

**Bill No. 42 — An Act respecting the Creation and Supervision of certain Crown Corporations**

**The Chairperson:** — I'd like to welcome the minister and his staff to the Assembly ... or to the committee this morning. I know that he has a 9:30 appointment so if either you, Mr. Penner, or Mr. Ching would mind giving us an explanation of Bill 42 and the rationale for the section 33(2) and (4) in context of what our responsibility is here to provide a suitable amendment to the Legislative Assembly which will go to the Crown Corporations Committee.

We'd like to have that to start with and then what I'll do is ask the auditor to give us his perspective of the rationale behind his special report on items 1 and 2 of his recommendations. And then we'll throw it open for discussion after that. And I think in order to assist the minister, I'd like to have him provide that for us at this time, and then we'll have Wayne deal with his assessments, and then Mr. Ching can act on your behalf later this day.

**Hon. Mr. Penner:** — Okay, thank you, Mr. Chairman. I have Mr. Ching with me here, and Mr. Hornowski and Mr. Banda are the officials that I have with me here today.

I will just make a few, brief comments and then I will let the officials comment if they choose to elaborate on that and have more information for you and for your committee.

Specifically dealing with section 33 item (2) where it says:

The Provincial Auditor or any other auditor or firm of auditors appointed by the Lieutenant Governor ... shall audit the records, accounts and financial statements of CIC annually and at any other time that the Lieutenant Governor in Council may require.

The reason we've inserted the words " ... and any other auditor ... firm of auditors", is because we feel that there needs to be a choice. The CIC (Crown Investment Corporation) is a corporation that is held by the shareholders of Saskatchewan and that the shareholders ought to have a choice and we ought not to be tied into a specific auditor for any specific length of time.

This does not mean, however, that we're not interested in having the Provincial Auditor do the work. That doesn't imply that at all. It simply implies that there is a choice here for the Crown Investments Corporation, the board of CIC, and through the board, the Lieutenant Governor in Council and the Government of Saskatchewan may make a change in the auditing firm if they so choose. And there would obviously have to be some good reasons for doing that.

So that's basically our reason there and I'll ask the officials to comment further on that if they wish. I'll

make my comment on item (4) very briefly here.

We have a document here on item (4) where we've made a slight change and we'll just pass this around to the people around the table. While it's being passed around the change that we have made is in (4)(b). We are suggesting that we delete " ... unless the Provincial Auditor has reasonable grounds for not relying on that audit work."

The rationale, or the reasoning, for putting this clause in here. And particularly I think it's probably (v) that is the one we want to comment on here more so than any others.

We believe, as CIC and as a board of CIC, that the auditor appointed by CIC for the individual Crowns — SaskPower, SaskTel, whatever — are reliable people; these are competent people. And we believe that the Provincial Auditor should rely on the work of these outside auditors or private auditing firms. By asking him to rely on their work, we are actually making, we think, life somewhat easier for him in the sense that when the legislature says that he shall rely on their work, he does not have to be concerned about the validity of that work, that the private auditing firms will be held accountable for the work that they do and the reports that they give.

So we believe that actually this is a benefit to the Provincial Auditor in that he does not have to go and check on these firms unless he's requested to do so by either the Public Accounts Committee or some other committee. So actually we believe that this is a benefit to him.

We also believe that neither we as a legislature or a Crown Investments Corporation, and for that matter the Provincial Auditor, should doubt the work of the private auditors. These are reputable, competent people, and we believe that their work should be accepted at face value unless it is proven otherwise by the type of work that they do.

We believe that the record is fairly clear on this, that the private auditors have done a good job in auditing the Crowns, and therefore we think that we want to continue exactly as it is written on that sheet of paper that I just passed out.

I'll ask the officials if they want to add anything to what I have said.

**Mr. Ching:** — Yes, Mr. Chairman, just a few comments. You will be aware that this issue arises out of the interaction really of two pieces of legislation: first of all, The Crown Corporations Act, and The Provincial Auditor Act.

if you read through The Crown Corporations Act and certain parts of The Provincial Auditor Act — and in particular I'm referring to section 11.1 and section 12 of The Provincial Auditor Act — I would argue that what the legislature has attempted to do is to provide a system by which the Crown corporations, the

commercial Crown corporations, are entitled to be audited by private sector auditors and that the work of the private sector auditors is to be taken as complying with The Provincial Auditor Act.

The private sector auditors are required to comply with the Provincial Auditor's requirements to audit in accordance with proper accounting rules, and that I would argue that the legislature has attempted to establish a regime in the commercial Crown corporations where private sector auditors audit the commercial Crowns and those are sufficient audits to compose a portion of the Public Accounts of the province of Saskatchewan.

I think that what's happened is that there has been an overlapping of responsibilities between the Provincial Auditor and the private sector auditors to the point where now, when there is a private sector auditor which is appointed to audit a commercial Crown corporation, the Provincial Auditor feels from reading the two pieces of legislation that I've referred to, that they have an obligation to form an independent opinion as to whether or not that audit has been done properly and correctly, and that that requires the Provincial Auditor's office to repeat and duplicate a substantial portion of the work done by the private sector auditor.

It's within the confines of doing that additional work that I think much of the conflict has arisen between the private sector auditors and the Provincial Auditor's office.

What we've endeavoured to do with the amendments to section 33 to The Crown Corporations Act is we've made an effort — maybe not successfully, but I hope successfully — to propose an amendment to the legislature which will further clarify the issue, to try and capture what we assume was the intention of the legislature manifested in these two Acts between 1983 and 1988. And what we've endeavoured to do with section 33 is simply state that where there is a private sector auditor, the Provincial Auditor shall rely upon the audit work without having to repeat or redo all or a portion of that audit work.

So the essence of the proposed amendment is to capture what I submit to you was the spirit of the amendments to the two pieces of legislation between 1983 and '88, and make it clear that where there is an outside auditor, a private sector auditor appointed to audit a commercial Crown corporation — and bear in mind this only applies in the case of the part 11 commercial Crown corporations under The Crown Corporations Act — that where that occurs, the Provincial Auditor shall rely upon the audit work, therefore obviating the necessity of repeating that work or doing it again.

I think that the legislature and this committee is in a situation where it's really only got three alternatives. It might be nice to try and postulate other ones, but I don't think that there are any other alternatives.

The one alternative is to go back to the period of time

prior to 1983 in which the Provincial Auditor audited all of the commercial Crown corporations. That's one alternative. I'm sure you've heard the debate that surrounds that particular issue, whether or not the commercial Crown corporations ought to be audited by the Provincial Auditor.

The second alternative is to leave the situation in some manner or form in the situation that it is now where the Provincial Auditor believes that his legislation requires him to form an independent audit opinion of the audits of the commercial Crown corporations and therefore requires him to repeat all or a portion of the audit work done by the private sector auditor.

The third alternative, and this is the alternative which we are offering to you, is the alternative of clarifying the issue and making it clear that the Provincial Auditor shall rely upon the audit work of the private sector auditor, thereby relieving the Provincial Auditor of having to duplicate all or a portion of the work done by the private sector auditor.

I would like to believe that there are other manifestations of possibilities, but in truth I think it boils down to those three things. And we're urging the third alternative upon you at this point in time.

**The Chairperson:** — Well is that . . . That's it? Okay. Thank you.

Mr. Strelloff, would you like to first of all outline the reasons for your observations in your recommendations, and secondly, respond to Mr. Ching if you wish. You don't have to but I'm asking whether you . . . If you have an interest to, you can.

**Mr. Strelloff:** — Thank you, Mr. Chairman, and members. First, the proposals in Bill 42 do not affect our responsibility to the Assembly. Our responsibilities to the Assembly are clearly spelled out in The Provincial Auditor Act, and that is to audit all of government and to report to the Assembly.

What Bill 42 does is affect how my office is able to carry out its responsibilities and its authority to carry out its responsibilities. So the responsibilities of our office are set out in The Provincial Auditor Act. What Bill 42 does is deal with the ability of our office to carry out those responsibilities.

And that's why in our special report we've said it's quite disturbing, in fact a disturbing precedent, that changes to the way that we are able to carry out our responsibilities are handled through a notwithstanding clause in another piece of legislation rather than dealing with our responsibilities and authorities within the context of The Provincial Auditor Act.

And I understand that changes are planned to The Provincial Auditor Act. So it makes sense to deal with the responsibilities and authorities in one place particularly as it relates to legislation of an officer of the Assembly.

So the first point is that our responsibilities are set out in The Provincial Auditor Act. The Bill doesn't affect those responsibilities. What it does is affect the ability of my office to carry out those responsibilities.

In previous meetings and reports I've expressed the ongoing concern with the effectiveness of the existing audit system I must work with to fulfil those responsibilities to the Assembly when the government appoints a second auditor. My concerns mainly have focused on our ability to examine issues directly and, two, our ability to report to the Assembly in a timely manner. Those are the concerns that we've expressed in the past, and of course have worked through many examples where our ability to examine issues directly was impaired and our ability to report to the Assembly in a timely manner did not happen.

In the past we have recommended less costly and more effective alternatives to the government and to the Assembly that I understand are still being considered. And I look forward to further consideration of those alternatives.

What paragraph 33 of Bill 42 proposes, proposes changes to how I am to fulfil my responsibilities. Again, when the government chooses to appoint another auditor for those corporations that the government chooses to designate as CIC corporations, the concern that I have with the proposals is that they do not strengthen my ability to serve the Assembly, but in my view could cause further confusion and thus slightly weaken my ability to examine Crown corporations directly and therefore serve the Assembly.

The confusion to me stems from the ... in Bill 42 or in section 33, different words are used to restate the existing audit system. And because different words are being used, there may be confusion among the many groups and individuals that I must work with to get the job done.

It also refers to in section 33(4)(a), refers to me appointing myself as the auditor, when The Provincial Auditor Act sets out my responsibilities and there's no need for my office to appoint itself. We are the auditor of the government. So that clause on (4)(a) doesn't seem to serve any purpose, so it further confuses. And because it confuses, it may weaken the ability of the Assembly to hold the government accountable because it may confuse the people that I must work with to get my job done.

However Bill 42 does in my view present an opportunity to strengthen, not weaken the system. The proposal that was just put on the table, in my view, seriously weakens the ability of my office to serve the Assembly. And I'll discuss that a little bit later.

But with an opportunity to strengthen in mind, since the Bill's on the Table, the amendments are possible — I included in my special report several recommendations. The first recommendation, which is on page 2, is that the recommendation be revised to state that the Provincial Auditor shall audit the

records, accounts, and financial statements of CIC. I think it's important to continue the current practice. Our office is examining that organization directly right now. It's particularly important to continue that current practice of examining CIC directly, particularly now in the context of the significant responsibilities and authorities that are now being provided CIC. Bill 42 provides CIC significant new authorities that increase the importance of the Assembly's auditor examining CIC directly, not at the decision of management but at the decision of the Assembly. The proposal on the Table now in Bill 42 makes examining CIC directly at the decision of management rather than the Assembly. That, to me, is not in the best interest of the Assembly.

In addition to the increased responsibilities and authorities being proposed for CIC, it has a history, I think we all know, in the past of inadequate reporting to the Assembly. There's been a lot of discussions on what should be reported to the Assembly by CIC; and there, in my view, has been a history of weak reporting to the Assembly.

My recommendation, which is the recommendation 1, ensures that we continue to examine CIC directly and help facilitate the Assembly's ability to hold CIC accountable. This is also particularly important since Bill 42 proposes that CIC can now direct that dividends be taken from various Crown corporations and be provided to CIC. In the past they didn't have that authority. Now the proposal is that CIC can direct that, for example, SaskTel pay CIC \$15 million or whatever the dividend shall be. That's an important responsibility.

And at the same time Bill 42 does not require approval from the Assembly on how those monies, those dividends should be spent, as recommended by the Financial Management Review Commission, as recommended by my office, that when dividends are taken from CIC or from Crown corporations that the Assembly scrutinize how those monies are to be spent before they are spent. In fact the Financial Management Review Commission recommended that those dividends be directed straight to the Consolidated Fund or now the General Revenue Fund and then be voted out to CIC in a specific way.

And that issue is particularly important, given the recent experience of a recent three-year period where CIC received approximately \$1.8 million ... \$1.8 billion of dividends from various Crown corporations, spent about \$1.2 billion without going to the Assembly for specific scrutiny and approval prior to those transactions happening.

With such increased authority, the ability of the Assembly's auditor to examine CIC directly will be, in my opinion, extremely important as one of the few vehicles the Assembly has to scrutinize government financial activities and to hold the government accountable.

My second recommendation is to delete 33(4) in its entirety. Again I find it a disturbing precedent to

amend the legislation of an officer of the Legislative Assembly through a notwithstanding clause in another piece of legislation.

Remember, our responsibilities are set out in The Provincial Auditor Act; here in another piece of legislation are provisions dealing with how we're supposed to carry out those responsibilities. Clearly to have an adequate debate they have to be brought together and my recommendation is to amend The Provincial Auditor Act to handle both sides of my responsibilities and authorities. And again, I understand amendments to The Provincial Auditor Act are being planned.

The proposed changes in 33(4), in my view, appear to confuse and thus weaken the existing system. They use different words to restate what's happening now; so for those people who were not directly party to the discussions of what those words mean, they may think that there's a change and that causes confusion. They introduce irrelevant clauses that — for example, the 34(a) — that don't appear to mean anything, and as a result, have a potential of causing additional confusion among those I work with and whose cooperation I must depend on to fulfil my responsibilities. And that involves many public accounting firms and many different government officials.

Since 33(4) only confuses and certainly doesn't strengthen my ability to help the Assembly hold the government accountable, then delete it. Frankly, I'm shocked that we're actually discussing a proposal that has the potential of weakening accountability and I'm extremely concerned about the proposal that was just brought to the table. We shouldn't be talking about weakening accountability in this time; we should be talking about strengthening.

With the view of Bill 42 as an opportunity to strengthen accountability — which I view it is — our office did have a look at how to do that and come up with a proposal that we believe is consistent with previous recommendations of the Public Accounts Committee on strengthening our ability to serve the Assembly and also consistent with alternatives that we have proposed to the government and with the views of many other groups.

Fred, could you provide the Clerk with the alternative; or, Mr. Wendel, could you please provide that alternative. And, Mr. Vaive, could you hand that out, please.

The alternative that I'm handing out continues the existing system of having the government being able to appoint a second auditor. There are other alternatives. As Mr. Penner or Mr. Ching mentioned, we could do . . . our office could go back to prior '83 and do the work all ourselves or we could make the appointments ourselves and work a strict agency agreement.

This proposal continues the ability of the government to appoint a second auditor. And if the government . . .

when the government views that as being important to their management capability, then so be it. But at the same time the proposal strengthens my ability to carry out the responsibilities, my responsibilities to the Assembly as set out in The Provincial Auditor Act.

Paragraph (a) links again the appointed auditor back to The Provincial Auditor Act where the responsibilities on what to examine are defined. So it stays with those examination responsibilities.

Paragraph (b) allows me to rely on their work, which is what we do now.

Paragraph (c) allows me to participate and approve the audit plan as recommended by the Public Accounts Committee in their third report to the Assembly in February. And the recommendations of the Public Accounts Committee are on the second page.

Paragraph (d) continues the practice of providing those reports to me so that I can assess their reliability and report to the Assembly accordingly.

Paragraph (e) allows me to report in a timely manner to the Assembly so that the Assembly and also the government knows my views when the reports are publicly issued, not three months, six months, a year later, which is the current practice quite often.

Paragraph (f) ensures consultation on appointments, which again is consistent with the recommendations of the Public Accounts Committee and certainly with the views as was expressed by the many groups referred to in our special report.

This proposal would strengthen the ability of the Assembly to hold the government accountable because it would ensure that our office is able to examine issues directly and is able to report to the Assembly in a timely manner.

It also continues the practice of having the government, when it chooses, appoint a second auditor. But it provides a format, a process, to ensure our office is able to carry out its responsibilities as set out in The Provincial Auditor Act.

In summary, the recommendation, one, is to ensure the Provincial Auditor is able to examine CIC directly. And with the increased authorities and responsibilities provided or proposed to be provided to CIC within Bill 42, this will be an important issue, an important, ongoing issue, and particularly since the proposals within Bill 42 allow CIC the ability to direct that dividends be taken from Crown corporations and to spend that money without having to come to the Assembly for specific approval.

Recommendation two is either to delete it, but why not take the opportunity to actually strengthen the Assembly's ability to hold the government accountable instead of weakening it. The recommendations that I tabled today would do that and would be consistent with the views so often

expressed around this table and in the Assembly and elsewhere.

When looking at changes and the changes that were tabled today by the officials, by the minister responsible for CIC, look at recommendation 4 that we have in our special report and assess those changes to my ability to get the job done in the context of improving the ability of my office to, one, examine issues directly, whether or not those issues are within government organizations that have a government appointed auditor. Do they do that? My proposal that I just tabled certainly does; two, examine and assess government financial statements and government appointed auditor reports before those statements and reports are issued publicly to ensure that the Assembly and also the government knows our views before reports are issued publicly. They can disagree with our views, the government, but I think it's important that they know where we're coming from before reports are issued publicly. And three, that we're able to report our findings and conclusions to the Assembly in a timely manner because we're on the scene when reports are finalized. Extremely important factors to note when you're assessing, in my view, changes to the way we carry out our responsibilities.

The proposals in Bill 42 don't affect our responsibilities. It affects how we're able to get the job done. Again I do see Bill 42 as an opportunity to strengthen, and believe strongly my recommendations should be considered and moved forward.

Thank you very much.

**Mr. Ching:** — Mr. Chairman, members of the committee, I don't want this process to derogate into some sort of a debate between myself and the Provincial Auditor. But I think there's a number of the points and arguments which he makes which deserve some comment.

First of all, I take the strongest objection to the implicit suggestion in the comments of the Provincial Auditor that good public accountability can only be secured by the Provincial Auditor having control over the audit function in the commercial Crown corporation sector. Let me give you a number of examples.

Example number one: I would say that the last two annual reports submitted on behalf of CIC are as good in so far as disclosure and public accountability is concerned as any organization can make their annual reports. The annual report last year was submitted and prepared and the Provincial Auditor was not our auditor. So the degree of accountability that arises out of our annual report isn't as a result of the Provincial Auditor. It's as a result of CIC doing their job properly.

I go one step further than that. The Provincial Auditor indicates that there was all sorts of problems with the Crown corporation sector over the last number of years. I couldn't agree with him more, I draw to your attention however that those problems arose at a time when the present circumstance existed with regard to

the responsibility of the Provincial Auditor. So I don't think it lies in the mouth of the Provincial Auditor to tell this committee that him having the power to audit the commercial Crown corporation sector will be a solution to the problems which manifested themselves over the last number of years. Because his power to audit the Crown corporation sector has been there under the circumstances that exist at the present time. He's right. There is confusion.

At the present time I think the Provincial Auditor has the benefit of ducking back and saying the audits in the Crown corporation sector have to be done by the private sector auditor and so he doesn't have to take responsibility. And unfortunately the private sector auditors can duck back and say they don't have to take responsibility because the Provincial Auditor has some sort of an umbrella obligation to audit the commercial Crown corporation sector.

What we're proposing clarifies that. I don't accept for a moment what the Provincial Auditor is saying, namely, that these amendments create confusion. All the people I talk to they clarify, they don't confuse. The only person who seems to be confused by the present amendments is the Provincial Auditor. They're clear as a bell. They say that when there is a private sector auditor appointed in the commercial Crowns, that private sector auditor has the obligation to audit and take responsibility for that audit. And the Provincial Auditor's office shall rely upon that. I don't know how one could make that any clearer.

And if the word of the Legislative Assembly, should they see fit to accept that recommendation, is not sufficient to bind the activities of the Provincial Auditor and CIC, then I don't know what it is.

There's nothing untoward or unusual about using a notwithstanding clause to exempt one part of the government's activities from the application of a piece of legislation. Nothing unusual about it at all. There's nothing nefarious about it. There's nothing wrong at all with section 33(4) of the proposed amendment to The Provincial Auditor Act . . . or to The Crown Corporations Act. It makes it clear in my submission, clear as a bell, that when a private sector auditor is named to audit a commercial Crown corporation, the obligation is upon the back of that private sector auditor. And the Provincial Auditor shall rely upon that audit result.

Bear in mind that if you see fit to pass the amendments that we're recommending, it isn't that the audit function is going to be stripped out of the commercial Crown corporations. The same audit companies that do all of the private sector audits in Saskatchewan are going to be doing the audits of the commercial Crowns.

If somebody is saying that IPSCO isn't properly audited, they should say so. If somebody is saying that the other private sector companies in the province of Saskatchewan are not properly audited, they should say so. They are. They're properly audited by reputable firms who do an excellent job. The

commercial Crown corporations would be audited by the same firms. All that our legislation is doing is making it clear that that audit doesn't have to be redone or partially redone by the Provincial Auditor to be satisfactory and that the obligation to justify that audit lies squarely in one place and one place only, and that is the private sector auditor that has been named to audit that particular company.

In fact the proposed amendment tendered by the Provincial Auditor is what confuses the situation because, as he quite rightly points out, it provides for a second auditor. That's exactly what we're trying to get around. We're trying to have one auditor responsible and clearly responsible to do the audit of each individual Crown corporation, not to have two auditors of each Crown corporation where there's confusion and nobody knows who's really bearing the responsibility.

**The Chairperson:** — Is there any response from anyone on the committee?

**Mr. Strelloff:** — Thank you, Mr. Chairman, Just two or three comments on Mr. Ching's comments. Mr. Ching seemed to say that the proposals in Bill 42, section 33 change my responsibilities. They don't. My responsibilities as certainly as my legal counsel advises I'm sure the Legislative Law Clerk will concur are set out in The Provincial Auditor Act and that is to audit the government and report to the Assembly.

If you want to relieve my office of those responsibilities, then The Provincial Auditor Act has to be amended. What the proposal is, is to amend my ability or to affect the ability of my office to get the job done. And I'm not proposing that the government not appoint public accounting firms to audit Crown corporations directly. What I am proposing is that when that happens, my office is still able to be the Provincial Auditor and report to the Assembly on all of what government does. Thank you.

**Ms. Crofford:** — Okay, well I wasn't really intending to speak on this before I came, but I just have some observations after listening to the two discussions here. I guess the questions of amending The Provincial Auditor Act, notwithstanding because that's a larger question which has to be considered, but trying to keep focused on this part here, on the issue of confusion, I don't think I was confused by this. I think it clearly says that there is an attempt being made to designate one auditor who's sort of carrying the ball for the thing.

And I do wonder a bit, because having attended now some graduations of people who make this their profession, I do get the impression that it's a very stringent training and that there's strong national standards for how audits occur. And then I put that in the framework of the costs of running government and whether you can afford not only to do what you do but to do it all twice, which in effect we do if we do all the audits twice. So wherever we come down on this whole thing, my preference would be to have one

audit, because otherwise we're double paying for double activity. And if we're going to do that in the audit field, there's a hundred other service areas where that could equally be suggested would be important.

I do worry about it all shifting over to the Provincial Auditor from the point of view of the large amount of work that's done by government in the province and the amount of work that would go out to private firms. I mean they're established in the province and I presume that some portion of their work is dependent on the work that goes through the Crowns.

Having sat through Crown Corporations, I am concerned about timeliness. And if anybody wants to make an additional comment about how the need of timeliness in order for the reports to be meaningful can be ensured, I think that's an issue that we dealt with several times and it's an important issue.

And the scrutiny issue, in terms of the scrutiny of the legislature for major expenditures, I think that maybe needs a little extra comment. But I don't have a problem with the clarifying that there only be one audit unless either of the scrutiny committees — the Crown Corporations or Public Accounts — requests special scrutiny. And I think because of the effectiveness all parties in the legislature have for jumping on bones, I think that if there does seem to be an issue floating in the air that someone will pick up on it and request that special scrutiny, especially now that the committees are meeting regularly.

So I'm fairly — I mean on a fairly superficial basis because we've only discussed it briefly — fairly content that this doesn't confuse things. But those two questions, I wouldn't mind some comment on. Thank you.

**Mr. Ching:** — Well I think I agree with the comments that were made that ... The issue is not whether or not the Provincial Auditor is better or worse as an auditor. I think the Provincial Auditor and the private sector auditors would all agree that the Provincial Auditor and his people are good auditors; they've qualified under the rules of their association, as have the private sector auditors.

And the point that the Provincial Auditor makes, and I think it's a valid one, and that is, do you allow the audit function to be carried out by an entity which to some extent is beholden to the management structure, in the widest possible terms? Because if you do that, will they not fudge or be less stringent in their examination in an effort to, I suppose, keep the goodwill of the people who appointed them. And I think that that's a legitimate issue to raise, and I think it bears examination.

We think we've met that — and here I'm addressing strictly the issue of the individual Crown corporations, We feel that CIC has a responsibility as the shareholder of those Crown corporations; not necessarily as the shareholder but as the agency of government that carries out the shareholder function.

And so like the private sector, we think that in carrying out that shareholder function that we will insist upon the individual auditors carrying out their audit function in a way that's responsible to us the shareholder, not to the individual management of the individual Crown corporation, but to us the shareholder. So we think that that problem is not a problem.

But I think that it's correct to say, as you've pointed out, that all people who have qualified to do the audit function in Saskatchewan, whether they are ensconced in the Provincial Auditor's office or whether they are in private sector audit firms, are qualified. They have ethical standards to meet. They must make sure that they carry out their duties with due diligence and with independence. And I think that, by and large, they do that.

And indeed if you look at the private sector, the system that we are recommending apply in the commercial Crown corporations is essentially the system that is carried out in the private sector. In fact it's probably a weaker system in the private sector in some respects because in that system as a general rule the shareholders delegate to the board of directors the responsibility of selecting the audit company. And the board of directors are much closer to management which the audit function is meant to review and examine than is the shareholder.

In our particular instance, we think that we have more clearly vested the responsibility of selecting the auditor in the hands of the shareholder if we look at the private sector example. I think that doing a single audit as compared to an audit in which there is a second examination of that audit will obviously enhance timeliness because it simply means less duplication of work.

**Mr. Strelloff:** — Mr. Chair, and members, going back to Ms. Crofford's comments on the question of costs, I am also concerned about the questions of costs and have proposed alternatives that are less costly and I consider more effective. Those alternatives have not been accepted by government. So the question is not the costs; the question is the accountability to the Assembly.

Mr. Ching raised a view that the shareholder is CIC. The shareholder is CIC, the shareholder are the taxpayers, and the Assembly represents those taxpayers who works for the Assembly in holding the government, the management accountable. If we move to a system where I'm not able to examine specific organizations that have a government-chosen or appointed auditor, how do I report on the province as a whole? How do I provide any assurance to the Assembly that the reports that you're being provided . . .

For example the reports on SaskPower and this year's report we have significant concerns about the financial reports of SaskPower related to their pension plans. Significant monies are in those concerns. Our

concerns with Sask Water Corporation on the Rafferty-Alameda dam and there's so many related party transactions that move from SaskPower to Sask Water to CIC to the Department of Finance that require direct . . . the ability to go in and directly examine specific organizations when we have to.

The previous concerns on the Crown Investments Corporation that Mr. Ching attributes the improvements to, I suppose, a change in government rather than to the arguments that our office put forward on the table for the last five years on the inadequacy of the reports and accountability of CIC or witness STC (Saskatchewan Transportation Company) and previous reports on SaskPower Corporation and Property Management Corporation.

There are assurances and issues that our office, because it has that government-wide view, not because we're any better or worse than a particular auditor, but because we have the government-wide responsibility and overview that helps us assess when there is an issue within a specific organization that needs to be examined directly or needs to be looked at when we review the work of the government-appointed auditor. Those are perspectives that are very valuable and very difficult to bring to the table when you're the auditor of one specific organization in a group of complex organizations that are continually interacting. Thank you very much.

**Mr. Van Mulligen:** — Mr. Chairman, I'd like to suggest about a five- or ten-minute break at this time, if that's okay. This is a good time to do it if we're going to be here till 11.

**The Chairperson:** — I'm not sure that I would not entertain that; however I think probably another half an hour of time would probably finish off what we have to discuss today. And what I was going to make an observation about was that I think the members of the committee need to take time to assess the remarks of the auditor and of Mr. Ching. And I think that it would probably be in the interests of the committee to have, before we resume, a short in camera session that would — and I'm only making these as suggestions — that that would be a time for some discussion on our part that would probably expedite, not necessarily a reasonable solution, but a solution that the committee would be comfortable with. And having said that, I'm not sure whether . . . I'm at the discretion of the committee as to what to do.

**Mr. Van Mulligen:** — Can I ask that we take a . . . just maybe a two-minute break for recess.

**The Chairperson:** — Okay, sure. And?

**Mr. Van Mulligen:** — And to convene. I guess when we get into the stage of writing the report, an interim report on sections 1 and 2, we should go in camera anyway, because that's the normal practice.

**The Chairperson:** — Right.

**Mr. Van Mulligen:** — And then we can . . . once we've got it figured out, we can come back into the open and whatever comments people want to make on it, they can.

**The Chairperson:** — Okay. Do you perceive that concluding by 10:30?

**Mr. Van Mulligen:** — It could.

**The Chairperson:** — Okay. We'll take a recess then and we will reconvene at that point and deal with the issue.

The committee recessed for a period of time.

**The Chairperson:** — A couple of points on process here, and I'm prepared to deal with the committee's perspective of this. What is the committee's wish in relation to this?

**Mr. Van Mulligen:** — My suggestion would be that if the committee members have any questions now of the officials . . . to put those questions and to get the answers briefly, hopefully. And once that's done . . . is to move in camera to write a report as we usually do.

**The Chairperson:** — Okay, that's one observation. Is there discussion on that? I have significant concern that the issue isn't going to be thought out well enough in relation to the discussion that we've had already this morning, that we have not taken the time to do some thought upon it. And I think that it would be in the best interests of the committee to adjourn for a meeting and then make the decision in camera on the interim report.

**Mr. Van Mulligen:** — Well, Mr. Chairman, we have two issues on the agenda today. One is recommendation no. 1, and the other one is recommendation no. 2.

**The Chairperson:** — Right.

**Mr. Van Mulligen:** — And as opposed to issues three and four. We have another committee of the legislature that has had Bill 42 referred to it. I think they will want to hear from us at an early opportunity as to, you know, if we have any suggestions with respect to recommendations 1 and 2, what those might be. And I think that we should try and deal with those.

There is a broader issue here that's been raised but in my view is not necessarily an issue that needs to be dealt with today or prior to disposition of points one and two. Looking at them in reverse order, there's a question of 33(4). CIC said, you know, here's the wording of the Act; we have an amendment. The auditor is saying no, it shouldn't be dealt with in the context of this Act; we shouldn't have a "notwithstanding," but if you do, here is my recommended wording.

And they've argued back and forth as to the basic issue of reliance on private sector auditors. And that's an

issue that I think that we need to deal with, but I don't think that we necessarily need to deal with it because the auditor's basic principle here is, if you're going to amend something that affects my relationship with other auditors, then you ought not to do it in a Crown corporations Bill.

And so it seems to me there's a simple issue here. Do you want it dealt with on this Bill, or do you want that issue dealt with through The Provincial Auditor Act, or I guess some interpretation of The Provincial Auditor Act? What's your wish? And it seems to me that's relatively straightforward and clear, as to how we deal with that one. Are you for dealing with it through The Crown Corporations Act or are you not for dealing with it through The Crown Corporations Act?

And the other issue is the question of auditor for CIC. The Act at this point says, and I think The Provincial Auditor Act also leaves it open to have the auditor be either the Provincial Auditor or any other auditor. And the auditor is saying it should only be the Provincial Auditor.

I don't know if that narrow issue is going to require a great deal of debate. I think there are broader issues that were raised, and I think that we should deal with. But I must say that that's an issue that's gone on for some years, and every auditor report raises it. And it's an issue that, you know, I guess we would all like to see some resolution of, however that's resolved.

But if it's your thoughts that somehow that broader issue is going to get resolved before we deal with items 1 and 2, well then the Crown Corporations Committee and the Legislative Assembly may be waiting for a long time. And it was my understanding that when these things were referred to committee, that the committees would deal with them with some dispatch.

And I think we should try and concentrate on recommendations 1 and 2 and see if we can get through those today.

**The Chairperson:** — If I may interject, Mr. Van Mulligen, can I ask you this question? if the committee decides to go with items 1 and 2 as they're proposed here, is there then an opportunity to change that, unless we have the executive branch of government bring forward exactly what it will be for an additional amendment that would come some time in the future?

And is that then tying the hands of the committee in relation to the things that have to be done and have been expressed here today in, I would say, kind of firm positions taken by both the CIC and by the Provincial Auditor. Is there room to move if we do what the auditor recommends here today?

**Mr. Van Mulligen:** — The question of reliance on private sector auditors, the broader issue that is raised in 33(4) of the Crown corporations Bill and in recommendation 2, I believe, of the Provincial Auditor's report to delete that, if you take the point of view, if the committee takes the point of view that yes,



this whole issue should be clarified through The Crown Corporations Act, then I imagine we will have a discussion here that will go for some time.

But if you take the point of view that that is an issue that needs to be clarified or is clear enough in The Provincial Auditor Act, then it seems to me it really doesn't require a whole lot more discussion here today, if we agree with the auditor on that point.

**Mr. Cline:** — Well I want to associate myself with what Mr. Van Mulligen has said, Mr. Chairman. I think that the legislature has an expectation that we will deal with the first two recommendations of the special report so that the Crown Corporations Committee and the legislature itself can get on with dealing with The Crown Corporations Act, Bill 42.

And my feeling is that if we deal with recommendations 1 and 2, that that will not preclude us from dealing with the larger issue of the interaction between the Provincial Auditor and the private auditors, regardless of how recommendations 1 and 2 are dealt with.

And I think it would be premature to assume that we could now adjourn and then go in camera. I think that we should go in camera, make an attempt to write our report, and then proceed accordingly, according to the resolution that we may be able to come up with in writing our report.

**The Chairperson:** — So in order to be clear, you want the committee to go in camera and then deal with items 1 and 2 to resolve the issue and then come out with a report. That's what you would suggest.

**Mr. Cline:** — Yes.

**The Chairperson:** — Okay. Can I ask the committee what their opinion is on doing them together or separate? Should we have a motion to deal with the first one or should we have an overriding motion that would deal with both of them together? Or one each by itself? Because the discussion may vary whether there's relevance on observations made by one versus another.

**Mr. Cline:** — I think we can deal with them both.

**The Chairperson:** — Okay.

**Mr. Boyd:** — Thank you, Mr. Chairman. Well maybe we could move the discussion along a little bit then. And I would be prepared to move a motion:

That we accept the Provincial Auditor's recommendation no. 1 in the Provincial Auditor's special report to the Legislative Assembly, and also that we accept no. 2 as proposed in the Provincial Auditor's recommended wording of subsection 33(4) of Bill 42.

I would move that motion, Mr. Chairman.

**The Chairperson:** — Two things that we need to make a decision on. Do you want to talk on that Bill, or do you want . . .

**Mr. Boyd:** — Well I think it's rather straightforward. As I see it, I think that the Provincial Auditor is correct in his assessment of Bill 42, that there needs to be some slight modifications of it, a few things that need to be put into it to strengthen his role. And I wholeheartedly agree with it.

**Mr. Van Mulligen:** — Well, Mr. Chairman, the motion has two parts to its recommendation, recommendation 1 and recommendation 2.

Dealing with the second one first. The motion to delete . . . or the acceptance of recommendation 2 would then have us delete subsection 33(4) of Bill 42. And that's predicated on the comments of the Provincial Auditor that any dealings or any discussion or any direction for his office by the Legislative Assembly should come under the confines of this Act as opposed to being clarified as notwithstanding clauses in other Acts, in this case The Crown Corporations Act. I agree with him. I agree with the motion in that part.

I don't want to get into the issue or the issues that have been raised relative to the question of relying on private sector auditors at this point. The Crown Investments Corporation, the minister, and the officials have made some comments, and they've put forward further amendments to 33(4). And the auditor has put forward recommendations as to how to deal with 33(4).

I guess it's kind of a . . . I'm not quite clear on this. The one, you say it should be deleted. And then you say, but if you don't, here's my recommendation as to how you should deal with it. But I agree with his initial comments that . . . and the comments in his report that when you deal with these issues, it should be through The Provincial Auditor Act.

I'm not sure that the Act needs to be rewritten in any way. For me it's a question of how you interpret the Act. But those are issues that I would like to leave for another day, and therefore I agree entirely with the second part of Mr. Boyd's motion that, and as the auditor suggests, and that is to delete 33(4) of Bill 42.

With respect to recommendation no. 1, the issue is this. The 33(4) or 33(2) of The Crown Corporations Act states that the Lieutenant Governor in Council, I guess with the advice of CIC, can appoint either the Provincial Auditor or any other auditor to audit the books of the Crown investments Corporation, the holding company of the Crowns.

The Provincial Auditor is saying that there should be no discretion in that, but that the Provincial Auditor shall be the sole auditor for the Crown Investments Corporation, the holding company of all the Crowns. And I would point out that at this point the Provincial Auditor is in fact the appointed auditor for the Crown Investments Corporation, although he wasn't for some

years leading up to, I think, the '92 fiscal year. So in effect the auditor is the auditor for the Crown Investments Corporation.

The Crown Investments Corporation is saying, we'd like to continue, legally, the arrangement that we have which allows us some discretion. The auditor is saying, well you should have no discretion; it should be me forever, or at least until the Act is changed. And given the way Acts are changed, especially where accountability is concerned, I guess "for ever" might be stretching it, but probably not by much.

I don't know if I agree with that. I don't know if I quite agree that the auditor, now having done sort of one year's work in the Crown Investments Corporation, that you would then want to change an Act to appoint . . . or to have him the auditor for ever. That's an issue I might be prepared to deal with in a few year's time to see whether or not the auditor can successfully audit the CIC.

And in that respect I'd like to ask . . . CIC has appointed the auditor, the Provincial Auditor, to be the appointed auditor for CIC and the Provincial Auditor is acting in that capacity now. Would you be willing to undertake to appoint him for some additional years at this point?

**Mr. Ching:** — Mr. Chairman, I think that our intention is to do exactly that. We would like to continue the relationship that we've developed with the Provincial Auditor acting as our auditor. We have no problems with that.

**Mr. Van Mulligen:** — As I understand your concerns about the auditor's suggestion that he be the sole auditor for CIC, it's a question of that he's done it for one year and that you want to review his work to see whether or not you would agree with that suggestion and whether he should be the sole auditor, or whether you have some discretion.

**Mr. Ching:** — Yes. It's certainly our intention, and I think probably the Provincial Auditor's office intention as well, after the legislative session is over with, to go back over the experience of the last year in the audit with CIC, to review it, to raise any concerns that we may have about that auditor, for him to raise any concerns that he may have about the way in which that audit worked, in the hopes that the audit next year will be even more effective than it is this year and to see how it can be improved.

I think that I'm not so naive as to believe that the audit this year couldn't be improved next year. So that's certainly our intention at the present time.

**Mr. Hornowski:** — Mr. Van Mulligen, the argument we use is based on flexibility and on the fact that in our minds it is a very severe restriction to have any appointment in any environment that is forever. And the difficulty of changing legislation is considerable, so we have always argued and have in fact discussed with the Provincial Auditor that this, under reasonable circumstances, would be a multi-year appointment.

I think it has to be recognized that, having made that first step, it's a very serious step to change an auditor; it is under any circumstances. And it would be particularly serious under the circumstances of a Provincial Auditor.

So our argument is really based on not wishing to hamstring anybody in the sense of a permanent appointment when things do occasionally need to be changed for good and valid reasons. And that happens with appointed auditors and it may well happen with the Provincial Auditor. So we're saying, retain that flexibility. There is no premature or quick reaction that would be possible, even should CIC desire it, in the change of the auditor, because it is a very careful and deliberate approval process.

**Mr. Van Mulligen:** — Mr. Chairman, can I just . . . Mr. Ching, did you say that you would be prepared to or that you are prepared now or that it's your intention to appoint the auditor?

**Mr. Ching:** — Yes. I think that the appointment of the Provincial Auditor is an ongoing appointment unless it's changed.

**Mr. Van Mulligen:** — Would you be prepared to give an undertaking, say, in writing, or could the minister, that you would be prepared to appoint the auditor, say, for another three years?

**Mr. Ching:** — I think we would be prepared to consider a multi-year appointment of that nature. Obviously I think we would also qualify that, that it has to be done as a good audit. I mean if there was some flaw in the audit that we foresaw, we'd want to raise that and want to debate it with the Provincial Auditor in the hopes of resolving it as between ourselves. But subject to that, certainly we have no problems giving a multi-year appointment.

**Mr. Van Mulligen:** — I guess my feeling is that, Mr. Chairman, that . . . well I think I knew my wife for a couple of years before we got married and . . .

**A Member:** — And she still married you.

**Mr. Van Mulligen:** — And we're still married.

**A Member:** — Maybe this is not a good analogy.

**Mr. Van Mulligen:** — I'm sure that if we talk long enough, we'll find sort of other analogies that . . . (inaudible) . . . I guess the point that I'm trying to make is that there is a *de facto* occurrence and there is a *de jure* occurrence. *De facto* if the auditor is the auditor of CIC, that is what we're interested in. *De jure* means you give that then legitimacy in law. I'm not sure that I want to give that legitimacy in law, as the auditor is suggesting today. That is an issue that I'm quite prepared to deal with again, and I might be, you know, depending on how the relationship has gone, say at the end of three years I might be quite prepared at that point to put that into law that the Provincial Auditor should be the auditor for CIC.

On the other hand, significant issues might arise out of that relationship that I can't comprehend at this point, that suggest to me that no, perhaps it shouldn't be in law. I don't know. But I guess I'd rather deal with that issue in three years, or whatever reasonable length of time, and to make a decision at that point, and to leave the section of the Act as it stands.

So I wouldn't agree then to recommendation no. 1, but I'd certainly be prepared to indicate to the Assembly a rationale — that is that we do not feel that any change is required to 33(2) of the printed Bill, but would note that the CIC will undertake to appoint the auditor for a period of another three years, after which time the Public Accounts Committee can again examine the question of whether or not there needs to be a change in the Act, as the auditor is now suggesting. So that would be my viewpoint.

**Mr. Cline:** — Well I mean, the larger question here which we've heard a lot about today, but also we've heard a lot about it from the Provincial Auditor and Mr. Ching and others, in other meetings in slightly different context, but there's a consistent theme running through a lot of the discussions we've had over the last several months.

But the larger issue is what should be the relationship between the Provincial Auditor carrying out his responsibilities and the private auditors who will undoubtedly under one legal regime or another continue to do work for CIC Crown corporations.

And it seems to me that that issue arises and has to be dealt with when we consider recommendations 3 and 4 of The Provincial Auditor Act which we won't get to today, and which we don't have to get to in order to resolve the issue of what should be in The Crown Corporations Act.

So to deal with The Crown Corporations Act, in particular recommendations 1 and 2, I think does not leave the larger . . . does not resolve the larger issue, and does not mean that a decision has been reached with respect to how you resolve that issue.

But I guess I would say dealing with the recommendations of the Provincial Auditor, that is 1 and 2 in reverse order, looking at 2 first, the Provincial Auditor says that proposed subsection 33(4) of The Crown Corporations Act should be deleted in its entirety. Because, he says, if you want to deal with the issue of my proper role in dealing with the private auditors that may audit CIC corporations, then I think you should do that in The Provincial Auditor Act. That's where you should deal with my mandate, and where you should make changes to my mandate.

And I have to say, notwithstanding the fact that I think these are issues that reasonable people can take different views on, and obviously CIC and the Provincial Auditor have different views, I tend to agree with the Provincial Auditor. I think that the way that subsection 33(4) is presented in The Crown Corporations Act, not advertently but inadvertently, is

such that there is some inconsistency and possible conflict between the two pieces of legislation, because you've got The Provincial Auditor Act in section 11.1 saying what his mandate is in relation to private auditors and you've also got section 33(4) saying what his mandate is. But because both of those sections are fairly specific I think there would be, if you had both of those subsections, endless wrangling and argument over which one was to prevail.

The Provincial Auditor would be saying that my Act should prevail and the Crown Investment Corporation would be saying, no, no, because we've got a specific section in our Act. And to my way of thinking that is not a desirable state of affairs.

And as a matter of legislative policy, I think that the Provincial Auditor makes a very good argument that we should deal with his mandate within the context of his Act. And I think he's concerned that it's a bad precedent if you deal with his mandate in other pieces of legislation. And I think that concern is well-founded.

So I agree with Mr. Boyd's motion in terms of adopting recommendation 2 of the Provincial Auditor. But when we come to recommendation 1, I disagree with what the Provincial Auditor says for reasons that are somewhat similar to the ones that I think he's expressed and that I've just expressed, and that is that I think his mandate and his relationship with the private auditors should be ironed out in his Act, in The Provincial Auditor Act, and I suppose by recommendations that this committee may make at some point.

I don't think it's appropriate to say in The Crown Corporations Act, section 33(2), that the Provincial Auditor has to be the auditor of CIC, just as we shouldn't say . . . we shouldn't deal with his mandate in subsection 33(4). Okay? So I think I would propose, as Mr. Boyd and Mr. Van Mulligen do, that we delete it.

So too it seems to me, we should not deal with his mandate in subsection 33(2). I don't think that it's appropriate to say in The Crown Corporations Act that he shall be the auditor. If he is the auditor then no problem arises with respect to the role that he plays. If he is not the auditor, if there is a private auditor appointed, and it's been said here that we want to avoid duplication, then it seems to me we have to deal with the question of what his relationship is to the private auditor and we have to ensure that he's able to carry out his mandate as stated in The Provincial Auditor Act.

But it is not necessary, in my view, that 33(2) read the way that the Provincial Auditor feels it has to read. I think it's quite consistent for us to say to the . . . in response to what the Provincial Auditor says and his very legitimate concern about 33(4), that we're going to deal with those issues under the umbrella of his legislation, which leads me to say that I can support the adoption of recommendation 2 and dropping subsection 33(4), but I do not support the first part of

Mr. Boyd's motion, that is that Bill 42 should be amended to specify that the Provincial Auditor is the auditor for CIC. I think that issue should be dealt with in another context.

**The Chairperson:** — If I could interject here, I see in section 33 of The Crown Corporations Act that there are three separate components that deal with how the Provincial Auditor or the auditor need to respond to the functions that are required.

First of all is the subsidiary Crowns; then is the item that we're dealing with in item no. 2 is CIC; and third is the Treasury Board Crown. All three of them are dealt with in that context.

The auditor did not take issue with 1 and 3, but did with no. 2. And I'd like to have the auditor respond to the rationale on why he chose no. 2 as versus no. 1 and 3 in relation to dealing with this and what the rationale is for that.

**Mr. Strelloff:** — Thank you, Mr. Chair. Paragraphs 1 and 3 continue the existing practice of the government being able to appoint a second auditor and then our office working through that second auditor in normal reliance procedures to get our work done.

As I said earlier, I haven't argued against the government being able to appoint another auditor in the case of the subsidiaries and Treasury Board Crown corporations. What I'm working with is the process that is put in place when another auditor is appointed.

However, for CIC itself, because CIC has and is being proposed such an expanded mandate and authorities and responsibilities and because it has a coordinating role for many government corporations, in my view I believe it's important that our office examine CIC directly. And we're doing that now, as what was mentioned before, and we think it's important to continue that practice.

**Mr. Boyd:** — I just wanted to clarify one thing. Mr. Ching mentioned that he would be prepared to appoint the Provincial Auditor as the auditor for CIC for a multi-year period of time. Now I'm wondering what possible circumstances that you would foresee that you would want to remove the Provincial Auditor as the auditor for CIC. You spoke earlier about the concern about the content of reports and the relationship between management and their auditor, whether they're public or private.

I wonder if you would care to elaborate on any reasons that you might foresee why you wouldn't want to have the Provincial Auditor auditing CIC in the future, or your hesitation or reluctance to have the Provincial Auditor as the permanent auditor of CIC.

**Mr. Ching:** — Sure. I think that in this respect probably the Provincial Auditor and CIC are sort of waltzing on each side of the same conundrum here. I think that there's sort of a feeling on the part of the Provincial Auditor's office that there's something untoward

about them being auditors but not legislated auditors. And there's sort of a feeling on our part of caution about this new relationship where for the first time in some years the CIC is being audited by the Provincial Auditor. And I think both of us are perhaps being a little overly cautious at this particular moment. Nevertheless that, I'm sure, runs through much of the feelings on both sides.

I think that essentially where we're coming from is this. CIC — the Provincial Auditor's absolutely correct — has changed dramatically over the last 10 to 12 years. It's a different beast than it was 15 years ago. And it's a dramatically different creature with different accounting activity and audit activity than line departments.

There's no question that the Provincial Auditor is very familiar with the auditing of line departments wherein your primary concern is the understanding of the collection of revenues and expenditure of revenues and making sure that there are the proper systems in place to comply with the legislative requirements that surround that particular process. It's somewhat one-dimensional in the sense that it is essentially concerned with simple expenditures.

The complexity that arises with CIC is that in addition to us gathering revenues and engaging in expenditures, it's not simply an expenditure-related business. There are capital investments which represent a whole different accounting treatment, a whole different audit process. It's in that area that I think we present a new level of complexity, a new level of difficulty, if you will, than perhaps what normally would be the fodder that would feed the Provincial Auditor when he audits the line departments.

And I think that from our vantage point, our first experience this time around was relatively positive in that regard. I think that we had good exchanges between ourselves and the Provincial Auditor over how the accounting treatment should be for our capital assets. But that's something which requires more than a one-year examination to understand, I think, both sides and how they look at it.

So I think it's in that area that we would have any reservations on how the Provincial Auditor's office would handle CIC function.

I wonder, Mr. Chairman, if I could go on to make one comment in response to some of the discussion a little bit earlier about the issue of whether the amendment should be in The Crown Corporations Act or in the . . .

**The Chairperson:** — Are you done, Mr. Boyd?

**Mr. Boyd:** Yes.

**Mr. Ching:** I think, Mr. Chairman and members of the committee, if you look at The Provincial Auditor Act, and in particular section 15(2), you'll see that it says: "Notwithstanding any other provision of this Act . . ." Bear in mind, this is The Provincial Auditor Act, it

says,

Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

The issue has in fact been dealt with in The Provincial Auditor Act in that respect. The problem, as I understand it from my discussions with the Provincial Auditor and his assistants, is that regardless of section 15(2), which seems to suggest that the Provincial Auditor does not have to audit where there is a private sector auditor named, he still has the problem of knowing whether or not he can rely upon the audit report of the outside auditor. That's why section 33(4)(b) is in our Act, is to answer that last question.

The Provincial Auditor Act already says that the Provincial Auditor should not audit where an outside auditor has been appointed — already says that. The problem doesn't arise from the fact that The Provincial Auditor Act fails to say that; the problem arises from the fact that as the auditor of the province's entire books, he must determine whether he's going to rely upon the audit work done by an individual, private sector auditor that audits a commercial Crown corporation.

And to be able to form that opinion, up until now what he's been doing is going in and redoing the audit work. Therein lies the nub of the problem, so that the reason for section 33(4) being put in The Crown Corporations Act is to resolve that problem by saying that he doesn't have to go in and redo the work of the private sector auditor to be able to rely upon the audit work of the private sector auditor; he shall rely upon it. And as a matter of fact, originally we had the words in there, "unless the Provincial Auditor has reasonable grounds for not relying on that audit work".

The Provincial Auditor raised, quite rightly, at the meeting of the provincial audit committee that that simply opened the matter up one more time and forced him to form an opinion on the audit work of the outside auditor. And as a result of the concern which he raised at the provincial audit committee meeting, we have now asked that that be deleted.

But understand what that section is doing, section 33(4). It's not saying that the Provincial Auditor shall not audit a commercial Crown corporation; that's already contained in The Provincial Auditor Act. All that section 33(4) does is that it makes it clear to the Provincial Auditor that in addition to not having to audit a commercial Crown, he shall rely upon the audit work done by the private sector auditor.

**The Chairperson:** — I have a question for you then, Mr. Ching, and that question is, why would you put "notwithstanding" at the front of that then?

**Mr. Ching:** — Well because I think that what the Provincial Auditor does is that when he reads his Act,

section 11, he reads it as overriding section 15. What we're saying is that notwithstanding the requirement that the Provincial Auditor has got to look at the books of the government in general, he is entitled, by virtue of the Provincial Auditor's Act, not to audit a Crown Corporation and by virtue of section 33(4), to rely upon the audit work of a private sector auditor.

Now I would assume that if that regime was in place when the Provincial Auditor thereby files the books or the financial affairs of the province, that he would indicate that he is giving an opinion on all of the books of the province, and he is required to rely upon the work done by the private sector auditor in a commercial Crown.

**The Chairperson:** — I personally would take it a different slant than that but I'll let Mr. Strelieff, he's next on the speaking list, and then Mr. Van Mulligen, respond to that.

**Mr. Strelieff:** — Thank you, Mr. Chair, and members.

The first comment that Mr. Ching made was our . . . referred to our ability to examine the affairs of the Crown Investment Corporation and seemed to indicate that our office is only able to examine line departments.

I think he knows that prior to '87 or '88, we were the auditor of Crown Investments Corporation and for the many years prior to that, as well as the auditor of SaskPower, SaskTel, SGI (Saskatchewan Government insurance), and all sorts of other organizations, and there was never any, any indication of concern that we weren't doing that job well

The issue is not that we can't . . . can do the job, the issue is how we work through another auditor to fulfil our responsibilities. And the issue then moves to being able to examine issues in a direct way and then report to the Assembly in a more timely manner.

We're not redoing the work of appointed auditors. When there's another auditor in place, we do reliance work. For example, we rarely go in and examine the affairs of a Crown corporation directly unless after reviewing what the appointed auditor has done, there's reasons to indicate that we need to do that. So normally we don't redo the audit work. We perform reliance procedures that are quite well set out.

In terms of our responsibilities under The Provincial Auditor Act, and they are clearly set out in section 11.1(1), when the government chooses to appoint another auditor, and I think I'll just read that section because it does indicate how the process works.

And section 11.1(1) says:

In the fulfillment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed

auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

Section 11 sets out what those responsibilities are. Section (2):

Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(3) Where the provincial auditor has performed additional audit work on the accounts of a Crown agency or Crown . . . corporation pursuant to subsection (2), he shall report in his annual report pursuant to this section:

- (a) the reason that he was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;
- (b) the nature of the additional audit work he conducted; and
- (c) the results of the additional audit work.

And that's the process that we have worked through for the last several years.

My main concern is to make sure that the process works so that we can get to issues, when they surface, in a very direct way and to be able to report to the Assembly in a timely manner. Thank you.

**Mr. Van Mulligen:** — Mr. Chairman, I suggest that the committee members get on with the recommendations. I guess I have a concern that this is an issue for the committee to debate as opposed for CIC and the auditor to debate. And although we value their input, at some point the committee members should . . . I'd be all for dealing with the motion.

**The Chairperson:** — Dealing with the motion?

**Mr. Van Mulligen:** — Yes.

**The Chairperson:** — Is that to be as everybody is here, or is that in camera?

**Mr. Van Mulligen:** — No. We can deal with it now; it doesn't matter.

**The Chairperson:** — Okay. Now from the discussion and from what is written on this amendment, I'm not sure that the members on the government are aware of what the amendment actually says. So I'll read it for you so that you're clear on what it says:

That the committee accept recommendations nos. 1 and 2 in the Provincial Auditor's special report to the Legislative Assembly dated April

14, 1993.

And that the proposed Provincial Auditor's recommended wording for subclause 33(4), Bill 42, be adopted as tabled in today's committee meeting.

That's what the amendment actually said.

**Mr. Van Mulligen:** — No, I don't . . . Mr. Chairman, then . . .

**An Hon. Member:** — Let's just question. Call the question.

**Mr. Van Mulligen:** — Question. I just put the question then.

**The Chairperson:** — On the whole motion as it's stated here. Okay.

**Mr. Van Mulligen:** — Well we had . . . The motion that I heard was . . . all I heard was a motion that we accept recommendations 1 and 2. Now we've got a motion that says we accept recommendations 1 and 2, but in addition thereto, that in terms of this larger issue, we're going to take the wording of the Provincial Auditor in something that he's put before us, when I say that that's an issue that we can leave to another day.

And the question here, the auditor said delete it and deal with it in his Act, and I'm quite prepared to do that. But that doesn't mean that today I have to take the position that well, you know, I've got to take . . . agree to some hand-out that was handed out here today, in terms of that major, major issue. So I don't agree with it.

So if the question is strictly recommendations 1 and 2.

**The Chairperson:** — Can I ask the member from Kindersley to respond to that?

**Mr. Boyd:** — That was the motion.

**A Member:** — No, it isn't.

**Mr. Boyd:** — The motion was that accepting the Provincial Auditor's recommendation 1 and 2 as outlined in the recommended wording of the subsection (3) and (4) of Bill 42.

**The Chairperson:** — I did not want the committee to go on a misconception that I perceived that was here in relation to the discussion. So I raised it as my responsibility as chairman.

**Mr. Van Mulligen:** — Mr. Chairman, then from my point of view the simplest thing would be to vote on the motion. And I will vote against it, and then I will come back with a subsequent motion that deals specifically with 1 and 2.

**Mr. Cline:** — We're calling the question.

**The Chairperson:** — The question is called. Those in favour of the motion as moved by Mr. Boyd, those in favour of that motion? Those opposed? It's lost.

**Mr. Van Mulligen:** — Mr. Chairman, I would like to move:

That the committee concur with recommendation 2 of the auditor's special report re Bill 42.

**The Chairperson:** — Can I have that in writing?

**Mr. Boyd:** — Nothing to do with the recommended . . . with this whatsoever.

**Mr. Van Mulligen:** — Like to deal with that on another day, Bill. Okay? There's some things in there that the auditor says, that I don't necessarily disagree with. There's others I'd like to take a look at. But that's an issue . . .

**Mr. Boyd:** — Well take a look at it.

**Mr. Van Mulligen:** — In the context of The Provincial Auditor Act, I don't want to deal with that today. And the auditor is suggesting that you should deal with it in a context of The Provincial Auditor Act, and I'm prepared to do that.

**Mr. Cline:** — Well point of order, Mr. Chairman.

**The Chairperson:** — Point of order.

**Mr. Cline:** — Mr. Van Mulligen is making a motion. We've dealt with the other motion. And all we really have to do is deal with the motion that is presently on the table.

**The Chairperson:** — That's why I would like to make this observation. it would be easier for us to deal with them individually than as a group. I raised that earlier, but it was the committee's idea that we should have both of them. So then I dealt with that from the committee's . . . but I would have preferred it dealing with 1 and 2 separately.

And if Mr. Van Mulligen is prepared to do that, I'm prepared to act on that. I'm prepared to act on the other one, too, but I prefer separate.

**Mr. Cline:** — Well I'm only going to say this once, Mr. Chairman. You were right all along.

**The Chairperson:** — I think, Mr. Vice-Chairman, you'll find that I'm right more than once. But I appreciate the compliment, even though I had to remind you.

**Mr. Cline:** — I meant it sincerely.

**The Chairperson:** — Thank you.

The motion that we have before the committee at this point, moved by Mr. Van Mulligen, is:

The committee concur in recommendation no. 2 of the Provincial Auditor special report to the Legislative Assembly re Bill 42.

Discussion?

**Mr. Cline:** — Question.

**The Chairperson:** — Those in favour of recommendation no. 2 as it is stated in the auditor's report that subsection 33(4) of the Bill 42 should be deleted.

Carried.

**Mr. Van Mulligen:** — You don't agree that it should be deleted?

**Mr. Boyd:** — Not unless we accept the recommendation that he has made, but I'll go along with it.

**Mr. Van Mulligen:** — Well how can . . . Mr. Chairman, I'd like to move . . .

**A Member:** — Point of order.

**The Chairperson:** — Point of order. Point of order well taken. Item no. 1.

**Mr. Van Mulligen:** — I'd like to move:

The committee not concur in recommendation no. 1 of the special report to the Legislative Assembly re Bill 42.

And if I might, Mr. Chairman, in support of that, I think our report can certainly note that the Provincial Auditor is the — underline "the" — auditor for CIC at the time, that CIC has indicated that it is prepared to continue with that appointment. And I would say parenthetically in writing, for a specified period of time.

And I don't think that Mr. Ching can do that, but the minister can do that. And I would certainly encourage them to, if they're prepared to do that, then to put that in writing that you're prepared to do that, say, for a period of three years and that it would be appropriate to review this issue after the expiration of that appointment or maybe, say, prior to the expiration of that appointment,

And it's on that basis that I then do not concur in recommendation 1. And let me make it very clear, the auditor is now the auditor for CIC, and I see that relationship and that appointment continuing for some time. As to the question of whether the Act should be changed so as to ensure that the auditor will be legally the only auditor ever for CIC, that's a . . . (inaudible) . . . that I'm quite prepared to deal with on another day.

I mean Mr. Ching says reasons he doesn't really want to do that right now. Mr. Strelieff says, trust me; there's

every reason that you should do it right now. I'm prepared to deal with that issue again, but nothing is going to change the fact that the auditor will remain the auditor for CIC.

**The Chairperson:** — Moved by Mr. Van Mulligen:

That the committee not concur in recommendation no. 1 of the special report to the legislative Assembly re Bill 42.

Ms. Haverstock had an observation.

**Ms. Haverstock:** — I just wanted to support that don't believe this needs to be, recommendation 1 has to be stated in law. And really the question that we've been talking about here is accountability, and I think that's been raised over and over again in accountability to whom? Well accountability to the public.

One of the things that we have not raised, and I hope will be part of future discussions, is the fact that any private sector auditors could be invited to both Public Accounts and Crown Corporations. And rather than reporting as witnesses, there's no reason why they could not in fact sit as the auditor does and that we could then of course build in greater accountability by having them present with us.

So there were really three areas in which I was listening to the deliberations this morning, the first and primary one being accountability, the second in trying to understand where everyone's expertise fits. And of course I believe that the Provincial Auditor and his office has enormous expertise in putting all of the parts together — the overview, if you will — for public accountability. But I don't want us to discount the expertise that the private sector auditing brings, particularly with their specialization in Crown auditing.

And there's a way in fact that we can ensure greater accountability on both parts, and I do think we have to be considerate of expenses. Of course we don't want duplication if it can be avoided. There's also of course some concern that there may, as greater and greater responsibility is placed in the lap of the Provincial Auditor and his office, that there would be requiring of extra funding on that end. So it may be, you know, a balance.

That's all I wanted to say, Mr. Chair.

**The Chairperson:** — To the committee I have one observation. No, I'll leave that except to say that . . . Yes, I do have one observation but it wasn't the original.

We have to, at some point in time as a committee of public accounts, decide who the client is. And the client, in my view, is the Legislative Assembly. Whether we deal with the Provincial Auditor, whether we deal with private auditor, the client is the Legislative Assembly, of who I am a member, and the committee is a part of that. And that is always the

client and that has to be established as a client. And we need to firmly entrench that in our minds,

The auditor is an officer of the Assembly, as is the Clerk, but the Assembly is the client. And that can never change because that is the authority given to us when we are elected as a part of a great deal of parliamentary tradition that has come over a long period of time. So that has to be firmly established in our minds when this discussion does take place for the future.

And the client is not the subsidiary Crown, the client is not CIC, and the client is not the treasury Crown, The client is the Legislative Assembly. Must always be viewed in that context.

And therefore I now will say what I was going to say because I've done a little bit of . . . taken a little thought of this. That the next time we call the Public Accounts Committee together I will do as Mr. Solomon did in Crown Corporations Committee. I will ask that the auditor of record, in addition to the Provincial Auditor, I will ask the auditor of record to provide to the committee also his view of the world as it relates to that Crown corporation that he's dealing with.

And if you want to deal with the issue, as an example on page 15 of the Crown Corporations Committee verbatim you'll see that Mr. Solomon did that on his own, and I'm going to be asking the Clerk to provide that option as a witness to this Assembly. And I hope that I have the committee's support on that.

Now dealing with the item that we have before the committee, is there anything else the committee wants to talk about in relation to item no. 1 on the recommendation of the special report to the Legislative Assembly and that the committee not concur in the recommendation?

Then I'll call the question. Those in favour? Those opposed? It's carried.

**Mr. Van Mulligen:** — Mr. Chairman, I would recommend:

That this special report of the Standing Committee on Public Accounts be taken into consideration by the Standing Committee on Crown Corporations during its deliberations on Bill No. 42.

Do you want me to write that out?

**The Chairperson:** — Mr. Vaive is already preparing that. Do you want to bring that here and then . . . Would the committee then have the freedom of giving me the responsibility of making the recommendation to the Assembly later this day?

**A Member:** — Yes.

**The Chairperson:** — Okay. I have I believe a responsibility to . . . that I cannot say whether there was dissent within the framework of the committee



and the discussion of the . . . therefore I will not do that. However I would have liked to have noted that Mr. Boyd voted against recommendation no. 2, but I won't do that.

**Mr. Van Mulligen:** — Sure. No, you can.

**The Chairperson:** — Oh, okay. But I won't do that; I'll just make the report as you have identified. And the question will be . . . I will read it in a moment.

The committee recommends:

That its report be taken into consideration by the Standing Committee on Crown Corporations during its deliberations on Bill No. 42.

Moved by Mr. Van Mulligen. Comments? Questions? Those in favour? Those against? That's carried. Okay. We'll do that later today.

If I could have either Mr. Cline or Mr. Van Mulligen inform the House Leader, the Government House Leader, that I will do that today, that would be of significant value.

**Mr. Cline:** — Yes, I'll do that. Mr. Chairman, I think it might be instructive for the Legislative Assembly if in addition to reporting on our recommendations, if we made it clear, first of all, that we intend to deal with recommendations 3 and 4 and the larger issue of the relationship between the Provincial Auditor and the private auditors at a later time.

**The Chairperson:** — I would suggest this to the committee, that if . . . I will make the report and it will be simply that the items be referred to the Crown Corporations Committee. I think then it would be in your best interests if you took the time to say that. And if Mr. Boyd wants to respond to that in committee, then he can respond to that in the committee. And, Mr. Van Mulligen, you can . . .

**Mr. Van Mulligen:** — I think that what's happened is that the Legislative Assembly has referred us the *Special Report by the Provincial Auditor* in which there are four recommendations, and we have chosen to come back with our comments and recommendations on the first two.

**The Chairperson:** — Right.

**Mr. Van Mulligen:** — I think somewhere in our report today it should point out that our report simply deals at this point with recommendations 1 and 2 and that the committee will continue its deliberations on point 3 and 4 and will report in due course. I mean that's the intention. just so that the Assembly knows that they're not getting the full meal deal here from us on this one.

**The Chairperson:** — Yes, okay. This is an interim report.

**Mr. Van Mulligen:** — Yes. I think that the other thing that the report might indicate, if it's the agreement of

the committee, and that is . . . and to ease the concerns of anyone involved, that the committee notes that the Provincial Auditor is the auditor for CIC at this time; that CIC has indicated that it is prepared to continue with that appointment. And you might add parenthetically, in writing, for a specified period of time and that it would be more appropriate to review this issue prior to the expiration or that it would be appropriate to review this issue prior to the expiration of that appointment.

**The Chairperson:** — I'm going to raise this point, Mr. Van Mulligen, in that there was a qualifying comment made by Mr. Ching in relation to this. And I think that that probably would raise a concern on the Provincial Auditor's part, and it may or may not.

**Mr. Van Mulligen:** — That's also a comment that members can make . . .

**The Chairperson:** — That's right.

**Mr. Van Mulligen:** — . . . doesn't have to include that.

**The Chairperson:** — I think we have reviewed the options that we have today with some candour, and I believe also that we've dealt with it in a way that we can report. We may not all agree, but we can report it. And I will do that later today. And I think we can conclude our meeting on that basis, if I have a motion to do that.

**Mr. Van Mulligen:** — Before we do that, Mr. Chairman, I wonder if I might suggest, if it's agreed that the chairman, in consultation with the vice-chair and Ms. Haverstock, be empowered to convene any special meetings that in their opinion may be appropriate to expedite the committee's work at this point. I say that just simply because we have Bill 41 that's been referred to us to deal with, and we can deal with. We've also had this larger issue, the Provincial Auditor . . . it's something that I don't think in all fairness that it's something that we should drag our feet on or delay for any great length of time. I think it's something that we should deal with.

**The Chairperson:** — There's a process that will take place, I believe. The first one is Bill 41. And I'm going to need the Department of Finance officials here for that. Second one that's going to have to be dealt with is 3 and 4 in relation to the special report and then dealing with the auditor's in the context of what it is. And those three items in that fashion . . .

**Mr. Cline:** — I'm sorry, I didn't want to . . .

**The Chairperson:** — I was finished anyway, thanks.

**Mr. Cline:** — Okay. I'm concerned about the agenda to deal with Bill 41. You're going to be away next week.

**The Chairperson:** — Next Monday and Tuesday . . . Tuesday and Wednesday, yes.

**Mr. Cline:** — Tuesday and Wednesday.

**The Chairperson:** — But I am only leaving at 11:30 on Tuesday.

**Mr. Cline:** — Okay. And we have to deal with Bill 41. So I suppose the procedure is that we will get the Minister of Finance and her deputy or other official to come to this committee. And is it your plan that we will not do that this week, but we will do that next . . .

**The Chairperson:** — Next Monday or Tuesday.

**Mr. Cline:** — Next Monday or Tuesday?

**The Chairperson:** — I would say that we should do it next week, Tuesday, to go through it. I'm not sure whether the minister needs to be here for that but she can be.

**Mr. Cline:** — Perhaps we should give the minister . . . we should invite the minister but make it clear that if she's not available, she may send a deputy or other appropriate official.

**The Chairperson:** — The deputy needs to be here with legal officials that are there from the Department of Justice on a normal basis, helping them define the Bill.

**Mr. Van Mulligen:** — I just want to make it clear that the committee has taken the viewpoint or has agreed that we'll meet on Tuesday mornings at 9 o'clock.

**The Chairperson:** — Right.

**Mr. Van Mulligen:** — All I'm saying is that if in addition thereto, because of timing of ministers and deputy ministers and their schedules and your schedules, and given the amount of time, that if you and Mr. Cline and Ms. Haverstock feel that additional meetings are necessary, then please don't feel that you have to come back to the committee to get that approval. The three of you should simply go ahead and organize that.

**Mr. Kraus:** — I believe both the deputy minister and the minister are out of town Tuesday the 18th.

**A Member:** — Well that does make it awkward.

**Mr. Van Mulligen:** — So if we're going to meet some Wednesday morning or Wednesday after . . .

**The Chairperson:** — Is there a time that we could meet before that?

**Mr. Van Mulligen:** — Thursday morning?

**The Chairperson:** — Yes, I was going to suggest that, Mr. Van Mulligen. Thursday morning because we do not . . . there was a conflict in this one because we had to have the minister and CIC officials here and they should be doing the Crown Corporations Committee Bill 42. They can be at that Bill 42 in a Crown Corporations meeting. it's just that we will have to have different rooms for this and . . .

**Mr. Van Mulligen:** — My only concern would be is if the Provincial Auditor can make it on . . .

**The Chairperson:** — Yes that's the only . . .

**Mr. Kraus:** — I know Treasury Board meets Thursday morning as well. And again generally both deputy and minister are there. Whether they could withdraw themselves for an hour or so, I don't know.

**The Chairperson:** — Bill 41 is going to take more than an hour, I think.

**Ms. Haverstock:** — I hope that we will consider that, given what transpired last week with the confusion of Tuesday, Thursday, and Crown Corporations and Public Accounts, that if we were to meet on Thursday morning that we would attempt to not be in conflict with what is transpiring in Crown Corporations.

So since that sits from 8:30, I believe now — or has it been moved; it was 8:00 to 10:00 and now it's been moved — that perhaps what we could do is to have to have people come after Treasury Board and following Crown Corporations.

**The Chairperson:** — What I will suggest to the committee is that Mr. Cline and Ms. Haverstock and I meet and we'll do as Harry suggested, that we'll decide and determine the next meeting. And we will also include in that information the minister and her officials will be out.

**Mr. Van Mulligen:** — You call it; we'll come.

**The Chairperson:** — Okay. Thank you for your consideration. I will entertain a motion for adjournment. So moved.

The committee adjourned at 11:35 a.m.