing through this central fund.

And the one example I always give as where this was broken, and it was a serious violation, was the Iran-Contra affair in the States where the president's men — we don't know whether the president or the vice-president were aware — but they sold government inventories, military equipment that I think resided in Israel, to the Iran people. Rather than having those revenues flow into the Consolidated Fund to be appropriated by Congress or whatever, it was sent down to the Contras in Central America to fight a war. Presumably if we were selling military equipment in Saskatchewan, we'd have sales and salvage sell it and the monies would go to our central fund.

The serious part is that this is fundamental democracy, fundamental to having a cabinet's — or it used to be the king's — taxing and spending plans controlled by the Commons or the legislature. And some people think that these Iran-Contra officials should be decorated, but I think they may be missing a point.

Before the legislature can spend, or rather before the government can spend, it has to have authority to spend, and the authority is obtained by taking the estimates forward into the House, the budget is taken forward by the Minister of Finance, it's debated in detail in Committee of Finance, department by department, subvote by subvote, and ultimately you pass an Appropriation Act in the legislature and that gives us the monies which government departments can spend, which the government can spend.

And I just want to show you, as a way of example, how the estimates have changed a bit. This is an example of what they looked like for '92-93. And I have to say my presentation is going to range all the way from practices in '91-92, a bit into '92-93, and just slightly touching '93-94 because there's been so much change. And I think to make any sense out of it we have to talk about everything that's happened in the

last 15, 16 months.

But you can see the subvotes were in . . . there was a lot of subvotes in departments. This is a piece from the '92-93 *Estimates* that shows Finance and that's the way the *Estimates* looked. These were individual subvotes that we control at that level — control spending at that level. In other words, treasury and debt management in the Department of Finance for '92-93, unless there were changes made to the budget, which I'll talk about later, could not spend more than \$2.252 million.

You are now getting a different look, and this is from the '93-94 *Estimates* and this is from the Department of Health. And you can see they've taken like activities and programs and put them together into subvotes that they thought better describe a group of activities. For example, support for health organizations, the Cancer Foundation — the grant for Cancer Foundation — to Alcohol and Drug Abuse, the medical education system, etc. Those used to be separate subvotes; now they group them into one . . . (inaudible) . . . think it makes more sense. So there are less subvotes. But still you will be voting . . . when you vote and pass The Appropriation Act, you will be setting the spending limits now at this level here. Again, it's a subvote — just a paper subvote — and I will just again talk about the changes that are occurring as a result of that.

Ms. Crofford: — A quick question. Are the monies global within the subvote?

Mr. Kraus: — Okay, you've gone to this last point. We'll do them in . . . If I could just go through this overhead, I think I'll answer your question.

The government can change its budget, as you know. I mean it does its best job in terms of determining what it thinks it'll spend but the best budget isn't going to be fully accurate by the time you get to the end of the year.

So the special warrant exists, and it has been provided for in The Financial Administration Act and it allows the Minister of Finance to take forward to the Lieutenant Governor a special warrant and that provides additional monies that a department can spend. So that's an add-on to the spending.

Then how does the legislature authorize that? Well they're put into something called *Supplementary Estimates* and those *Supplementary Estimates* are brought forward with the new budget each year. And so, for example, this year you've been presented with a budget, *Estimates* and budget for '93-94 and *Supplementary Estimates* which cover off the special warrants for '92-93 spending. When you vote ultimately on this budget, you will be not only approving a budget, you'll be approving the *Supplementary Estimates* for last year's special warrants.

Now virements, what are they? Unfortunately, we're using two terms here that mean the same thing. I think

that's a French word for transfer and that again has been provided for in The Financial Administration Act. The legislature has said, if the Minister of Finance approves it, monies can be transferred between subvotes.

So let's use the current year's example because there's no use talking about the old, I don't think. A virement would mean that monies would be transferred from this group to this group or vice versa. It doesn't add any new money for Health to spend in total but it let's them transfer money if this particular subvote is doing better than expected and has some extra money and this one's a bit short and it's decided that this one should spend the money, then monies can be transferred from here to here. But what's this transfer, this new item? And I threw that in for the first time because this is something that will happen as a result of the new *Estimates*.

The government felt and Treasury Board felt, I suppose, that with this new change in the format, with these new *Estimates*, they didn't want to lose the control that they had before. And when these were separate subvotes, as you can appreciate, if you wanted to move money from the Cancer Foundation to the Alcohol and Drug Abuse Commission, you had to use a virement. Well now you don't have to because it's all co-mingled.

What's been decided — and it sounds very complicated — but we are going to have a system in place, a policy has been developed, where if a department wants to move money from one subprogram to another — and these things are labelled as subprograms, as you can see — they're going to have to get approval of the Minister of Finance or Treasury Board.

Secondly — this really gets a bit complicated — you can move monies between salaries and operating expenses, and you always could before too. These are codes 2 to 5 we call them, and these are code 1, salary dollars. And you could always move these back and forth, but you couldn't move them from here to there or vice versa without a virement. Again it's been decided to maintain the same level of control. And if a department wants to move some money from this type, from salaries and operating, down to grants, they're going to have to get approval from the Treasury Board.

So we're going to keep the same level of control we had before. It's just that some of it now has been delegated to the Treasury Board rather than have . . . it hasn't been delegated by the legislature but rather by the government itself.

Are there any questions on that? We're keeping the same level of control. This sounds to me . . . We're going to see how this works. And it may work quite slick, and it might not cause a lot of red tape. If there's too much red tape and it doesn't work very well — who knows? — that may be changed.

I ensure that spending is within the legislative

authority and budget. And what this really means is that if a department is going to spend money, it has to have legislative authority to undertake the activity before the money can be spent. That sometimes means that if there's grants involved that they may need a Lieutenant Governor's signature on an OC (order in council) or it may be a minister's order. It may be any number of other things. Also they have to have monies in their budget, and finally an authorized person has to sign the payment requisition.

I'll talk a little more about the report on stewardship, but this is very important obviously, an annual accounting from my perspective through the *Public Accounts* to the legislature each year on how the government has spent the monies as presented in the *Estimates* a year earlier or six months earlier.

And by the way, the *Public Accounts*, as you know, is being tabled now by October 31. By law it's required to be provided by October 31.

I want to talk about the auditor just ever so briefly. Usually I'm making presentations to management people, and I talk about this in quite a bit more detail. And this isn't intended to sound offensive, although it will.

The auditor by law has to report on internal control weaknesses or accounting control weaknesses, things of that nature, to the legislature. He's required to. Those types of weaknesses can be found in any company you want to mention, whether it's Imperial Oil or Sask Wheat Pool or any particular agency.

The difference between ourselves and them is that those issues would be dealt with by a board of directors, if they had a board of directors and not a committee. But it would be internalized. In our case, because we are spending public monies, these issues are brought forward to the public. And I do say that it sometimes makes — in my opinion anyway — makes it look like the civil service is not very competent in that it does have accounting systems and so on with weaknesses which we'd never hear about that in the private sector. It's not that they don't exist in the private sector; it's just that they are not reported publicly. And I don't think they'd be reported publicly to the shareholders unless they were threatening the viability of the company.

I just raise that. We are not . . . I think even the auditor would agree with my point there. He's having to report that and the legislature wants it reported.

They are the kinds of weaknesses that you would find in other agencies and organizations. I talked to a CA (chartered accountant) who was also a CEO (chief executive officer) of a major corporation and he said if he didn't have some of those kinds of weaknesses identified by his auditor, he would be concerned he's spending too much money on accounting controls.

In other words, the worst thing he could ever see, in his opinion, was an absolutely clean auditor's report when the auditor was looking at internal controls and

accounting controls. That's just one person's perspective, but just to put another perspective on all of this. It's not to make an excuse for sloppy accounting or anything like that.

As far as the Public Accounts Committee goes, my role here is to provide answers to the information that's provided in these *Public Accounts* that describe the accounting policies and reporting policies to the government as best I can.

And another thing I do — and you may not think we are still doing it but we are — we do provide a report back to the legislature on the recommendations that this committee makes each year. I think there is one outstanding from last June and then you just had one tabled here a few weeks ago. But I presume that we're the ones that will be preparing it and we would expect both of those, wouldn't we, Terry, by sometime in June or whatever. We have always done that in the past and will continue to do so.

Very briefly about myself and my duties, I am I think the only one in Finance and one of the rare people who are appointed by order in council. But unlike the auditor of course, I'm a government employee and subject to the government. But the legislature's delegated some specific duties. And those duties are: supervising the receipt, recording of proper disposition of public money, controlling disbursements, maintaining appropriation accounts, preparing the *Public Accounts* financial statements, ensuring compliance with Treasury Board policy, and issuing directives to the departments.

And I'm going to just talk about one or two of those in some detail. I want to show you my organization. I make this point pretty much every time I make the presentation. But that number used to be upwards of 150; the 80 even I suppose sounds quite high to some people. But I would expect over time we will probably continue to see these numbers roll back, but we have been able to reduce our staff by close to half over a period of years because of computerization and just trying to be more efficient.

Mr. Van Mulligen: — What are the branches of the department?

Mr. Kraus: — Pardon me?

Mr. Van Mulligen: — What are the branches of the department?

Mr. Kraus: — I will describe that as I go through here.

The central accounting branch, they're the people that operate the central computer systems, the systems that process all the receipts and payments, issue the cheques and so on. They audit the payment documents. They audit federal-provincial cost-share claims. They perform the appropriation control function, provide financial reports to the departments.

Now that's more than it might appear. I mean we do have a situation where departments can access some

of the information directly on their computer on-line. On the other hand, we also prepare daily, weekly, and monthly reports and most of the material is printed out in the departments. But those are . . . there are a lot of reports provided to departments. They ensure compliance with Treasury Board policy and issued directly to the departments. And I want to talk about this area here.

Last spring the legislature changed The Financial Administration Act to give the comptroller discretion as to whether the comptroller audited every requisition before payment was made. And what it allowed us to do was decide which payments we thought were high risk. And you may not appreciate it, but we, up to that point, we'd been getting 60 to 70,000 payment documents, payment requisitions. Some of them are quite thick. A lot of paper going from departments to ourselves. That meant that all of that paper had to be photocopied at least once, and to make over to ourselves. We stored all the original documentation, departments were storing the photocopies, all for five, six, and seven years.

So with this change, some of the side benefits maybe, if we're talking about the audit, with this change we've reduced the amount of photocopying. We've reduced the amount of paper that has to flow back and forth. I'm over time going to eliminate all my record-retention requirements with respect to these particular documents. So we're saving a lot of money with this.

But most importantly I am able to, with our computer system, identify the high-risk payments that we want to see. And we only want to see, as it turns out, about 5 to 10 per cent of the payments are what we call high risk. They would be any payment over \$5,000. Believe it or not, it's that low because so many of the payments are of low dollar value. A lot of our payments are only 2, 3, 4, or \$500. We identify business expenses, advertising, non-recurring grant payments, things of that sort, to be high risk. And we look at them before payment is made.

And my auditors are . . . We instituted this on November 1, and our auditors really feel good about this. They can tell that they are spending . . . by spending more time on the high-risk items, they're doing a better audit. And to supplement the pre-audit, because we're only looking at some, we said okay, we have to look at the others. How we're going to do it, we are going out to the departments on site for the first time in many years and statistically sampling the rest of them or at least the best part of them.

And again I think the people feel that they're being far more effective. We have made some recommendations to departments to improve some of their accounting controls. We weren't able to do that before sitting in the office, doing a desk audit. We feel our coverage is better, more effective, and yet we're looking at less material. So it's a big step forward.

And another benefit is that we've had a little bit of a reorganization. And I brought these people together

with these people. And I don't think the auditor has mentioned it again in this year's audit report, but he had been raising a question about what I was doing on the revenue side. We spend a lot of time on the expenditure side; what are we doing on the revenue side?

And by bringing these people together, I've created a bigger mass, critical mass of auditors. And we are now taking a look at the receipts, the revenues, and we are going to spend some time in departments auditing those areas as well without having to increase the staff, which is a bonus.

I don't know if you recall — it's a bit of a sensitive item perhaps to talk about — but the Star-Phoenix wrote an article that was somewhat critical. It was dealing with payments to MLAs (Member of the Legislative Assembly), if you recall, and it said well now the comptroller's office, for example, isn't even looking at actual receipts any more; it doesn't audit everything, giving you the impression — lay people; whoever read these articles — that we were in fact doing a poorer job than we were before. And all I can say is that nothing could be further from the truth. We feel we're doing a far better job. We in fact have audited Gwenn Ronyk's area. We rely very much on their ability to manage that system. And our audit didn't reveal any lack of compliance with policy. There may be questioning about the policy, but as far as compliance with the policy, we certainly couldn't find anything was wrong.

So I just want to point out that people might think that because you're looking at less you're doing a poorer job, and that's not true.

Mr. Strelieff: — I notice there you delegating out to the departments the responsibility for doing the initial accounting, and where's the trend going on that?

Mr. Kraus: — The initial accounting? Well it's really the departments are responsible for administering their own affairs, Wayne. And as far as the accounting and having adequate systems of internal control and so on, we still feel that's the permanent head and his staff's responsibility, if that was your question.

Mr. Strelieff: — Could you give me an example of just what part does the department play and what part does your department play on a typical transaction, and maybe use Health as an example.

Mr. Kraus: — Well those payments that I was . . . They are required to submit a grant payment to the Cancer Foundation or whatever that is in full compliance with the legislative rules, procedures, the government's administrative policies that are set by Treasury Board. Their systems should be such that there's checks and balances, and they are producing a fully bona fide, authorized expenditure without us being anywhere near. In other words, in theory we should, in the comptroller's office, be able to go home, and there are no problems whatsoever. They shouldn't be exceeding the appropriation . . .

Mr. Strelieff: — Do you issue all cheques that Health department . . .

Mr. Kraus: — We issue . . . and I'm just not sure about the MCIC (Medical Care Insurance Commission) system, whether we issue those cheques or not. Can you recall, Terry?

Mr. Paton: — No, we issue most cheques, but there are three or four subsystems that do issue cheques, and I think Health has one.

Mr. Kraus: — Social assistance is a separate system for sure — social assistance cheques. We have looked at their procedures and are satisfied that they are maintaining adequate control and just for whatever reasons it has developed over the years, those cheques are issued separately.

Mr. Strelieff: — What other type of examples are there in that departments have their own cheque processing and therefore expenditure . . .

Mr. Kraus: — Well where there would be individual cheque processing would probably be with advances for . . . travel advances for example. Even in our department, if I want a travel advance of \$500, I believe that the \$500 is generated internally in an imprest account. So there would be some imprest accounts. It varies.

Mr. Strelieff: — So the big departments issuing a lot of transactions have their own system — social assistance and Health.

Mr. Kraus: — They're very, very specific cases, Wayne.

Mr. Paton: — Specific programs, we still would process a large majority of Health payments that they made for their doctors' payments. They may generate those cheques but the majority . . .

Mr. Strelieff: — Do you see a trend going out that you want the departments to be more autonomous in these areas?

Mr. Kraus: — No, I don't think so.

Mr. Strelieff: — Less autonomous?

Mr. Kraus: — I'd say I'd like to see us do a better job of this. I have a responsibility here. I could consider it to be something . . . In some ways the government has said you're . . . the legislature, I'm sorry, has said, you will maintain those appropriation accounts, and so we have to do that. We have to make sure they don't overspend, at least on a cash flow basis, their appropriations.

But supervision is something that's more discretionary and I think it's more of an oversight responsibility. But I think it's like any system with internal controls. Even though you may feel that you have people in place that can do the job and should do the job when you're paying them, you may feel that you want to spend a

little money just to supervise from the central agency to make sure that they are in fact doing their job.

Mr. Strelieff: — Once you set up a corporation, then what happens? Is it lost, in your purview?

Mr. Kraus: — Bigger corporations tend to move away. If they're a Treasury Board corporation . . . Let's take the Agricultural Credit Corporation. It had a board of directors; it had a president; it had all of the management people that you would expect to see in an organization of that size, but well-qualified people, able to do their job.

And while we said, well there's an understanding Treasury Board could lay procedures, policies on their organization, to a certain extent, to a great extent, they establish their own policies and operate themselves because of the nature of the organization and the kinds of people they are able to attract and hire.

Mr. Strelieff: — Now that it's changing, is something happening to how they function in an accounting sense?

Mr. Kraus: — There may be. I can tell you, I just made this presentation to some people who happen to be . . . It included people from that organization. Because of the changes, they said: we'd sure appreciate it if you people would come and take a look at what we're doing in some areas because while we don't think we're outstepped as far as our accounting and reporting policies go, we would like somebody like yourselves to take a look at it to give us that assurance. So we'll do it. But they didn't have to call us in if they didn't want to.

Mr. Strelieff: — That still is a little bit distance from your . . . (inaudible) . . . review.

Mr. Kraus: — Yes, it is.

Mr. Strelieff: — What about SPMC (Saskatchewan Property Management Corporation)?

Mr. Kraus: — They'd be the same as Agricultural Credit Corporation, quite separate. Otherwise you might as well chop that top layer of management off and you might as well turn them back into a department at that point.

Mr. Strelieff: — It's only the departments that are quite close to your . . .

Mr. Kraus: — By and large.

Mr. Strelieff: — . . . in terms of keeping track of what's going on.

Mr. Kraus: — That's right. And some of the little agencies that they administer.

I wanted to just mention sort of a sensitive item here — fraud — because of some of the frauds that seem to be popping up. There's a bit of an outbreak of them; there's always more than you might imagine. And I

know people who are experts in this field say that there are more. The ones that you find are only a small percentage of those that exist. And this is said by someone who's from the private sector and seeing what's going on in the private sector perhaps as much or more so than on the government side.

But because of some of the concerns that have been raised, we are visiting some of these people, we are rearranging our priorities. And some of the things we thought we'd audit, because of our new audit approach, we may just set aside and go out and visit. We're going to visit a particular department and spend some time with them. They have an internal audit group actually, but we want to look at how the internal audit group is functioning; what kind of attention that internal audit group is getting from its management people; and work with them to put on some presentations to management as to the importance of financial management, of the possibility of fraud existing and so on. I don't think Saskatchewan is any more subject to any more fraud than anyone else, but it's a fact of life.

Very quickly then, we have a systems management branch, and these people are the ones that developed and implemented our central systems for payments, revenues, and so on.

And finally we have the branch that Terry Paton is responsible for. They now prepare the *Public Accounts* and year-end financial statements, and are really the ones that developed the accounting and reporting policy for Treasury Board. Some of the policies we develop are a little more general in nature than just strictly accounting and reporting, but still it tends to be . . . it's accounting and reporting.

Any new financial system that has any size at all, whether it reflects revenues or makes payments, is subject to our review, and we make sure that they start out with adequate accounting controls in the first place.

We review all draft legislation and regulations to make sure that the financial aspects of that legislation or regulation is appropriate. We approve the financial statements of over 100 boards and agencies. We make sure that Wayne Strelieff's management letters are at least followed up on. And it may not seem like much of an issue, but if you were here 20 years ago — and I wasn't yet at 20 years ago — but if you were here then, these letters as they were issued then tended to be just filed. People ignored them. And that's why the comptroller's office got involved some years . . . quite a few years ago now, making sure that departments answered those letters, saying that yes they would fix up the problem, or second that . . . or that they didn't think they had a problem and they had a strong defence for not making changes.

Finally we provide assistance to departments to resolve financial administrative problems, to the extent that we have resources.

That's sort of the end of part 1, and I see it's already

taken about 40 minutes. Are you up to a second part?

The Vice-Chairperson: — How does the committee feel about that? Do you want to . . . I think we should try to continue on. But do people have commitments right at 10 o'clock, or can we go till 10:15?

Mr. Kraus: — I'll try to move along.

The Vice-Chairperson: — Okay. Why don't we try to move along for say 15 minutes and then have a brief question and discussion period.

Mr. Kraus: — Okay. I would answer questions now if you like, unless you'd just like me to keep on moving along then. Is that what you'd like, moving along?

The Vice-Chairperson: — Yes.

Mr. Kraus: — Okay, sure.

The Vice-Chairperson: — Yes, let's keep going.

Mr. Kraus: — Have you handed out that second package, Terry?

Again I won't cover everything that's in here, but in addition to the written material there are overheads, again supporting this. There's also a couple of small handouts I'd want to refer to, because I'd like us to look at some of the financial . . . some of the numbers that appear in budgets or in financial statements.

Mr. Strelieff: — Gerry, on the last overhead, the last point said you provide assistance advice to departments to resolve financial administrative problems. What extent do you do that? Are you moving into an internal ability to examine economy efficiency issues?

Mr. Kraus: — No we're not, Wayne, not at this point.

Mr. Strelieff: — Is there anybody in Finance moving in that direction?

Mr. Kraus: — If there is, I understand John's looking at a unit. Effectiveness, no, but efficiency and economy, I would like to think that we always have that uppermost, at least as far as the financial systems go. I make recommendations if I think people can do things more efficiently, but it isn't a major focus right now. Things change though.

I'm going to talk about the major financial reports of the province and reporting and accounting changes. And there's annual reports issued by departments, there's all kinds of information, but I want to just talk about some of these in more detail than others and just identify all of the information that we have from *Estimates* in the budget speech, mid-term financial report, *Public Accounts*, Crown Investments Corporation annual report, financial statements, and economic and financial position paper and prospectuses.

The *Estimates* I know you're all familiar with, and this

is why I brought this stack of material. But you have the budget address and the Estimates, and naturally they give you an idea of what the government plans to collect, spend, and also the financing they're going to need to operate for the next fiscal year.

The mid-term financial report — it's this fairly innocuous document issued for the first time in this forum back in November 1992. The government has promised that it would put one of these out, I would guess it would be November of each year. It talks a bit about the state of the provincial economy, it gives you a projection to the year end, and it also explains the variances that have occurred in the budget to date and what they expect, I suppose, as far as budget variances to the year end.

And I think that's pretty important because people do want to know at that point in time, well, are we going to hit our . . . it will be — are we going to hit our 296 or aren't we, and how the revenues performed and how the expenses performed. And there will always be variances that you have to explain; hopefully it'll offset one another and we'll be able to hit that 296 target.

Mr. Strelloff: — Gerry, will you be able to provide an accounting as of this six-month date?

Mr. Kraus: — What the auditor would like us to do as well is provide a financial statement. Now I think I can talk for John. He's saying that that's perhaps something that could be prepared but not at this time. And the reason being, he feels that this is probably more important, in any event, number one.

Number two, the first time we do it, you know . . . if you looked at our cash flow statements, if I just pulled one out of the air and said, here's one, you could say: my God, we're going to have a billion dollar deficit this year.

Mr. Strelloff: — So what you need then is a budget to the six months so you can say the budget versus actual for the first six months . . .

Mr. Kraus: — That may have some value, and I can't say that the government wouldn't do that at some point make a decision to do that, or Finance would decide to do that. But as you know again, the revenues are really lagging behind the expenditures and you'd have to do some explaining as to why.

Mr. Strelloff: — So then the response to quarterly financial statements might not be as . . .

Mr. Kraus: — No. I would say for the province of Saskatchewan, given its size and so on, this isn't a bad start. In fact I'd say it's a good start. In fact I would say this is the number . . . quite frankly, this is the number everybody wants. The rest of it I'm not sure they'd care about.

That's just my personal opinion. It doesn't mean that I wouldn't necessarily agree that it's not a bad thing, but I think these are the numbers that people are

interested in.

Mr. Strelloff: — And you've asked them that?

Mr. Kraus: — Pardon me?

Mr. Strelloff: — It's okay.

Mr. Kraus: — No, I just use myself as a . . . The *Public Accounts* have become quite a mass of material. They weren't anywhere near this size about three years ago. There's volume 1, which again I've summarized it to say that there is a General Revenue Fund financial statement going to appear and a summary financial statement.

Now this book, '91-92 that you have to deal with is still on the old basis so there's a Heritage Fund, a Consolidated Fund, a combination of the two called the combined funds — that's combined funds is the one which we decided determined our deficit, annual deficit for the year — and then there's a summary financial statement.

But for '92-93 the *Public Accounts* will have a summary financial statement and then just a Consolidated Fund statement. But if you pass The Financial Administration Act it will be the General Revenue Fund and some financial statement. Only two financial statements should be much easier to comprehend.

This is a volume, volume 2, that you spend a lot of time on in this committee. It shows the details of revenues and expenditures by department, grants to over \$5,000, payments of salaries over \$2,500, if you're out of scope, by department, payments to suppliers over \$20,000 by department.

I just handed you a couple of pages that has typed on it 1991-92 public accounts. I wanted to show you a couple of things you might look for. It is headed: schedule appropriation and expenditure by subvote, and this is just selected at random — it's Energy and Mines — but the point is is that by department, by subvote, we are showing you what the original budget is, whether or not there have been any special warrant monies, monies added to the budget by special warrant, whether there have been any statutory adjustments. And the point is is that some of these subvotes are controlled by other legislation and there's a statutory spending limit, not one established by The Appropriation Act.

It shows the virements. Has money been transferred from one subvote to the other? Then it adds it up and says okay, here's the final appropriation. It compares that to the monies actually spent, and shows whether or not the subvotes are under or overextended. On a subvote basis it also adds in, takes into account, accounts payable to determine whether or not the department has over or undercommitted that subvote . . . or under or overcommitted the department, I'm sorry. There should never be overcommitments because it's a violation of the law. There should never be overexpenditures because it's a violation of the

law.

Mr. Sonntag: — Transfers, excuse me. Transfers within a subvote, how are you going to show that?

Mr. Kraus: — Well we haven't yet worked it out quite. We are going to have to show that as well. We definitely will show that material. You won't see that until the '93-94 *Public Accounts* are tabled which should be October 1994. We know we have to work that in somehow.

On the second page of this particular handout I wanted you to see that this is something relatively new. The *Public Accounts* is giving a description of the department's mandate and then identifies the objectives for each subvote, each program. It's been difficult to know what the objectives are of some of these programs. In the past you just got the financial information and we think this is an improvement for everyone. These changes, by the way, were requested and recommended by this committee a couple of years ago you will recall.

And then the next page of the handout is a summarization of expenditures by subvote rounded to the closest thousands of dollars. There are 10 expenditure categories which were . . . in the end the Public Accounts Committee did approve these. And I suppose as the years go by they may be changed but as you can see it's personal services, general, and extraordinary. And, Terry, correct me if I'm wrong, but I think extraordinary is basically where there's a severance payment, isn't that right, it would be something like that? It was asked at the time that that be shown. And then supplies and services, advertising, and soon. Try and provide you with some summary information, some of the types of expenditures you might want to phone in on.

Like I say, there's all this other information as well by department that I have on the overhead here: grants over 5,000, salaries over 25. And I'll just tell you, the salaries over 2,500 are out of scope only. It was again the wishes of the committee . . .

And I will jump ahead to this last book that I have here. We don't consider this officially to be part of the *Public Accounts*. It's this one, the supplementary information volume. That is distributed on a limited basis to you people. There are copies in the Clerk's office, but we don't send this . . . if we send these to libraries and so on, we don't send this.

Now that's a decision that was made, and I think it's because many of the people in here are in-scope people, the majority of them that obviously don't appear in volume 2. And this again is anyone who has made more than \$2,500, whether they're permanent, part time, casual, labour, service, whatever. These people are published, the names are published in this report.

As well we've reinstituted this providing payments to suppliers if they receive more than \$20,000 from more than one department. So in volume 2 if a

department like Agriculture has paid a supplier more than \$20,000, it will show in Agriculture. If they only paid a supplier \$15,000, it won't show there. But if Finance also paid that same supplier \$15,000, that supplier's name would appear here and it would show that the supplier received \$30,000.

Mr. Strelloff: — Is SPMC in there as well?

Mr. Kraus: — No. SPMC is providing its own information.

Mr. Strelloff: — In a similar manner?

Mr. Kraus: — Similar manner, yes. It may not be identical but it is similar.

From my perspective that was one organization I thought should report because they are purchasing goods and supplies just like departments do. And they buy a lot of the material that we use. So we really felt that was one that should be reporting differently . . . or more similar to the way we are.

And then these compendiums. There's two volumes, part A and B, which provides the financial statements of most of the government agencies. Right now SaskPower and SaskTel aren't in here but at the request of the Provincial Auditor, Finance has considered that it might be appropriate to include those in here as well.

So I suppose for '92-93 these volumes may be getting larger including those financial statements.

Mr. Strelloff: — Is this on disc anywhere that perhaps you could issue a CD ROM (compact disc read-only-memory) on it, then everyone can have a CD ROM instead of . . .

Mr. Paton: — No, it's not, because those volumes you see there are prepared by it coming in 20 different entities and we get copies and simply photocopy them. We don't have it. It's in volume 1.

The Vice-Chairperson: — Excuse me, Mr. Kraus. I'm going to ask that you bring your remarks to a close in the next few minutes and then we can have a question period, and if people have any specific questions they'll have an opportunity to ask them.

Mr. Kraus: — Okay. I've had a request about summary financial statements. I have an overhead later on towards the end that deals with summary financial statements, if that's okay. I just wanted to point out that . . . I'll just get through these reports.

The Crown Investments Corporation annual report, you've seen it in other years, but in addition to the consolidated financial statements which includes consolidation of the holding company and SaskPower and SaskTel and all of the corporations that they're responsible for, and in addition to the individual annual reports for the SaskTels and the SaskPowers, for the first time they've shown what's called . . . or presented what's called a non-consolidated financial

statement. That is a financial statement for the holding company itself.

And it . . . I mean if you're going to get a handle on the finances of the province, you have to . . . to some extent one should have all of this material available. And for the first time it really opens up the Crown Investments Corporation because you can see whether or not dividends were received from utilities, what the interest income was from loans CIC (Crown Investments Corporation of Saskatchewan), the holding company, made to various Crowns or investments, what their interest expenses were, whether or not they were losing . . . incurring losses. Some of their investments have not done as well as they would have liked. So there's been write-downs.

SEDCO again, I guess for our '92 year we're going to see another year where they've lost between 40 and 45 million. And at the end of the day you could see whether that holding company itself has made or lost money. And I think that this is a real step forward. From what I can read in *The Globe and Mail*, there are private sector corporations . . . or the private sector has, when it's abiding by the CICA's (Canadian Institute of Chartered Accountants) reporting standards, are not always required to open up as much as this. And so this maybe something that's happening here that wouldn't necessarily be followed in the private sector.

I don't want to mention the company, but they were mentioned about 10 or 12 days ago in a Saturday's edition. And one of the problems was you couldn't see — it was Royal Trust — you couldn't see how they were doing because they had this full consolidation and some of their operations weren't being properly identified, the losers.

So you know, there's nothing really unusual about the fact that this holding company, CIC, hadn't had its financial statements published and audited, but it's certainly a step forward.

Just a couple more points and then I'm done on this. The white paper, the economic and financial position, is published usually in late summer. This was September 1992. Again it provides you with all kinds of economic information, financial statements, a five-year comparison. This one was from '88 to '92. The most recent financial statements are usually still unaudited at this point.

And finally, information that isn't available to the average person, but you certainly could get a copy if you were interested, is prospectuses that are prepared and provided to people in either Europe or the States, the various regulatory groups, the credit raters.

And again, this gives you a real overview of the form of the government, the economy, economic indicators, financial statements including the most recent estimates, financial statements audited to match the statements, an outline of Crown corporation activity. And of course it's used to sell our bonds.

Mr. Strelloff: — So that's available to the members and the public on request?

Mr. Kraus: — I was reluctant to bring you here today because I knew that question would come up and I don't think it's . . . it's not widely distributed. I would wonder whether . . . how many copies you really prepare. I mean I know the security exchange-type people get their hands on these but . . .

Mr. Strelloff: — But if members ask you for a copy, they could get a copy.

Mr. Kraus: — I suspect they could.

Mr. Strelloff: — That's a very interesting . . .

Mr. Kraus: — There's nothing secret. I mean it's a public document; it's filed public, as you know, with the security exchange.

Mr. Strelloff: — It's a very good document to get an overview of the whole province, plus an economic slant on it as well as the financial slant and plans for the future. It's a very interesting document.

Mr. Kraus: — That's a positive point, if you want.

The Vice-Chairperson: — Okay, good. Thank you. Mr. Kraus, I'd like to . . . In the remaining 13 minutes or so I'd like to make a speakers' list to let anybody that may have some questions have an opportunity to ask them. So who would like to . . .

Ms. Crofford: — Okay, I've got three questions; I'll try and run them by quickly.

One of them has to do with the fact that two-thirds of government's budget is grants to third parties. Now we have all this very complete scrutiny on our own spending but yet a huge bulk of our budget is going out there into the community — it's still tax dollars — and yet we really have no direct control of the policies. And I think it comes into a little bit the area you were talking about, the issues of efficiency, economy, and effectiveness of dollars spent. In a way we have almost no grasp of that. Do we do anything with those third-party funds other than receive their financial reports?

Mr. Kraus: — Well I can't speak to that as a . . . that well, but I know again you'd have to look at each individual sector, and I'm going somewhat from memory here, but I would believe, for example, in the Department of Health they do have people that specifically work with the hospital administrators and review their budgets and their expenditures and so on. I think there's a very rigorous reporting process there, and I think the same holds true on the education side with the school grants and so on.

But you know specifically I don't think I could tell you exactly what they do there or how widespread . . . Again, with municipal . . . I think with municipal revenue sharing, here we're dealing with those kinds of organizations, I believe there is a linkage,

Now whether it is the best or not I can't comment on.

Ms. Crofford: — I'm just curious because it's such a large amount of our money.

The other thing is we've gone to this general, or moving to this General Revenue Fund way of looking at the finances. And a really common comment you hear from people all the time is, I would feel a lot better about my tax dollars if I knew they weren't just going into a big black hole, is the way they look at it, but specifically targeted. And one example of that is the lottery funds.

Mr. Kraus: — I was going to mention the lottery funds but I didn't.

Ms. Crofford: — So I guess I'm just looking for a comment on what your view is of that.

Mr. Kraus: — Well I guess one observation is here's the counter to that, is that the more separate funds you create, you see, some people would say that the legislature starts to lose control. It's been my observation that here or anywhere else, quite frankly, and over many, many years that you create those separate pools of money and they often become . . . they're under the control of a minister and a deputy minister and so they're not necessarily being judged against all of the priorities, all of the other government's priorities.

We feel to some degree that the government itself loses control. If you put all of your money in one pile and have all your spending requirements in the other and you say well now, here's where we want to spend our money, here's how much we've got, and we'll start with the most important, and then once the money's gone, we'll drop the bottom off, what happens for sure — I'm absolutely positive — some of the special pools, maybe they're great for the first year or two when you wanted to spend the money there, but pretty soon you've got money being spent on priorities that all of sudden are now maybe number 75 and never would have even gotten considered in this year's budget or even in the next three or four. That's the weakness.

Ms. Crofford: — Yes, I think from the community perspective that's their argument, is it's too easy when they slide in the priority list to wipe them out. So that's the flip side of that whole thing.

Mr. Kraus: — Yes, but I personally think that — and this is now; you're asking me personally — I think that the more of that you see, the worse our financial situation is going to be in Canada and in the provinces. But that's a personal opinion.

Ms. Crofford: — And I can't remember at the moment what the other one was so I'll just let it go.

The Vice-Chairperson: — Okay. Anybody else?

Mr. Van Mulligen: — I'll just raise a general comment that . . . a follow-up on Wayne's question. I think that

it's just so necessary and important for government to begin to develop its own ability to do the economy and effectiveness and also economy, efficiency and effectiveness of the dollars that we spend.

I mean like there's such a host of things that . . . you know, Wolfgang Langenbacher from the city was talking about what he does and he goes and checks how much garbage the guy actually puts in the truck, all that kind of stuff, and how great that is and how he's saving the city money. And one can say, well yes, but 90 per cent of their dollars go into actual services whereas maybe less than half of the province's money goes into services, because you've got a bunch going into debt retirement, you've got all kinds of it going to school boards, you've got all kinds going to universities, to hospitals. You know the government is just simply putting the money in and transferring it out to someone else.

But we still provide our own services and programs, and I basically believe that yes, when there's cut-backs, that the bureaucrats are then forced to examine how you spend that money and they may in the context of that look for ways to spend it more effectively. But once the pressure is off there's an unwritten assumption that things were okay, you don't have to look any further.

But there's not effort by government to continue to press the departments to look for ways to do that and my guess is that over time that the departments internally develop their own sacred cows. And they'll never challenge it. You need someone from outside to challenge your thinking on what it is that you do and whether you need to do it in that way to achieve what it is that . . . your ultimate objective.

And just as an example, the concept of a highway map every year, you know. I mean highways never change. I mean do they change that significantly that you have to put out a highway map every year? I don't know. But maybe there's some reason that the people in the Department of Highways continue to push to produce a map every year, because if they didn't someone's position or jobs or influence might be challenged. And they wouldn't do that internally. I don't know. I'm just throwing that out as an example.

But there's no one central in government forcing them to look at those kinds of questions. There's also no one in government looking at . . . given the fact that so many of our dollars flow out to other organizations, there is no thinking in terms of government, is that money being spent effectively for what the government intended?

I just think of an example of, well just recently, the amount of dollars that the government spent on seniors' recreation centres, just money going out and spent on seniors' recreation centres. And then the government in this budget has cut that off. But there is never any thinking up to that point of what is the rationale for sending this group so many hundreds of dollars and what can they effectively do with that anyway. What is the point?

Or to look at the thousands of dollars that, say, went into the Regina Senior Citizens Centre and having someone sit down with them — well you're getting all this money, but are there ways that you might be able to do this without the extent of government help that you're getting from us to do it as effectively? And there is no ability on the part of government to do that.

And so I, you know, I just . . . I don't know why the government isn't moving faster to develop that kind of capacity. But maybe that's an unfair question to ask you.

Mr. Kraus: — Well it's certainly . . . I guess people like ourselves that do work like that, although it often includes people that have different backgrounds than accountants — you'd agree with that. And all I can say is that as far as I know there isn't any movement in that area, but I can't disagree with your observation that perhaps there should be.

Mr. Strelloff: — I'm hoping a little bit that our venture into the area will encourage the government to take the ball themselves rather than having us wonder around too much because we can't wonder around much. The government really has to do it itself. We can prod here and there and try to set up examples of good performance and then hopefully other departments or corporations will take that lead.

Mr. Kraus: — I think some people would prefer, although you're not seeing any action internally, that there be more done internally and less reliance on external auditors for that; just which supports your case really, I suppose, and supports Wayne in that he isn't going to be able to get around that much anyway. And really it's a responsibility of management to deal with that, deal with those issues.

Mr. Strelloff: — I sometimes view the public accounting firms, external auditors, as being an internal audit group hired by government to do this kind of work, but they don't normally do. And I'm sure . . . I don't know if it has to be Finance. It could be some other group but still a central group that has access to all the departments, agencies, and corporations and then also explores what the departments do themselves to make sure that those third-party grants are being administered well and are needed.

The Vice-Chairperson: — Okay, unless somebody has some burning question or comment, I think I'll entertain a motion to adjourn. Is that agreed? And we're meeting next Tuesday with the Provincial Auditor.

The committee adjourned at 10:16 a.m.