

**The Chairperson:** — I'd like to call the meeting to order. And we can continue on through the chapter 1 and chapter 2 as we were doing last week.

And I'll remind the committee that it would be good if the committee would select — and perhaps you want to go through the whole book; I'm not just sure — but select those areas and groups of departments or Crown corporations that each one of you would want to have come in in a particular way and notify the vice-chairman or myself, and we will set an agenda.

I think that we began our discussion with Mr. Strelieff dealing with chapter 1 in general observations. I think there was discussion going on about the pension plans. And I'm not sure that members had concluded that discussion. But I would entertain questions for chapter 1.

I have a number of them that I want to ask. But if others in the committee want to get in on chapter 1, why don't you put that together and then we'll deal with that this morning and see how far we get.

Is there any further discussion on pensions that individuals want to raise? Okay. Then we'll move on.

I had a question, Mr. Strelieff, regarding the annual reports of those agencies that are arm's length from the government — example: hospital boards. I'm not sure how you're going to be handling them in the future, how you've handled agencies of, for example, SIAST (Saskatchewan Institute of Applied Science and Technology), and other agencies that are arm's length from the government.

Would you give us what you consider and how you would plan on considering those agencies, because we're going to have a significant amount of money flowing out of government into those areas in, for example, health care. And we'd like to have either you, or we could have the comptroller's office enter into the discussion as well, I believe, to profile for us how that's going to be handled.

**Mr. Strelieff:** — Mr. Chair, members, the question . . . my understanding to the question relates to how will we carry out our responsibilities or what are our responsibilities, vis-a-vis health boards, and also you mentioned SIAST.

So my understanding of what's happening in the health board area is that at present the government is appointing the boards of all the health boards that are being created, until perhaps beginning in October 1994 when those boards will have a majority of their members to be elected by their area, their constituency.

Under The Provincial Auditor Act, when the government appoints the majority of the board of an organization, it falls under the definition of a Crown agency. So for example, the Saskatoon Health Board, all of the board members are appointed by the government through an OC (order in council);

therefore the organization of the Saskatoon Health Board becomes a Crown agency within the meaning of our provincial auditor Act. Then that means that we're responsible for examining that Crown agency and reporting to the Assembly on its results.

Now when the board moves into a majority being elected from their district, at that point my understanding is that it falls out of the definition of a Crown agency, so we no longer have the responsibility at that point to examine the Saskatoon Health Board for example and reporting to the Assembly. So in a general way, if what has been said follows through, we have a peak of activity or responsibilities for the next year and a half and then that responsibility moves away as the boards become majority-elected.

On SIAST the board is appointed by the government; therefore we're responsible for reporting to the Assembly and making sure that the examination is done each year. So that's an ongoing responsibility, and I don't know if there's any plans under way to change the way SIAST is put together.

**The Chairperson:** — Will the hospital boards . . . well they'll be required to have an audit; however will that audit have to conform to the standard of audit that you do? Will those boards be required to do that because they're actually spending significant financial dollars that are collected by general revenue from the province?

**Mr. Strelieff:** — Mr. Chair, members, when we carry out our responsibilities through our Act, we examine in most cases for three reasons. Are the financial statements prepared by the health board reliable? Have they complied with the key financial authority that they must comply with? And do they have reasonable systems of internal control to ensure safeguarding of assets and compliance with legislative authority?

So for this next . . . as long as they are boards that are appointed by the government, their audits will have to fulfil those three . . . or answer those three questions. Once they move to an elected board or a majority-elected board, it will be up to that majority-elected board to set out what audit responsibilities they have. I assume that as a minimum the audit responsibilities will relate to the reliability of the financial statements.

**Mr. Van Mulligen:** — I just wonder how you define this term that you mention, peak of activity. How do you see your office becoming involved in what is then likely to be a temporary period? Recognizing that you could, I guess, on the one extreme take the point of view that these are new boards and therefore my office is going to, in addition to whatever private sector auditors may be appointed by the boards, my office is going to also review all the working papers and is going to in a sense replicate their activities because these boards are so new; or on the other hand, take the point of view that inasmuch as the

boards are going to be elected within a year and a half, what's the point of my getting involved?

Or are you going somewhere between that to say to the auditors who are appointed, in addition to the CICA (Canadian Institute of Chartered Accounts) standards and the PSAAC (Public Sector Accounting and Auditing Committee) standards, here are things that are of a special concern to us and, you know, we look forward to sitting down with you for a day or so to review what you've done. And if there's no, you know, major problems, we'll let it go at that.

I'm just curious. Like when you say peak of activity, are you talking about bringing on all kinds of additional staff for a period of a year to do this work and then to let that subside after that point? Or how do you see that work?

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, I'll use the example of how we're doing the Saskatoon Health Board now to just give you an idea of how we're handling this peak of activity.

Prior to the Saskatoon Health Board being created, we directly examined the University Hospital and the Parkridge home care. Another firm was examining the City Hospital. It was under the responsibility of the city. Another auditor was examining St. Paul's Hospital. That was under the oversight responsibility of an order of nuns — I think that's how it's called. And Sherbrooke was another one that was being audited by another public accounting firm.

So what we did was to handle this area or this time of change, we contacted the Saskatoon Health Board and said, well let's . . . what we'll do is we'll continue to examine the University Hospital and the Parkridge in a direct way, and my understanding is, health board, that you still want individual financial statements for those health cares. And they said, yes. Okay, well we'll do that.

We'll also prepare the consolidated financial statements that they want . . . or not prepare, audit the consolidated financial statements that they want in terms of bringing all the different health care institutions together. But what we'll do for the St. Paul's and the City and the Sherbrooke, and other kinds of health care institutions that they are amalgamating, we'll contract with the public accounting firm that is there now to continue to do the examination of those institutions.

And so what we did was establish a contract with each of the individual public accounting firms and then met with the Saskatoon Health Board and said, now here's how this will work. This can work in the next year or two. Once you move to an elected board you then still have various public accounting firms involved in the process. So they still are building up their knowledge base.

And then we'll just hand over the responsibility for whoever you select as the auditor of the whole. I assume, and this is just an assumption, I assume that

eventually they will pick one public accounting firm to examine the whole Saskatoon Health Board once they move to an elected board.

So in terms of getting the work done we're not anticipating huge amounts of new staff. What we're trying to do is work through the various mechanisms that are in place right now and then just . . . Our big role, I think, at least in my view, our big role is to make sure that when they bring all the information together when they prepare their consolidated set of financial statements and as they set up their policies for ensuring that they're complying with legislative authorities and ensuring that they have reasonable systems of control to begin with, that that's where we probably play the most valuable role, as they get set up, and then we move away.

**Mr. Van Mulligen:** — I know that, like in the cases of Regina and Saskatoon, that you've had an involvement in the case of Saskatoon through the University Hospital and here, through the General, and I'm not sure whether the South Saskatchewan Hospital Centre . . .

**Mr. Strelieff:** — Yes, in Regina we do, I think, all of them.

**Mr. Van Mulligen:** — Yes, but you've been doing most of those anyway. But I guess my question is more related to all the health districts outside the two cities where you've never had any involvement, and it's been a case of local hospital boards appointing local auditors or local accountants to do their audits. Now they become part of health districts and those health districts at this point will have appointed people. I guess a lot of them won't be formulated until what, maybe later this year, so they'll be in place for about a year or so before they have elections. But they are also required to appoint auditors and to have audits done. What would be your role with respect to those health issues?

**Mr. Strelieff:** — Well, Mr. Chairman, Mr. Van Mulligen, let's use the example of the Prince Albert Health Board. Prior to it being formed, we didn't do any of the audits of the individual hospitals that were there. So when it was formed we met with their senior management people and said that, here is a process that seems to make sense to us, that you have auditors in place for your major health care institutions. As a Prince Albert Health Board, as you get formed, what we'll do is help you bring together the financial results, financial results in terms of the Prince Albert Health Board as an aggregated entity.

And then I even suggested to them that perhaps you also identify or begin to identify or tender out the audit for the health board to a public accounting firm because that's what seems to be going to be playing out. And as we help you form, we'll also bring the public accounting firm that you choose along with us, and then we'll probably take on a lead responsibility to make sure that, say that the aggregated financial results of the Prince Albert Health Board come together for that first year, because we're doing that in

other cases in other health boards. And then as the make-up of your board changes or the electability of your board changes, we will back off and move out.

**Mr. Van Mulligen:** — But I guess, like I see Regina, Saskatoon, P.A. (Prince Albert), and I don't know what others ones. They're all exceptions, because they were set up as Crown corporations some time ago, within the last year or so. But what about these districts that are only now being formed, and I gather have to be in place some time this fall?

**The Chairperson:** — August 17.

**Mr. Van Mulligen:** — August 17, and therefore will be operating for a year or so. What will you do . . .

**Mr. Strelieff:** — Well the current plan is to focus on those institutions where a lot of the resources are spent, in terms of doing any direct work involvement, and for the smaller health boards, to just act as a facilitator, for the first year to ensure that they are coming together and that they are getting audits done; and that the audits for that first year, we would expect to see reports, audit reports on the financial statements, on the compliance with legislative authorities, and the systems of control that the hospitals are setting up.

But we wouldn't be very involved in it because it's just not that pragmatic. It's changing, and we thought that in terms of the best use of our resources for this limited time period would be to focus on the major centres. And that's where we are now.

**Mr. Sonntag:** — Thank you. Well you do pronounce that name like a German. You really do very well there, Mr. Martens.

My question I'd just like to focus on, I don't quite have this clear on the criteria you use to actually audit different boards. And I just note here three different scenarios actually.

First of all, the first three or four boards, as I understand it, were set up as non-profit corporations with recommendations from the community. And because of the legislation that was in place, it was limited, and the minister had to in fact appoint the people on the board, but the recommendations were from the communities.

Now my understanding for sort of the second scenario is that nominations are coming from the communities and will be again, and the minister will have to officially put them in place, but the nominations will come from within the communities. And then lastly, as you say, the majority of the people will actually be elected from within the communities.

I'm curious how in those three scenarios, how you would see that different then, for instance, the comparison you used to SIAST and how or why you would determine, based on just using all those three — how or why you decided that they have to be audited, because I don't have that clear at all.

**Mr. Strelieff:** — Mr. Chair, Mr. Sonntag, where we get our direction from is The Provincial Auditor Act, and then in The Provincial Auditor Act they say that for Crown agencies, the Provincial Auditor shall go out there and examine. Now the definition of what becomes a Crown agency and where we move to is the indication that the government has the ability to control the finances and the operations of the individual organizations.

And the key thing that we look for is who appoints the board of directors. And if the government appoints the board of directors, then that indicates to us that they have the ability to disappoint the board of directors, or to unappoint — or direct them to ensure . . . or to direct them in terms of a policy sense, or to take . . . They really have the responsibility for the operations of that organization and therefore should be accountable to the Assembly on how they carry out that responsibility.

When you move to a majority that is not appointed by the government, then they no longer have the direct ability to directly control what the board does, and because the board is elected by a different group, that different group then has the responsibility to hold them accountable, and the board then becomes directly accountable to its constituency.

And therefore the position that we've taken is that we no longer have the responsibility to report to the Assembly on what that organization is doing because it's no longer controlled by the government. And that's the way we handle that.

**The Chairperson:** — I have a number of other observations. Under compliance by law in dealing with that with the health boards, there are a number of issues that are going to have to be dealt with, and I don't know how they're going to be done. And those are, for example, various ones of those hospitals have already been shut down and still have a debt. And that debt will have to accrue back to the municipalities, or will it accrue back to the provincial government?

I know that Coronach, for example, haven't finished their hospital and that debt is owed by the municipality in order to complete . . . And how are you going to deal with that in an audit fashion? Are you just going to say, here it is and this is what happened? Or how are you going to deal it?

And another one is private non-profit organizations. For example, Catholics have a lot of hospitals. I know that the church I go to has a significant amount of nursing homes in Saskatoon and Waldheim and Rosthern, and out in my part of the country too.

There are a lot of those kinds of issues that are going to have to be resolved by somebody — not resolved necessarily in the fact that where does this go and where does that go, but how are you going to deal with it in determining whether in fact those people were . . . Where the law addressed what they had to do, they fulfilled that law in compliance with things

like paying the debt that is left to be paid, providing back to that community those assets that belonged to that community, and how are you going to provide that kind of an audit principle in those areas?

**Mr. Strelieff:** — Mr. Chair, members, there will be, I imagine, a number of legal questions on the status of existing debt agreements, and then I assume that the operating agreements that are being constructed within each of the districts will have a bearing on who owns what and who owes what.

In our examinations we look at the key financial legislation that pertains to each of the hospitals or health boards. And one of the questions I assume we'll be asking is related to the status of existing debt agreements that are brought into the health board, and how does the operating agreement handle those existing agreements. So we'll be examining a lot of those kinds of issues.

**The Chairperson:** — See, right now a school is under the ownership of the school division. And if it closes down, they can do with it what they wish by resolution. And is that the way that the rules are going to be? And I'm raising this probably as a question that needs to be addressed at some point, and not only by you but others as well. But is that asset then held in the Crown because it's been paid out to some extent by the Crown? Or is the asset in the hands of the local hospital board, and then in the hands of the provincial government?

Because there's going to be a lot of that . . . I know that, for example, there's going to be a significant amount of inventory at some of these hospitals. I know that Vanguard got a brand-new X-ray machine. And all these kinds of things are going to be in the works as it relates to inventory control. The hospital board then can have the authority to move it around.

What I sense here is that there are a whole group of individuals and organizations who have a vested interest in determining that their ownership needs to be protected — that may be a poor choice of words identified, and then that the compliance by law is met. And auditors are going to have to deal with that, as Mr. Van Mulligen suggested, in the first year of existence. And if there's 25 to 30 of them, there is a significant amount of volume.

And the principles that are going to have to be set out are going to be the same generally in the province. I know that the health board worked out a negotiated agreement between City Hospital and the city of Saskatoon, and that transferred assets from the City Hospital into the health care board, and then other assets went into the hands of the city. So there were transfer of assets.

And I think that there probably needs to be somebody watching to see whether those assets are going to be transferred on the same basis in other jurisdictions as well. I mean somebody has to check that out to see that that is in fact happening.

**Mr. Strelieff:** — just a comment on that — and I'm sticking my neck a little bit out on this. My initial impression is that the operating agreements that are agreed to is where those kinds of issues have to be addressed, and that each of the players coming to the table will bring in different perspectives and different issues that they feel are very important and somehow they have to be reflected in the operating agreement. It must be quite difficult to come to agreement on those agreements.

So they may not be the same. The operating agreements may be different from district to district.

**The Chairperson:** — Any other questions on this topic?

**Mr. Serby:** — Just a question, Mr. Chairman, in follow-up to what you were asking, Harold, and that's in respect to, with those pre-amalgamation agreements that are going to be done by each of the districts, there will be some sorting out, I guess, of assets and distribution of where those assets will go in debt repayment, and what's assumed by municipalities, and what's assumed by the district board, and what's assumed by the provincial government.

But I guess I'm wondering, are you suggesting then to the Provincial Auditor that there'll be some responsibility then on the part of your office to audit compliance then of the agreements that are put into place with the various different districts across the province?

**Mr. Strelieff:** — Mr. Chair, members, part of our examination would be to see how the health board is ensuring that they are carrying out the operating agreement. They would have some sort of methods or practices in place, or procedures in place, to make sure that the operating agreement that they have established is being carried out. We would be looking for some evidence that they are ensuring those agreements are being carried out.

And if we found that they weren't complying with a significant part of an operating agreement, we would be reporting that to the Assembly certainly for the period that we are examining those agreements.

**Mr. Serby:** — Well just to follow up on that, Mr. Chairman. What I hear you saying then is that — or heard you say earlier — is that it looks as though initially you're only going to be doing a compliance review with say three or four of the established districts, which are the ones that are by and large in place now. After August 17 and before the end of the year we could conceivably have 20 or 25.

If in fact you're going to do that kind of a compliance review, I would see your workload being extensively heavy.

**Mr. Strelieff:** — One of the ways we would do that is to contact the health board and its appointed auditor and ask that auditor to examine issues related to the operating agreements, compliance with legislative

authorities, and report to us on what they view as being their conclusions.

So we wouldn't be, in many of the cases out there, we wouldn't be examining it directly. We would be asking the auditor appointed by the individual health board to carry out that kind of review, at least for the period that the board comes under the control of the government.

In the period after, it would be up to the health board. It would also be up to, I suppose, the Department of Health to ensure that there are mechanisms in place within the health boards to ensure compliance with legislative authorities. It would move away.

So in terms of . . . the workload would increase for us, yes, for sure, but we wouldn't be examining directly. If there were 20 more or 25 more health boards out there, we wouldn't examine those organizations directly. We'd be working through auditors that are there.

**Mr. Serby:** — Just one more question, Mr. Chairman. I hear you saying then in your presentation a week ago, and maybe touched on it again today, that the reason for . . . the necessity for the review by the Provincial Auditor of the district boards now is by and large due to the fact that boards are now being appointed as opposed to being elected. And that's the distinction that you're making in terms of the necessity for you to be involved, or your office to be involved.

Because when I look at, for example, our district, the coming together of all of the health care facilities and services, they have not been audited by the Provincial Auditor to date. And there isn't anyone within that district today that would fail under the jurisdiction of provincial audit if they weren't moving to a district board concept.

So by and large the rationale that you're providing here is that the involvement of your office is primarily due now to the fact that we've changed the governance structure as opposed to the service delivery system. Is that correct?

**Mr. Strelloff:** — Yes, that's correct. The government is taking a more direct hand into the governance structure. And in that case our Act directs us to examine what the government is doing and report to the Assembly. And the governance structure is changing and that's why we then come into play.

**Mr. Serby:** — I guess I recognize that, Mr. Chairman, as being the reason for the Provincial Auditor being involved in the scrutiny of the expenditure, which is the government's contribution, I guess, to health care delivery.

My question, my concern of course is that the delivery of health care services at the district level is still left to the autonomy of the district or locally elected folks. And there has been in the past I suppose the confidence that these people would oversee the expenditure of the public purse or the financial

contributions that they would receive for the delivery of health care services. Simply by changing the governance structure, I think you're now indicating that there needs to be a closer scrutiny of that expenditure. Is that correct?

**Mr. Strelloff:** — Well changing the governance structure to one where the government appoints the board of governors or the board of directors, that means that the district health board is now a Crown agency, and our Act directs us to examine Crown agencies and report to the Assembly on the reliability of their financial statements and compliance with legislative authorities and that. It's just an automatic . . . it's not a . . . When that happens then we have a responsibility to report to the Assembly.

**Mr. Van Mulligen:** — Just one more question. Is there . . . I don't know whether this is a question so much as for management as it is for you, or I guess for you jointly. What you have is a series of new government structures concerned or with functions in the area of health. You've got some expertise through your work over the years in the various hospital boards. You're also privy to information that these auditors who work . . . or who are going to be appointed to do these audits on the district boards, especially the rural ones, you're privy to information that they may not be privy to. I'm thinking just lately of the work that came up from the comprehensive auditing foundation.

I don't know if there's any attempt on your part to get together with people in Health to say, look we're going to have management, accounting, auditing issues arise here, also the question of efficiency, something that would be of concern to the Department of Health, I'm sure.

Do you see any work being done by your office in conjunction with Health or separate from Health to not set standards but to do what you can to educate some of the auditing firms as to, you know, emerging issues in the area of health that may implicate the way that they do their work?

I know it's a wide question, but I just . . .

**Mr. Strelloff:** — Well I think we should. We have been working with the Department of Health. In the context of . . . the legislation has a provision that each of the health boards shall report to the department and to their community on how effective they've been. And that's an annual requirement. There is a lot of thought and development taking place across the country on how best to report on effectiveness. In fact the video that we brought here a couple months ago centred on that idea. And we've been contacting . . . We've been working with the Department of Health on that idea. So it's in the legislation.

We've been trying to get a pilot project going with one of the institutions to begin to work on how they could report on their effectiveness, so that they could serve as a role model for other institutions. To date the health boards seem to be more than busy just trying to come together.

**Mr. Van Mulligen:** — Yes.

**Mr. Strelieff:** — But we've approached certainly the three — P.A., Saskatoon, and Regina — asking whether they would be interested in working with us and the department to try to develop a model in which they could report on their effectiveness, and in a pilot sense, so that experience can be gained, experience and knowledge can be gained. And then from that experience begin, if it's successful and proves useful, begin to move it out to other health boards and gradually — this would be the best case scenario gradually to have all of the health boards reporting in a fairly similar way on their effectiveness, which would be very useful for all involved. Particularly when we're . . . no doubt you'll end up getting into issues of whether one health board's more effective than another or is allocating their resources in the right way. You need that kind of information brought together.

**Mr. Van Mulligen:** — Yes. I guess it's more than reporting. It's also the question of consultation and advice.

You'll have health districts that will have one administrator and have a board. And I mean who else can the board go to except their administrator for advice on how, you know, you perform things efficiently with due regard for economy and effectively. Yet the local auditing firms, you know, don't necessarily have much expertise in those areas, and won't have run across this in their practices.

And so the question is, where can they get ready access? Are there systems of communication that are being devised so that when they begin to become confronted with these issues, that there's some board or that there's some way that they can get access to some of this information? Or is there an ability for them to share information?

**Mr. Strelieff:** — Those are all very good questions. On the sort of the pilot project effectiveness idea, in looking at the issues, we think they are pretty complex, and we didn't want to try to get everybody to be reporting on it.

**Mr. Van Mulligen:** — And now isn't the time either.

**Mr. Strelieff:** — And now's not the time. But also you would . . . you probably wouldn't come up with . . . We thought that the best way would be to try to develop a couple of pilot projects and set up some experience and role models, that then the hospital itself can move the information around. The Health department will, if they're involved, they will be able to move the information around, and we can move the information around as well. And then that sets up the next step in terms of how do you help the individual boards and auditors and managers and communities to come together.

**Mr. Van Mulligen:** — My sense is that the major challenge won't be in cities like Regina or Saskatoon

where you have major firms that are plugged into national firms or are a part of national firms, can draw on expertise within those firms. But the problem . . . and management that's accustomed to getting consultation from a wide variety of sources. The problem would be in many of the rural districts where, you know, you just don't have the same kind of access.

And is there anything that we can or should be doing, you know, at a central level to try and promote an awareness of health related issues so that these firms can — in addition to simply doing, you know, attesting to yes, your financial statements are correct — can also begin to perform some useful, you know, consultative role or, you know, managerial advice role for administrators and for boards? And, you know, recognizing that that'll happen naturally out of practice, but is there a way to . . .

**Mr. Strelieff:** — To move it along?

**Mr. Van Mulligen:** — . . . move it along?

**Mr. Strelieff:** — About two weeks ago, I asked . . . or three weeks ago, I asked our executive director in charge of this health area to come up with some planning alternatives on how to handle this, and he is doing that.

I know one of the worries that I have is that once it goes to an elected board, kind of our role kind of fades away, so how do we still try to move practice ahead? And the approach that he is focusing on and recommending — so far, anyway — is to try to move it through the department.

The department really is supposed to be responsible for these issues, so let's try to work with the department and move it through them, and in the meantime try to develop some pilot projects so that we begin to have some best practices as well, and try to make things better.

**The Chairperson:** — I have a couple more questions, Mr. Strelieff. You mentioned the compliance as it relates to . . . no, not compliance. The responsibility of your auditor's department is there because of appointment by the provincial government. The provincial government is still going to appoint 4 out of the 12. So is it when majority gets elected that you have no responsibility in dealing with this, or is it all, or when does that come into play?

**Mr. Strelieff:** — Mr. Chair, members, the starting point that we look at is at the board because it's usually a clear indication of responsibilities.

However, we are going to be looking at how each of the boards gets set up in a more specific way. There may be . . . maybe the government has other kinds of agreements with boards that effectively ensure that they control it in terms of determining their financial and operating policies and strategies.

But still, the starting point is the majority of the boards.

And if there is something else that overrides that, we would be looking at it in a very specific way and an ad hoc or . . . ad hoc specific, and trying to determine whether we really do have a more direct responsibility than we thought.

**The Chairperson:** — The university, I don't know if it was this year or last year, that the government decided that they would put the deputy on the board of directors of the university to see whether there were ways of implementing efficiencies. And I see a similar problem developing if the boards are given almost free-wheeling access to the money.

Because you just . . . I'm not sure just exactly what these boards will be spending, but if they're spending \$750 million of taxpayers' dollars in the province of Saskatchewan, on 25 boards that's somewhere around 30 million average a piece. And that is fairly significant in determining whether there is financial reporting that's proper compliance by law and management control. And that's significant.

And I'm a little concerned about that, that there is some uniformity because if you're going to spend that money and that volume of dollars without having some uniformity, it is going to go every which way but loose. Because they're all going to have their own independent agreements, and they're all going to have their little variables that are going to flow into it. And I have no problem with the variables but somebody has to check to see whether there is an overall compliance by the boards that the individuals who are paying the taxes are going to get the value for their dollar. And that causes me a great deal of concern.

To have the Department of Health deal with . . . to see whether they are doing that, that's fine. But I don't think that that's the only place where it should be, where compliance should be the issue.

And I'll put it even more distinct. School boards get a lot of money given to them, but they are far closer to their elected people than these health boards are going to be. Because these health boards, at least in our part of the world, are maybe four school divisions large. And so you have the dynamic of that where you don't have the public as aware of what is being spent and as aware of the dollars that are going into the system. So on the one hand, in the school system the public becomes the regulator and the audit, because they see it themselves and they agree or disagree. Whereas on the health side it is removed and it's further away and the public aren't as audit conscious as they would be in a municipality or a school board, or even now, the health care givers.

So I have a great deal of concern about that.

**Mr. Strelloff:** — Just a couple of comments. One is we're going to try to be there as they get formed and start. And then assuming that it moves to an elected and we're no longer directly involved, we will be examining what the Department of Health does to ensure that they know that the financial reports are

reasonable and that the organizations are complying with legislative authorities and they have good management controls in place, and focus that way and see what we can do.

And Mr. Van Mulligen's thought of the educator role or the facilitator role, I think our office should keep in the front of our minds as we move this along, because it's going to be needed, I think.

**The Chairperson:** — I have other questions. How much time should we take yet? Is there need to adjourn at this point, or should we take 15 or 20 minutes longer?

**Ms. Haverstock:** — Mr. Chairman, I actually have one question on chapter 1, and so I don't want to break the rhythm here if people would like to stay on this topic. And then I would like to make a recommendation for how we approach the future meetings. So if people would like to continue on this . . .

**The Chairperson:** — Okay. We'll be continuing with chapter 1 at the next meeting, because I've got questions that I need to ask on chapter 1 yet too. So if you want to bring in what your suggestions about agenda are, we would appreciate them.

**Ms. Haverstock:** — I think probably what I'd like to do is if people would like to continue with this line of questioning and discussion, that might be in order. And then I can raise what I think would expedite the process. Unless people are finished.

**The Chairperson:** — I'm in the hands of the committee.

**Mr. Van Mulligen:** — I guess I'm with her. I'm always a bit leery of, this could be the last time we're going to be meeting for some time, and I'd like to get kind of future oriented as to where we're going to go and how we're going to get through that.

**The Chairperson:** — Okay. Then I'll entertain your suggestions about what we do with the agenda.

**Ms. Haverstock:** — What I would recommend is that I think it's important for us to go through chapters 1 through 8, but it doesn't have to be done in great detail. I think that perhaps what we could do is come forward — all of us, I'm sure, will have a question or two on each chapter. I think that if we took a two-hour period of time and we had our questions that we could get through to page, I think it's 67, in a two-hour session. And then we could set up a schedule for the different departments, agencies, or funds that we wish to have on the agenda.

Do people see that as plausible? I know that it's 1 through, I guess it's 68 . . . I thought we were actually going to just . . . From earlier questioning regarding do people have questions on chapter 1, I only had one question so I thought I would just leave it and the questioning went a different direction.

But I do think that there are statements that have been

made by the Provincial Auditor that should be addressed in those chapters and I wouldn't want us to simply say, well we'll move on to departments without raising those questions. I think if we were being quite specific about using our time well on those first 68 pages or, if necessary, dividing chapters 1 through 8 into two time periods, I'd like to see us moving into the various departments soon.

**Mr. Cline:** — It would be good to move into the departments, but I think it would be overly optimistic to think that we could get through the eight chapters in a two-hour session. I think in fact there are two areas in the first eight chapters that will take some discussion, some considerable discussion, and some time, and with respect to which we might want witnesses.

The first would be the area of chapters 3 and 4 and recommendations 3 and 4 of the special report of the auditor with respect to the auditor's role where private auditors are employed. And I think we might want to hear from some witnesses concerning that, and I think it will take some time.

The other is the chapter 4, the ability of the auditor to fulfil our role, or his role, and an examination of the existing audit system and the provisions of The Provincial Auditor Act and how that might be improved. And I think that would take considerable time as well.

Not wanting to prolong any of this, but realistically my feeling was that we would have a week in the fall where we would deal with those issues and hopefully get through the first eight chapters, and then probably a week in January where we would deal hopefully with a great deal of the departments.

But in that regard, with respect to the departments, by then the Provincial Auditor could provide us with his report of areas where problems had already been solved and what the outstanding problems were. And that might assist us in terms of how we wanted to approach the departments, because there may . . . hopefully there would be some things that would be resolved, but undoubtedly some things that wouldn't be. But that's how I sort of envisaged it proceeding.

**Mr. Van Mulligen:** — Yes, there is . . . Boy I'd love to get through this in a couple of hours but . . . Like there are two major issues that I think the committee needs to spend some time on. One is the issues that are still left unresolved in the special report, that are also touched upon in chapters 3 and 4, I guess. And that's the question of reliance on private sector auditors and the auditor's role vis-a-vis the private sector auditors. And I think that's going to take us some time to sort through. There's a lot of different issues there.

Another one is the question of resources, and I know that's an issue I guess for the Board of Internal Economy, but I think we should look at it and understand it and feel comfortable with what's happening. Then if that means making recommendations to the Legislative Assembly . . . or

through the legislature to the board, then we should do that. I think that one's going to take a little bit of time too.

The other issues, you know, understanding the finances, the question of standards, and so on, I think those ones we might be able to deal with a little bit more expeditiously, because we have spent some time on those in the last year. But those other two issues, I think they're going to take us some time.

**Ms. Haverstock:** — I'm really pleased that I initiated this discussion, because I would really like to see us moving forward. And I pose the question: are we not going to be meeting intersessionally?

**Mr. Van Mulligen:** — I would think so.

**Ms. Haverstock:** — Okay, so we wouldn't be having to wait to do this until September?

**Mr. Van Mulligen:** — No.

**Ms. Haverstock:** — That's good. I'd be quite prepared . . . regardless of how much time we wish to spend on various chapters, I would just like us to determine today how it is we're going to approach this, and to have some sort of view to a timetable. I know that my time is probably very much like other people's, and my days and my weeks all through the summer are being booked. So it would be helpful just to know how it is we're going to approach this.

And in fact I find it interesting that the point that you just made regarding funding because that's the question that I have from chapter 1.

**The Chairperson:** — Bob just informed me that last year they dealt with the first 10 chapters in the first week of intersession work and then dealt with the departments in the second week. I think that that's a good observation.

You made an observation, Ms. Haverstock, about the meeting intersessionally. And we talked last week about meeting sometime in September or October as a first intersessional meeting, and then sometime in January for the second week. We didn't get an agreement about that. But in general terms people . . . I think we had a consensus that that was a possibility. I don't think, you know, July and August are particularly desirable for the majority of us. And so that would probably be the way we would be going.

I know that this health discussion — and I'll use this as an example — this health discussion is important, I believe, for this Public Accounts Committee, and also for the public. I believe that in light of when we would be meeting, it would be good for us to call the Department of Health in because they will have concluded some . . . or they would have concluded the majority of the agreements by the end of August. They would have some time in September to deal with some of the things that we've been asking questions about. And we could have a discussion with witnesses from the Department of Health in doing that. I would

like to have that.

But that is exactly what I would like to have on the first eight chapters for getting an agenda so that Mr. Cline and myself and Ms. Haverstock could put that together for the first week. If there are other areas that are of significance to you, that we could have those witnesses together in an overview of what we're going to do the first week in our dealings with this intersessionally.

**Mr. Van Mulligen:** — Mr. Chairman, it would be my expectation that you and Mr. Cline and Ms. Haverstock meet at an early opportunity and devise an agenda for intersessional meetings to deal with, you know, the introductory chapters 1 through . . .

**The Chairperson:** — Eight.

**Mr. Van Mulligen:** — Eight . . . and how you see that agenda working. And then at some appropriate time maybe after that, after those meetings are concluded, or at that point draw up an agenda to deal with the departments, recognizing by that time that some of the issues or a fair number of the issues the auditor has addressed with respect to departments may be resolved.

And then the three of you can sort of say, well here is the departments we want to call. And perhaps there may be one or two that we want to key in on according to, you know, depending on your advice, you may want to key in on and spend some significant time on. And I would expect and would entrust you and Mr. Cline and Ms. Haverstock to sort that out for us. And given your onerous responsibilities, we don't want to add to it but hesitate to do so, and . . .

**The Chairperson:** — Would this observation be emplaced also that we . . . in view of the fact that we don't know what's going to transpire next week, that we forego the meeting of Public Accounts, and that instead Mr. Cline and Ms. Haverstock and myself get together and by the end of the session then we give you an agenda of what we are looking at?

**Mr. Van Mulligen:** — It might be more productive, if you've got the time, for the three of you to meet next Tuesday morning. And one of the things that would be helpful is if you surveyed your respective caucus members to find out what times are best for intersessional meetings so that you can then begin to put together some kind of times and agendas.

**The Chairperson:** — Okay.

**Mr. Van Mulligen:** — I think that's the important thing is to plan ahead at this point. I mean if we end up sitting here for another three or four weeks, then we can always begin to chip away at that agenda then.

**The Chairperson:** — Do I have a general consensus about that strategy? I get that impression that a consensus is forming, Mr. Van Mulligen has the chair . . . or has the floor.

**Mr. Van Mulligen:** — Can I also suggest that in doing so we entrust you to put on the agenda such witnesses as you might want to call (inaudible) . . . there is some suggestion . . .

**The Chairperson:** — Yes, and individuals will have to identify what they want to have. And just like I identified now the health care side, if that's an example, that's what you should be thinking about doing.

I will entertain a motion to adjourn then. And we will . . . Mr. Cline, and Ms. Haverstock, and myself will meet next Tuesday at a place . . .

**Ms. Haverstock:** — Your office, Harold.

**The Chairperson:** — It's not big enough for that. But we will find a place for that to happen and then we will notify the committee about where it's going to be.

I'd need a motion to adjourn.

**Ms. Haverstock:** — So moved.

The committee adjourned at 10: 15 a.m.