

The Chairperson: — I want to welcome all of you here today. I want to also thank all of you for being somewhat accommodating not only on the day and the adjustment to the day, but perhaps even to getting the agenda. Some of the items on the agenda weren't formulated until I believe early last week, and so it was sent to you perhaps by fax or whatever, and I want to say that I want to acknowledge that that was done because of some . . . I was out of the country and Eric did some of the work, and then we put it together as soon as I got back. And that was one of the reasons. The second reason was that due to some observations made from Harry and Eric that I call the auditor, and I did that, and subsequently we have rearranged some of the scheduling.

I have given you an outline of what our activities will be today, and I think we have an outline of the things that we need to consider during the rest of the week. What I will do is go through this so that everybody can be apprised of it in an equal opportunity here. We'll go through it and then we'll deal with approving the agenda and then go from there. You can add items on as well.

The agenda will deal with a report by myself and the vice-chairman about the conference in Toronto of the public accounts committees, a report by the Provincial Auditor on the conference he had at the same time in Toronto dealing with the legislative auditors from across Canada, then we will discuss item (d), namely 3 and 4 of the special report of the auditor. And I think that what we will do is have an explanation from the Provincial Auditor about why he wants to do that, and then we can have a discussion on that at that point. We can move that to the conclusion of the day if we wish, and then he can give an explanation for it. And then a review of the matter will probably clear that up for all of us.

And (e) miscellaneous substantive issues with respect to chapters 1 to 8 and then dealing with chapters . . . we'll deal with all of them, but we'll probably focus on a few. And we have some reason to believe that . . . well the Provincial Auditor has said that 2, 3, and 8 are of significance to him, and there will be those that will say that others are. So we will review that in its context throughout the week.

And also we will have a briefing by the auditor about the role that he is taking in pulling together the various agencies that are a part of the function of private auditors versus Provincial Auditor. And this isn't against; this is in conjunction with Provincial Auditor, the audit committee, the CIC (Crown Investments Corporation of Saskatchewan), and private auditors and how he's working on putting a task force together, and we'll review that. And then this evening what I would like to do is have a discussion regarding that so that we all are comfortable with the process and the progress that's being made.

And then in the evening we will have with us John Aitken and John Brennan and CIC, I believe, and the Provincial Auditor dealing with the item as it is going

to be briefed to us in item (f). And that's what the day is going to provide.

Items 1 to 8 will likely ensue beginning tomorrow morning through to the end of the week. And hopefully we can conclude by Friday some time on chapter 8 of the auditor's report. That is an overview of the agenda. Have we got comments, observations about the agenda that we need to address?

Ms. Crofford: — A real elementary question. What's our regular meeting times on the other days?

The Chairperson: — That's a good question. We could make it from the chair's perspective, but we'll ask you what you want to have for hours. What's your preference? Nine? Starting at 9 and going to 12 and from 1:30 until 5 or 4:30; 9 to 12 and 1:30 to 4:30? Have we got any observations to the contrary? Done? Thank you very much. That's where we'll be at. Any other questions that need to be raised?

Okay. We will deal with the report by the chair and the vice-chair to Toronto. I just want to say that there are times when you go and do these things when you're very comfortable and at ease, and we were treated very well in Toronto by the Legislative Assembly Public Accounts Committee from Ontario.

There are some things that stand out in my mind as relates to the program and also the things that weren't on the program. There were two things that weren't on the program that were very significant to me. One was I went to the Canadian Hockey Hall of Fame. And as Robert said, you could really get nostalgic there. It was almost a spiritual kind of a thing that you went there. And it was unique to see Gordie Howe's paraphernalia and Bobby Orr, and some of the people that you had watched play hockey for years and years, and it was nostalgic to say the least. And you can ask Robert about the scene that they've got there with dad smoking a pipe and mom doing the ironing and that sort of thing, and he might cry a little bit but he'll control himself.

Mr. Vaive: — That was way before our time.

The Chairperson: — Anyway, that was the one thing. And then we watched the Blue Jays play the Chicago White Sox, and they won that game. And we sat just off the turf on the first base side; and it was awesome, an incredible feeling. Mr. Auditor was along with us there too, so if he's reporting on that we all know what it's about. But we all paid our own way, so you can rest assured about that.

The other things that relate to the agenda, and there were some very interesting things that I thought were significant, but I'll go through them item by item as you've got them in a . . . Robert has taken the time to draft an overview of the things that occurred. I'll just highlight some of them, and then I'll ask Eric to highlight some of the things that he perhaps considered important.

The first session that we had dealt with a round table discussion from the delegation about where their public accounts committees were at. We had a very interesting discussion. I thought there were two things that were interesting from the public accounts committees that came from Northwest Territories and from Newfoundland. And in both of those places they are taking the time to travel with their public accounts committees, and that was a very significant observation made by them.

They had in the Northwest Territories, they had a problem with their health care, and in Newfoundland I don't recollect the problem, but they had meetings in a number of places dealing and identifying with the community those items that were on the discussion and on the table at that location and because it impacted into that community. And I was struck by the observation made by those people.

New Brunswick also had their involvement to some extent in getting around the province. And I think, as an observation, it may cost a little bit to come to Regina but it also might cost a little bit to go to North Battleford or to Prince Albert or to Yorkton, but it might be of value for the Public Accounts Committee.

The one thing that they said, and it was a strong opinion made by quite a number of people, that if you weren't partisan in a Public Accounts Committee meeting nobody came to . . . the media wouldn't show up. And so one of the ways that they got public accounts committees to be in the public view was to travel around and then have local media interview people about what they were talking about. And that provided the basis for media coverage in those areas, and it was a profile for the public accounts committees. That was the first session.

The second and third sessions. The second session dealt with the broad issue of the partisan approach to the public accounts committees. There were three people on that committee. They dealt with a number of issues, and I'll get through some of them. Mr. Taylor, MLA from New Brunswick, he's from the Confederation of Regions Party. He said a quiet non-partisan approach by the committee usually results in a little exposure. If you want the profile to be heightened, you intensify the debate and then it seems to generate more interest. And that also creates a degree of confrontation between members, and there were better ways of doing it than that.

Mr. Lindquist, who was from the University of Toronto and this is in an academic approach, more constructive approach by seeking better results and concentrating on a larger integrity of the public service rather than on minute points, improve flow of information to the public, concentrate on improved standards of service in the public service, enlarging the scope of public accounts committee mandate to delay certain government initiatives. And I guess probably in an indirect way Bill 41 and Bill 42 did that sort of thing in our Public Accounts in our legislature.

Charles Pascal, deputy minister of Education in

Ontario, he commented that the Public Accounts Committee was dysfunctionally partisan at the ultimate expense of its members who waste time attacking each other instead of dealing with the problems and looking for solutions.

Brent Taylor said public accounts committees' points of view should be advertised more. It was a problem with getting your points of view across so that he said there should be more time taken to do that, and he indicated that members should try and do that more.

The discussion concluded that the press should show more interest in the committee's work, and they were pretty pointed about that but I don't think that would make any difference anyway. The committee should be less partisan and that cooperation from officials from the committee be improved. There were those people who, even from the discussion around the table, that said that the officials were not providing adequate answers to the questions that were being asked and avoiding the issue in order to avoid controversy.

The third session I thought was rather interesting. It was chaired by Pat Reid who was a long-time Liberal MLA for a constituency in Ontario, and he was the chairman of the Public Accounts Committee for years and years. He's now the president of the Ontario Mining Association. He's a very controversial . . . or he raises controversy wherever he goes. And he's feisty. And he chaired that meeting, and it was good.

There were some observations made by the various media people. Amelia Consella from *The Hamilton Spectator*, she did practical observations that she had. For example, that trial was going on for those two people at the time that we were there, in Hamilton and . . . (inaudible interjection) . . . St. Catherine's, that's right. And so she said, if I bring forward something from Public Accounts that's just an ordinary kind of thing, it's going to be on the way back page and won't even have a prominence because people will say they want to know about that issue on that murder and all of those kinds of things. And that's the kind of thing she said that they had to deal with on a regular basis.

Robert Fisher from Global TV indicated that media people have priorities which do often conflict with the public accounts meetings. He also suggested that more regular reporting by public accounts committees be given, and it would create more interest.

And one of the things that they did suggest was that officially the Public Accounts Committee provide to the media things like the agenda, things like time when they were going to be there, items that were going to be on the agenda. Those are the kinds of things that they would like to see. Then they could allow themselves or take the time to put together their own agenda so that it could accommodate some of the things that they had to do.

In the meeting that was held after the panel put together their ideas, the politicians took them to task

for quite a few things. And they didn't let them off the hook for being sloppy in how they reported things and that sort of thing too, and so they began to understand . . . In fact they had to apologize, I think two of them apologized for not understanding completely what the role of the public accounts committees even were. And some of that, I think, is our responsibility as well, and that may be something that we need to think about.

The fourth session dealt with a report from the Northwest Territories, dealing with all of the aspects of how they dealt with their health committee and the health problem in the North. They have not any formal parties in the Northwest Territories, so each of these individuals are elected on the basis of their own merit. And they may be one way or another, but they don't have a public political platform that they deal within.

So from their point of view, the public accounts committees dealt with some recommendations that the Minister of Health had to deal directly with, because there's more people not in cabinet than there are in cabinet, and therefore the out-of-cabinet people become the opposition and the critics of the executive branch of government and then they generally have to do what the whole of the Assembly wants to have happen because the cabinet isn't as large as the rest of the members put together. So it's an interesting thing that they have to deal with there.

Then we had a joint meeting with the legislative auditors, and we had a very interesting panel. Cathy Daicoff from Standard and Poor's bond rating agency — and I gave her high marks for her efforts. She was very well prepared, understood what it was that she was a part of. Our Provincial Auditor handled himself very well as well. The auditor for Newfoundland-Labrador was, I think, just new, and so she was just getting her feet in the boots in that process there. Denis Desautels is the Auditor General of Canada, and he also did a good job.

And I don't know whether you have received or, Eric, you have received any of the information that we asked Cathy Daicoff to provide to us from Standard and Poor's about how they do their rating. They have different rating standards for Canada, provinces, Crown corporations, and businesses. And we asked to have those standards sent to us, and I don't think that anybody has received them. And I think that each of us would find them very interesting because they go into some detail about how they measure whether a government is . . . or what rating it would have, whether it was a AAA or AA or XYZ.

And that was very interesting. If we ever have one of these things that we host, it would be a very significant benefit to our committee to have one of those bond rating agencies come to tell us how they do that sort of thing.

The fifth and sixth sessions centred on Crown corporations' accountability. We went through some of the things that we have done, and I took and used

some of the information that we have previously had in this committee dealing with Public Accounts Committee and Crown Corporations Committee, and I went through some of those. We had in the sixth session Robert Gauthier who's the chairman of the Public Accounts Committee for Canada; he was chairman. Myself was included in the panel, Len Evans from Manitoba, and Grant Wilson from the Office of the Auditor General.

We went through the report — and I don't know whether you have received that report. It deals with the facts and outlines a whole lot of information that deals with a task force on a Crown corporation's accountability that was basically delivered out of our office here, I believe, and it has a whole bunch of profiles on what different groups have . . . or different legislations have put together. I gave a copy of this to Eric. Now I don't know whether he's passed it around to his committee. But if we have some extra . . . we don't. We do.

Mr. Vaive: — No, we have extra ones, so we'll distribute them.

The Chairperson: — I think it would be good. You get a kind of a backdrop of what other Crown corporations and what other public accounts committees are doing with their legislatures.

The seventh and final session dealt with basically housekeeping matters. And what they did is they . . . The next meeting is going to be held in British Columbia so that the people from British Columbia will be hosting us and . . .

Mr. Cline: — P.E.I. (Prince Edward Island).

The Chairperson: — P.E.I., I'm sorry. Oh, it was British Columbia that the Clerk, Craig James is from, and he's going to be . . . Was he Clerk?

Mr. Vaive: — He's executive secretary.

The Chairperson: — Yes. That's where I had to send some of my stuff to. Anyway, he will be doing the work in relation to that. Prince Edward Island is the host. There it is. And Mr. Gauthier will not be the chairman of Public Accounts for Canada because he's probably going to get a different job.

So that basically concludes the observations that I have from the items that went on in Toronto this past July 4 to 7. And what we will do is we'll attach this to the minutes and you can have them for your own records.

Eric, have you got some observations that you'd like to make?

Mr. Cline: — Yes, thank you, Mr. Chairman. Just very briefly, I think you've given a very comprehensive and good report, so I'll just make a few brief remarks.

I want to also mention that the hospitality provided to us by the Ontario people of the legislative staff and the

chair of their Public Accounts Committee was really quite remarkable. They really took care of us.

And I found the conference to be very useful. There was a lot of meat to it. And we'll have eventually the transcript. I understand it's not prepared yet, though it surprised me a bit. But when it does come out, I think there are items in there that would be useful to the members.

One thing I'd like to say about the approach we took to the conference is that Harold was giving a report on our activities and I gave a report on our work in terms of Crown corporation accountability and the issues. And we tried to make joint submissions, you know, to talk about them in advance and make a submission from the point of view of our province rather than making different submissions. And I think that's important that when we go outside the province that we're representing the province and keep it as non-partisan as possible. And certainly we did that. Except at the Blue Jays game where we both supported . . . we were partisan toward the Blue Jays.

And I want to say too that Mr. Strelieff and Harold Martens both gave very good presentations as part of panellists at the conference — very interesting, very well done. I found it very interesting, not only the sessions, but talking to people elsewhere.

I spoke to some of the bond rating people and some of the other provincial auditors, and they had some interesting observations to make in terms of what our jurisdiction has been doing in terms of deficit reduction. They're well aware of accounting changes and the deficit situation in Saskatchewan and the steps the government is taking and are following our situation very closely, I thought.

Finally I'd just like to thank our Clerk, Bob Vaive, who as usual provided us with all the material we needed, both before and after the conference as well as during it, so appreciated that very much. Thank you.

The Chairperson: — Any questions?

Mr. Sonntag: — I have several questions. First of all, I'd be interested in the . . . maybe you'll be making a report, Wayne? Will you, later on?

Mr. Strelieff: — Next — I think it's on the agenda next.

Mr. Sonntag: — Oh, I was going to ask about . . . Will you be doing a value-for-money audit on the Blue Jays game? And secondly, I'm curious, on a serious note, how you felt — either Eric or you can answer this too, Mr. Chair — as to whether or not Saskatchewan . . . how we maybe compared to other provinces in terms of . . . I see there was some controversy. You talked about the controversy as far as partisanship on public accounts committees and the accurate or fair reporting for media. On both those points I'd be curious how you think we compared to other provinces, or was it pretty consistent across?

The Chairperson: — I think it was pretty consistent across the board. I think that there's a couple of observations.

I think public accounts committees as a whole could do things to improve their position in relation to the media. I think there's things that individual members could do to improve their position in relation to the media. I think that there's an opportunity for media to provide themselves with the opportunities that are already available, and they don't know where they are or what to do with them when they see them or wouldn't even recognize them when they did see them. And that's not to say that they're not capable of understanding. It's that there's lots of other pressures. And I think that's fair to say with the committee as well as individuals who are on the committee. But that's what I would have as an observation.

But others are just about similar to ours. In fact, one of the fellows on the — I don't know whether the CBC or Global Television — they didn't even know what was going on in the Ontario public accounts. They didn't know whether they were meeting or whatever. And you know, that's their own stomping ground, and they didn't know what was going on, not even what was an issue on public accounts.

But I again raise . . . and not from a partisan position but from a public perspective on public accounts. People don't know what that is, so maybe it's time to meet in P.A. (Prince Albert), Yorkton, North Battleford, or Swift Current or wherever. There is maybe a time to tell the people what this is all about and what the work of the committee is. I think then people will begin to understand, and then people will take an interest in what's going on.

Any other questions?

Mr. Van Mulligen: — I don't know what you do in the case of Saskatchewan. I just want to know whether the years . . . You'll probably bear this out that the media coverage of the Public Accounts Committee is spotty. From time to time one or more . . . there's only one media outlet will take it upon themselves to try to provide gavel-to-gavel coverage, so that those reporters get some sense of the issues that we deal with as opposed to dealing simply with the controversies that arise from time to time.

I don't know whether it's a matter of laziness or what it is on the part of Saskatchewan media, but I don't hold out a lot of hope that they'll begin to provide accurate and ongoing coverage of the Public Accounts Committee. My guess is that when some controversy arises they'll be here to cover that and try and give it their expert coverage for those five minutes. But I despair that Saskatchewan media will ever provide the kind of thoughtful analysis and coverage that I think should be provided, of the province's accounts.

The Chairperson: — I think you're right, Harry. I think that . . . I've come to this conclusion over the past year more than any other time. There is a responsibility of society to have democracy succeed. And if

democracy is going to succeed or maintain itself, it will have to be . . . the society will have to view it more in a participatory kind of a function rather than in a spectator function. And if we keep on with the spectator function, as the media is, then the public will say they're also spectators and then we all are losers.

I just think it's really important that people become involved in government and understanding what it is that they're paying the public for.

This is really interesting. The past summer I was reviewing my Public Accounts books and going through them. And I had a fellow working in my office and I said to him — and he lives out in the country — and I said to him, would you like to know how much your neighbour is making who's working for the Rural Development? And he seemed quite interested to start with. And as soon as I opened the book and said, there's the name, there's how much he earns, he wouldn't even look at it. As soon as he looked at it, he would be then accountable to having . . . making a judgement whether he was doing his job or whether he wasn't doing his job. They want us as politicians to do all of that but they're not prepared to do that themselves. And that's where they're still a spectator to democracy.

I spent two weeks in Russia during the period of time when . . . the Friday that Yeltsin shuttle lights off. And I left there the Thursday before he blew the top of the White House off. And we were in the Ukrainian hotel just across where CNN (Cable News Network) were filming the action. And so that's the hotel we stayed in. So I've been pretty close to this democracy in action and inaction. And to me, if we have a lack of participation on the part of society, we're going to lose democracy. And that's very significant.

So we as politicians have to maybe take it out to the country to make them understand what they're missing or what they need to understand, maybe as a part of our responsibility. Anyway that was a long answer.

Ms. Crofford: — It seems like whenever you try to look at just one area, invariably you slip off and realize that it's kind of linked to other areas that you didn't intend to deal in. But the area of fiscal accountability is pretty tightly linked to fiscal responsibility. And I do think it's possible to have accountability without having responsibility, because accountability to me is more linked to the paper trail and what not, and responsibility has to do with how people evaluate what they spend and how they spend it.

And I do wonder when government so often deal at the macro level like we're doing here, although we will get into some detail as we go along, how you restructure some of the things that have to be changed in order to have individual managers, deputies, the whole range of people throughout government really embrace that notion of fiscal responsibility, not just accountability? And some of it's inherent in things like the way we assign pay and some of it's related to how

we assign status in terms of size of budget number, people supervised, a whole range of things that mitigate against actually making any fundamental change to fiscal responsibility issues.

And I don't know if a committee like this should or can get at any of those issues, but it seems until you've got all your management who really embraces those concepts, a government on a certain level is rather powerless to do much about it because you really do have to depend on all the people who work with you and for you to embrace that notion and whether in fact that might be a worthwhile subject of some kind of an educational effort at some point with the auditor's office, this committee, and managers throughout government.

I'm not sure if that's appropriate, but I just, I guess, ask your opinion on that because I think it's the tougher thing to get at in the whole piece.

The Chairperson: — I think if you were to ask Myron . . . Myron and I went down to Washington on a legislative exchange for an education seminar in Washington. And we went to Annapolis where they have the Maryland legislature, the state legislature, and we met two . . . I've got to think about this — whether they were from the House or whether they were from the Senate, but it doesn't matter. They were from the House of Representatives in the state legislature of Maryland and they never have caucus meetings.

Think about that — they never have caucus meetings. They only relate to how they get their jobs by the appointment by the majority house leader. They don't sit in the legislature according to political parties; they sit according to electoral districts. Like there are a lot of things that could be begun to happen if we did not do some of the things that we do on a political party basis.

Now I'm not saying that's all bad, what we're doing, but it's definitely different. This one for the U.S. (United States) Senate or the House of Representatives, we met with this one fellow. And in his tenure, from 1974 to now, he's been elected 10 times, so every two years he goes for election. And that's one of the things that I thought was not very good, because all he's doing is always running.

And in the Senate in the United States, the Senator from Minnesota is just a brand-new fellow. He said that in the last two years he's going to have to raise \$13,000 a week in order to pay for his campaign. And he's in a six-year senatorial term, so he's doing business for four years and trying to get re-elected for two. And 13,000 a week is what he has to raise to run.

So if you're governor, you got a whole lot more money to raise in that thing.

Ms. Crofford: — That was all interesting, but it wasn't really an answer to the question I asked.

The Chairperson: — Okay. I'm not sure that there is

an answer. It was just an observation to add to the dynamics of the question.

Ms. Crofford: — Do you understand what I'm asking?

Mr. Strelloff: — Members, Mr. Chair, my understanding of what you said is how can you clearly define what government managers are responsible for, get them to accept those responsibilities, and then hold them accountable for performance?

Ms. Crofford: — In the fiscal . . .

Mr. Strelloff: — And have that understood. And then the expectations are on the table. And if the context is a tight fiscal management strategy, that's part of the responsibility.

There's a couple of comments that I can make on that. One is, in our report we have a chapter on annual reports, talking about what information . . . What we did was survey MLAs (Member of the Legislative Assembly) and other people across the province and ask them what information in annual reports do you look for when assessing the performance of a department? And in our examination and in our survey, we found that the annual reports didn't provide information on what the organizations were hoping to achieve with the resources that were provided to them.

Therefore it's very difficult for you to assess what they're responsible for at the beginning. It's very difficult to assess whether they fulfilled those responsibilities in an adequate manner and then change directions as a result of that relationship. So one of the angles that our office is trying to move to to try to help you with that issue is to ask for annual reports to be tabled with this committee that set out what the performance expectations were and what the outcomes were, so that you can ask more specific questions and the discussions and the acceptance of responsibilities is clear. That's one way.

On the other side, on the planning side, the same kind of system needs to be put in place and that gets at the budget planning cycle. And again, one of the steps that our office is taking right now is to ask a similar question about the budget documents. What information do MLAs and others look for in the budget documents to help them assess resource allocation choices and decisions? As an office, we're just defining that question and trying to determine what practices are across the country. And it was at the recommendation of this committee to work on the budget process with Department of Finance and the Crown Investments Corporation, to look at the budget.

Probably one of the issues that will surface from that project will be the same kind of questions about the annual reports. What information are in the budget documents to define clearly what responsibilities are being conferred in terms of performance expectations, performance indicators that go along with the resources? So that at the end of the day, the

annual report reports on those, the performance, and you as MLAs and the public can assess whether the performance met your expectations. And if it did or did not, what changes are required? But there's a missing gap there, and that is the expectations, the objectives.

The Chairperson: — In all of the things that they do in the United States — this is the point I was going to make — they require that the committee work review all of the budgets that are given by the governor to the legislature, and they are required to do all of it. Like there's no agenda for a Crown corporation that isn't discussed at this budget finalization, because all of them have to go through that, and that is a part of what that committee does. And it takes the perspective of doing the work of the state rather than the work of the executive branch of government. And that's the part that I wanted to add in there.

Ms. Crofford: — Thanks.

The Chairperson: — And that's why our discussion in our meeting in Toronto, dealing with partisan evaluation, is rather significant.

If we want to maintain partisanship in an exclusive role, whether it's my party or your party, it's not going to happen. And there's no way that I'm going to see SaskPower's budget prior to anyone else. And yet in Maryland they do that. Every one of those budgets is put out there and then they debate the value of it, because they're partisan, but they're not.

Any other observations, questions, comments?

Well, Wayne, it's your turn to tell us what you thought of the ball game.

Mr. Strelloff: — Thank you, Mr. Chair, and members. I thought the ball game was terrific. The seats, which were arranged by Mr. Vaive, were remarkable. We had seats that were row 9 above first base . . . (inaudible interjection) . . . They didn't come our way. We were watching.

The Clerk is handing out the agenda for the meeting that I attended, which was the conference of legislative auditors, also meeting annually and in concert with the conference of the public accounts committee chairs and vice-chairs. And like the public accounts committee meetings, the meeting does serve as a valuable opportunity to share ideas and also opportunities to work together.

And certainly in the time that I've been around the scene in the legislative audit community . . . I attended a meeting 10 years ago, was the first time that was introduced to the legislative audit committee and this conference.

The trend is more and more working together with legislative auditors across the country. More and more we share perspectives before we make difficult decisions or before we get into specific issues. More and more we're sharing our methodology in training

and touching base on professional practice issues, like GRIP (gross revenue insurance program), so it involves a number of parties. And we find out across the country what each office is doing before we decide how to conclude the summary financial statements and other issues,

This year's agenda, as you can see, has a number of joint study groups as being part of the agenda and reports and discussions of the work of those study groups. There were several professional practice issues that surfaced. The joint discussion or panel with the public accounts committees on government deficits and credit rating, as well as opportunities to discuss issues between meetings in a far more informal way.

The first session, session 1, dealing with the Canada Pension Plan led by the Auditor General of Canada. And the focus of that study group is to explore what information is needed to ensure that everyone, MLAs and the public, understand what the CPP (Canada Pension Plan) related issues are. What exactly is the Canada Pension Plan? Is it a social program or a pension? Very difficult issue. Very significant issue. Who is responsible for it? Who is responsible for the . . . I don't know — I think the estimated unfunded liability, if it is a pension, is about \$300 billion dollars. Well who's responsible for that, if it is a pension?

And as the contribution rates are increased and they are projected to — the agreements are to increase the mover the next 5 or 10 or 15 years — at what point does it become very difficult to increase those rates? And then what happens? Right now I think the rates — and Gerry you might know more specifically — are around 4 per cent or 5 per cent. And the forecast over the next 15 years is to move them up to about 10 per cent. That's the agreement among the federal and provincial governments,

So the first study group was to try to come together with a common description of what the Canada Pension Plan is and what are the underlying issues. And then explain that, set that out in each of our reports.

The second working group deals with compliance with auditing . . . with compliance with authorities auditing. And it's a methodology issue. Most of the other legislative audit offices are now trying to provide more specific examinations on compliance with legislative authorities. Practice varies, and in Saskatchewan we're quite far ahead on this methodology. So we were participating in this group.

The third one relates to environmental auditing. It was an issue that was brought to the fore, suggested by again the Auditor General of Canada. His office wants to do some very important work in examining environmental standards and how those standards are being complied with, and what are the mechanisms for ensuring existing legislation is being complied with.

One of the conclusions that they reached was that

within existing legislation there is a lot of requirements for specific standards related to environmental safeguards that really people don't know about and therefore are not being monitored or regulated.

The fourth study group that we got together was on the consolidated estimates or a financial plan for the government as a whole as we discuss here in Saskatchewan and what needs to be done to encourage governments to plan in a more comprehensive manner.

I noticed that Alberta just recently moved forward on this issue. They are now planning in the context of all government organizations. So when they talk about the surplus or deficit for the year and the targets over the next three or four years, they're talking about it in the context of the summary financial statements for the province, which is a very significant step forward and it was . . . So the auditor general of Alberta had much insights to share on how that moved forward.

The session 5 also relates to Alberta and had to do with the NovAtel experience that he had. We asked him to come to the table and discuss the approach that he used to examine the NovAtel problems and some of the lessons that he learned as a result of getting in the middle of that controversial financial and accountability issue. And some of the important accountability changes that flowed from his report and from the government adopting some of the significant elements of his report, which included a consolidated financial plan so that the plan at NovAtel would be part of the plan of the government as it moves forward.

The need for budget versus actual comparisons . . . that in the *Public Accounts* or the financial statements that each of the government — I think there's 136 government organizations that are being discussed here — that in their financial statements there's a budget versus actual comparison.

So, Ms. Crofford, when you ask, how do you begin to assess the performance of an organization, right now you don't have a report that compares what was planned even in a brief summary financial sense versus what was actually done in a financial sense,

Well Alberta has just moved forward, and each of the financial statements have that in. It's a very important move. They're going to be releasing the *Public Accounts* early. Our government released it last year for the first time and changed the law to make sure that the *Public Accounts* get released by October 31 — a very important step forward. In Alberta, prior to this past year, their *Public Accounts* were not normally released until March, April, May of the following year. This past year they've moved so that they would be released . . . I think they were released September 8 for the first time. And next year they're planning to release them June 30 — 90 days after.

I know, talking to some of the people in Finance and in the auditor's office, that have to get this done. They

said that they weren't sure whether they were able to do it but they did, and now they're trying to make sure that next year the June 30 target is met. And that was an important change in Alberta resulting from some of the issues within the NovAtel. Also they're releasing quarterly financial statements — quarterly consolidated financial statements — which is an interesting step forward which makes sense, but someone has to take the lead and move practices forward.

And also one of the remaining issues that they're also moving forward is that the auditor recommended that when you make appointments to boards of directors that a key factor be their relevant experience and expertise. And they're working with that to make appointments to boards of directors across the sector.

So the discussion on the NovAtel assignment was quite important for the legislative audit community in terms of identifying where practices are moving and perhaps how best to encourage those practices to move there.

We did have what's called a speak-your-mind session. And the deputies or the assistant provincial auditors — Fred and his counterparts and I and my counterparts — go into closed rooms and discuss issues that we would rather discuss in a more in camera session. And some of the issues related to things like what to do when you are refused access to information. What do you do? What's your experience in B.C. (British Columbia) versus Newfoundland versus Canada, and strategies to handle those kinds of problems or when to participate in financial management review commissions.

We had one in Saskatchewan. Well B.C. did, Alberta did, and Newfoundland has a similar commission. Well what has been the experience on those commissions? Each auditor did participate in all different ways. And in general all of them thought that it was a reflection of positive experience, the decision to participate.

One of the other issues that they were discussing — and I think again, Ms. Crofford, you mentioned this to me before — and that is how do you move accountability forward in the transfer payment recipient community? What information should be coming forward somewhere about the money that we transfer to non-profit organizations or organizations that are not within the government in a direct way but do receive significant dollars? There seems to be a missing link there, and so we talked about that. And in other jurisdictions the particular issues there relate to hospitals and universities.

We then moved to the joint session which Mr. Martens described. We did, by the way, did part of that session . . . was to review the W5 video on New Zealand. We went through that experience again to, I suppose, set the tone. The representative of Standard and Poor's was very good, very strong, very well prepared, very certain of herself. You could see that she had been in quite difficult situations from time to

time, rating debt. She was clear in her views.

Mr. Desautels, the Auditor General of Canada, talked about developing simple or clear indicators of financial performance or financial position that could be monitored and that would give signals that a particular government's financial position was changing, and his office has been doing a lot of work in that area to come up with four or five key indicators of financial position.

And then me, at the request of the conference chair talked about the need for some refinancial statements in the experience in moving towards a summary financial statement for the province and why I think it's important, some of the key issues along the way, and what needs to happen next.

The chair was the Provincial Auditor of Ontario. He's new there, a little bit less new now. He wanted me to share with the group, and probably in particular his Public Accounts Committee, some of the thinking that he was going through right at that moment in preparing his first audit opinion on the financial reports of the province of Ontario. And so I agreed to do that.

We ended the last session with some updates on professional practice issues, mainly coming from the Canadian Institute of Chartered Accountants where they were dealing with new developments in accounting and auditing and where those developments are going, what are the issues, timetables, and probably where the positions at the end of the day are going to be.

And that was from John Kelly who was here one day last year, maybe even this past year, and Peter Jackson, talking about what's happening on how to report on internal control and some of the experiences in Quebec on pension plan reporting and internal control, more of a specific technical session on where the practice is moving, and then concluded by having an open forum just to talk about next year's agenda and what should happen to make sure that agenda comes alive.

I think again, where the community is going in the future is certainly working together more and more on audit methodology, on performance criteria. If we're examining a specific issue and another jurisdiction has examined that issue, what practice and experience have they got, and share that information before we get started, share information more and more on issues where we're involved jointly, federal-provincial agreements, provincial agreements, move perhaps to even concur on auditing.

And I'm going to a meeting in a couple weeks of this group again and one of the issues on the table relates to identifying a general area where all of us will examine it over the same two or three . . . next two or three years. And the issue that we're coming together on is health, and that we agreed last year that each of us should begin to fold into our work plan the issues,

examining issues related to the health sector. And in a couple of weeks we're going to, I hope, agree on those issues.

And over the next two or three years you'll see each of the legislative audit offices examining those issues and we'll be trying to share our best practices and help move . . . help better serve this committee and the Assembly. Certainly it's helped my office and me over the past three years in working together with my colleagues across Canada, Thank you.

The Chairperson: — Do I have anyone willing to ask questions or wanting to participate?

Mr. Serby: — I'm interested in the time line that you talked about — Alberta's. Did you state that the audit for Alberta was finished by the end of June?

Mr. Strelieff: — Mr. Chair, Mr. Serby, this past year which is just happening right now — the Public Accounts for Alberta were made public September 8. And that means all the audit reports and financial statements were ready to go to the public. That was a significant change in Alberta by six, seven, eight months. In Saskatchewan we're hoping that the Public Accounts get issued tomorrow, the next day, soon,

Mr. Kraus: — Mr. Chairman, I can say that I expect that the tabling is imminent, but I couldn't be any more precise than that. But definitely this week is the week because October 31 is the legal deadline, so it will be sometime this week for sure.

Mr. Strelieff: — And when I said June . . . I mentioned June 30, and it's the announced plan of the government there to have the same documents ready and made available by the end of June.

Mr. Serby: — Just as a follow-up, Mr. Chair, to the audit of the Alberta folks, how much of it is done by the public auditor? How much of it has the participation of private auditing?

Mr. Strelieff: — Mr. Chair, Mr. Serby, the way the audit system works in Alberta is that the Auditor General of Alberta signs off on all financial statements of all government organizations, Each year he goes to the organization similar to the Board of Internal Economy and asks them, what percentage of the work would you like to be performed or recommend to be performed by accounting firms. And my understanding of the percentage is about 30 per cent. So 30 per cent of his budget then, he uses to hire public accounting firms to do specific audits of government organizations.

The Chairperson: — Any other questions? I have one, Wayne. You said they were already issuing quarterly financial statements in Alberta?

Mr. Strelieff: — Mr. Chair, members, my understanding is that yes, they are. I don't know if the first quarterly financial statement has come out yet, but since the quarter must be over by now, it must be out. But that was the planned intention and I assume

that it is happening.

Mr. Kraus: — I think, Mr. Chairman, when provinces — or I don't know about the federal government but quite often with the provinces when they issue a quarterly report, as the auditor is talking about, they're not as usually as prompt as you'd see in the private sector where you hit June 30, would be 90 days, you'd probably see the private sector auditor's report . . . I'm sorry, the private sector's quarterly report sometime, maybe even if it's late July, it'd be a month later.

Usually we see with the provinces there are two, three months, they're lagging a bit. But I think I have seen one for Alberta. I suppose it would have been for June 30. I think they have issued their first quarterly report. It might be a little later but I think they have issued it already.

Mr. Strelieff: — My understanding is, since this is the first year that they've begun this practice, there are quite a few bugs in the system that they have to work out to be able to do that more properly each year. But the precedent has been set and the expectations are that that would happen from now on.

The Chairperson: — With the amount of the accounting and the process of accounting on computer, it would be easier to do, wouldn't it, either from your . . . You can answer.

Mr. Kraus: — Yes, I think the thing that you have to be able to speak to in those documents is, well why are your numbers coming out this way at the end of 90 days or at the end of 180 days as opposed to what you thought they would be at the time you budgeted? I suppose that's the difficult part.

Probably putting the numbers together isn't as hard as it would have been. The computers don't do everything but it does make it easier. And I know ourselves, this summary financial statement, it's a bit of a challenge bringing these 120 entities together. But we're working at trying to simplify it so that we can get the information more readily, more quickly.

Mr. Strelieff: — My understanding also in Alberta is that in the quarterly financial statements — not this year, but next year — they're going to have a budget-versus-actual comparison on a quarterly basis so you can see what the plan for the quarter was, what the results were. And that's something that my understanding is that they're going to need. Well they have to have a budget based on a quarter before they can present that kind of comparison. So one would assume that next year's budget for the province of Alberta would have a quarterly component to it.

Mr. Cline: — If you had that kind of quarterly component, would that serve to prevent a government from saying the deficit for this year is going to be \$400 million, let's say, and then you find out the next year it's 1.2 billion? Like would that come up at the end of each quarter so that you could assess the reliability of that prediction?

Mr. Streliaff: — Mr. Chair, members, two comments. One, having the financial statements out by June 30 will give you more quick . . . a faster turn around on the information. I don't know in Alberta if there's any planned auditor assurance involvement on . . . if December 31 you come out with your three-quarter plan versus actual results. So no, I don't anticipate any auditor assurance on the three-quarter results.

Mr. Kraus: — I wouldn't think so. I don't think you see that. It just wouldn't . . . You couldn't get it out on time. You wouldn't be able to do all that auditing.

I have noticed . . . I won't mention which jurisdiction, but I was talking to one of my counterparts and I know one of the quarterly reports somewhere has been delayed just for the same reason, for the reason you're mentioning.

Mr. Cline: — Yes. But you would not get auditor assurance but would you have a statement by the Provincial Comptroller, for example, in those financial statements?

Mr. Kraus: — Management has to do its best. I mean government and its administrators have to do the best to provide their best. I suppose it's actuals and estimates of where we stand at June 30 or October 31 or whatever — September 30 I guess it would be. I'm not sure whether there's a written statement in there on assurance but it's implied if they're not signing something off in that quarterly report.

The Chairperson: — One of the things that you would find out is when they did it, in which quarter they did it — if they determined that they were going to do it in the first quarter, second, third, or fourth. And that designation would have to come as a part of when that decision was made.

Mr. Cline: — See, you could not get auditor assurance, but I think you would get better reliability and accountability for this reason — that you would have officials in the Department of Finance who would have to, you know, make a public statement in the quarterly statement about how the government was doing, instead of saying nothing for a long time. And you've got political people out there who may be — I mean, Heaven forbid — but stretching the truth about the state of the province's finances, especially in an election year. I mean that could happen.

So it would definitely be an improvement, in my mind. And the difference would be that the Finance department officials would have to put their reputations on the line, really, if you went into that system.

Mr. Streliaff: — Plus just the rigour of having to budget on a quarterly basis and having to report on a quarterly basis would provide some strength and integrity to the whole system.

Mr. Cline: — And the government would be forced, as I think it is now, by the six-month statement really, to make adjustments that would be appropriate, except

the government would have a little more ability, maybe, or maybe they'd monitor it on a quarterly basis anyway.

Mr. Kraus: — Oh there is an internal monitoring taking place throughout the year, that's for sure.

The Chairperson: — You're making a significant point and I just want to add a little bit to it. And that is that if you're a public traded company you have to have this information available to the exchange that you're dealing with; you have to have all of that information available to clients who want to purchase shares or equity or whatever they want to do in that publicly traded company, and you have to have that.

And I know of one company that went from private to public, and it just jolted their accounting system incredibly in order to deliver that. But once they got on stream it was just a system that had to be complied with. And maybe that's . . . it's a new system; maybe you need to do it.

Any other questions or comments?

Mr. Serby: — I would just be interested, Mr. Chairman, in what the load would be then to, say the Provincial Auditor, in terms of managing that kind of accountability if we're talking about sort of a quarterly presentation and a quarterly review of that, say through your office. What would that mean? Or now that it's happening in other jurisdictions, what do they say?

Mr. Streliaff: — Well, Mr. Chair, Mr. Serby, it would be the Department of Finance which would bear the load because I don't anticipate, at least for the first years, that our office would be asked to provide any assurance that information's reliable on a quarterly basis. We would still come in at the end of the year. It would be the comptroller's office, the Crown Investments Corporation, who would have to make sure they're able to come to the table with quarterly results and quarterly budgets. So that there's where the key issue, key load would be.

From my discussions with people in Alberta, the key decision was to do that. I mean that was the key step, that the people who decide these things said, we're going to provide quarterly statements, make it happen. Then once that is very clear, then that allows and it gives the comptroller's office some leverage in the community, in his community, to make sure that happens.

But it still . . . you probably have talked with the comptroller in Alberta in terms of his experience in getting it done and what needs to be done there to get it done by June 30.

Mr. Kraus: — Yes, I think that the primary factor in his decision is that it's going to be done and then you don't worry about whether you can do it or not; you plan to do it. I think that was the way he put it to me. There's no more if's, and's, or but's, you just plan to do it. And I think that was the deciding factor there. That

was the thing that gave him the big push.

But I think that it's the Department of Finance as a whole that has to put these numbers together for quarterly reports. And I suppose you don't really need an auditor to audit them in the sense that if an organization, whether it's private or public, was putting out quarterly reports that were obviously incorrect, I think that would be caught out very quickly by year end. You'd have to question their ability to report and forecast if they were reporting this way throughout the year and then at the year end they said, oh, we hit this number instead. That's why I don't think there's really a need for an auditor to audit. Would that not make sense to you, Mr. Strelieff? That auditors aren't required because just the process itself forces the entity to provide its best numbers.

Mr. Strelieff: — Well if I was the Assembly, I would direct my auditor to provide some sort of assurance on those quarterly reports. It may not have to be sort of, in my profession, a full-blown audit. It might just be, I've reviewed how these financial statements are prepared, quarterly financial statements prepared. They seem reasonable, but I haven't got into a full examination of specific transactions.

But just to send a signal? Now if I'm sitting on the other side as the Provincial Auditor, that's pretty difficult. And it gets us into a pretty tough task but I would — if I was the Assembly — I would say gee, let's ask for some sort of plausibility so that another player is on the hook for the accuracy. And that would move us together and then make sure it happens. That'd be hard.

The Chairperson: — Any other comments or questions? I wonder if it would be legitimate to suggest that we take a 10-minute coffee break or whatever and then come back. And I would also suggest that we go to no. (f) dealing with the task force respecting appointed auditors and then go back to (d) which would lend itself to a positive discussion about the items (3) and (4) in the Special Report by the Provincial Auditor.

The committee recessed for a period of time.

The Chairperson: — We shall begin. Item no. (f). I want to just say that after receiving a call from Eric regarding point no. (f), I appreciated that and I also appreciated the fact that I could take the time to phone the Provincial Auditor and have him review for me some of the things that he and Harry Van Mulligen had been discussing. So I appreciate your involvement from both of you in relation to the discussions that took place and also to enhance the benefit of the committee about the process that we're going to follow. So, Mr. Strelieff, it's your time to tell us what you've been up to and we will discuss it after you're finished.

Mr. Strelieff: — Thank you. Thank you for the opportunity to lead off this discussion. What I'm particularly pleased about today is that I have what I believe are three positive, proactive initiatives to brief

you on and to announce. All, I think, are designed to move practices ahead and help you work more effectively. And what I'm going to do is set the scene a little bit on how we got to where we are and then talk about the three initiatives, and then focus on the formation of a task force to recommend how auditors shall work together.

As you have heard from me many times in the past year or the past three years — I've been here three years now, at the end of the week — I've said that the changes to the audit system that were made in 1987 just were not well thought out and were poorly implemented. And when the change was made to allow the government to appoint other auditors, what was not clear was what process was to be followed to ensure my office could rely on the work and reports of those auditors, other than when I decided not to rely, I was to explain why publicly.

And the '87 changes that were made really created a system that had little professional precedent to it, that it created a reliance on other auditors, a situation that really had little professional guidance. Most of the professional guidance that does exist focuses on when one auditor is relying on the work of another auditor but only as a component of something larger so that you may then . . . the primary auditor would be able to prepare his or her report and fold the component into the set of financial statements. It could be a subsidiary, it could be a branch, a division, where you rely on another auditor. The existing professional guidance hadn't been developed in the context of relying on the work and opinions of another auditor for the report as a whole, the report on SaskPower, that the guidance hadn't contemplated that situation.

And also in 1987, another complicating factor that existed at the time was that our office was examining and reporting on matters in addition to financial statements. We were reporting on compliance with legislative authorities, providing specific opinions, and on internal accounting controls. Examples of those opinions are in appendix 4 of our report. The accounting firms hadn't been doing that. And yet when they took over the jobs, we expected those firms to provide those reports so that we could continue to assure the Assembly that the government was complying with existing legislative authorities and the government had adequate internal accounting controls.

So there were, at the start in '87, there were . . . the working relationships were not well defined, and there was little professional guidance, and our expectations, our office's expectations on reporting, on compliance and internal control, were not even set out in the tendering documents. So firms were responding to tendering requests, not knowing that that was going to be part of the expectations. In addition, it was and still is not clear why one firm would be selected over another firm when the work was tendered out.

So when I arrived in November 1990 and people said, welcome to Saskatchewan, I was presented with this

issue and knew that I had to try to solve it. And the results of what I still think were a poorly thought-out and implemented system were apparent. The participants — the government, the appointed auditors, our office — were all disagreeing on who was responsible for what and how to carry out those responsibilities. Key accountability issues, key issues of substance, were being obscured by issues, disagreements, issues of process. And from my point of view, important information was not being presented to the Assembly. And the Assembly was not being . . . and you, therefore, were not being well served — a similar conclusion reached by the Financial Management Review Commission.

As I still see it, there seems to be two key problems that need to be addressed. One is that we have a system that where our office plans to rely on the work and reports of another auditor, but we don't have a system . . . We have a system where we cannot assess the work and reports of another auditor until public reports and positions have been taken. And when government organizations and when public accounting firms take public positions, and then after those positions are taken, we conclude that we have a different view, it does not create a good, harmonious working relationship. And if the system had a mechanism to provide opportunity to discuss and perhaps resolve issues before public positions are taken, many of the issues that surfaced over the past few years probably wouldn't be issues. There still would be disagreements, but more focused and understandable disagreements.

A second key problem to the system — and I still hold to that — is that the public accounting firms are put in a very difficult position when they're being appointed, hired, evaluated by the management of the organization they are to examine — a very difficult arrangement, very difficult issue that isn't just being discussed in Saskatchewan, it is being discussed across Canada, North America, England, all debating the relationship between management and the auditor. Perhaps our guests tonight will discuss that issue as they, I hope, bring a broader perspective to the table.

And over the past years there's been two proposals or two general alternatives, on how to fix or how to improve the system, that have come to this table. And one recommended by my office and first presented to you in my report in April, '92, and that is proposing an agency system where my office appoints the accounting firms. The extent to which the work is done by accounting firms can be decided by a group like the Board of Internal Economy. The appointments perhaps could be reviewed by a committee like this and the tendering process would include consultation with government and the accounting firms to make sure that the terms of reference in the tendering process are well understood.

It's a process used in Alberta that I mentioned earlier today, and would ensure that if there are disagreements at the end of the day, the disagreements are between our office and

management and that the disagreements among auditors are resolved earlier. So in my view, the discussion on issues would be more substantive rather than process. That's the first proposal that was on the table that we recommended.

In April, the government, through Bill 42, recommended an alternative that was presented to you last spring and was to change the legislation to direct my office to rely on the reports of the government-appointed auditors without performing any assessment of their underlying work. So just when reports come in, just send them forward. And this way there would not be any disagreements between auditors because our office wouldn't be trying to assess whether we could rely. We would simply issue a limitation in scope and get on with it.

Now my understanding is, that presented with those two alternatives, the Public Accounts Committee and the legislature rejected both and said to us, work out a solution within the existing system and legislation. And you've also provided several important recommendations that were included in your third report to the Assembly last spring that would help us work towards a better solution or system within the existing system.

Your recommendations add that the government should work more cooperatively with our office by involving us in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring we have sufficient time to comment on final reports prior to their public release. I believe these recommendations, if implemented, would move practice ahead significantly and you would certainly be better served.

So since those meetings in the spring and early summer, with that direction and those recommendations in mind, I sat down and said, well how do I move practice forward? And after a lot of careful consideration and a lot of discussions that have taken place over the three years that I've been here, I am moving forward three initiatives.

The first one is the creation of a task force and a decision to try to obtain CIC's (Crown Investments Corporation of Saskatchewan) agreement — and therefore the government's agreement — to jointly sponsor a task force to recommend how the audit process should work within the context of existing legislation and the recommendations of the Public Accounts Committee. Those terms of reference have been provided to you and through the covering letter dated October 25.

A second initiative that we plan is to issue a fall report, and the fall report is designed to get our advice and recommendations out on the table in a more timely manner and a more useful manner, and particularly getting the issues to report to the Crown Corporations Committee in a manner that would be more useful to them. In the past, the Crown Corporations Committee have been reviewing corporations before our reports

are even issued. And so to make our reports more timely, to issue — and therefore more useful — to issue an annual fall and spring report. The fall report would particularly focus on the Crown Investments Corporation and its related corporations.

The third initiative that I'm planning — and this was at the suggestion of members of the Public Accounts Committee last spring — was to invite representatives of accounting firms to come with me to the Public Accounts Committee meetings when the agenda focuses on organizations they have examined, so that you have access to both my office and the firms. And when they are invited, to make sure the firm representatives do not sit with management but sit with the auditors, so there's a clear message as to who works for whom. So those three initiatives that I think are positive, proactive, and will help the system move forward and help your work.

The task force idea or formation came to me when meeting with one of the ministers, and the purpose of the meeting was to discuss our project on the roles, responsibilities, duties of boards of directors. And he pointed out different methods of making decisions and particularly decisions related to issues that seem to be controversial. And the first method that he talked about was just making the decision yourself. You're responsible for it, you just make it. But at the end of the day you may not have support to move that decision forward.

The second approach is to make the decision after a lot of consultation with all the key players, but still make the decision. And when the key players move away, they don't have any ownership to the decision.

The third method that he suggested was to ask the key participants to come together and set out some terms of reference and ask them to come to an agreement on their own. And the guidance for that that he provided to me is set out in the document attached to the terms of reference called Building Consensus for a Sustainable Future — how to make decisions in a more involved, inclusive manner.

And since I had been struggling with how to move this issue forward, it seemed like one that suited . . . that approach, that third approach seemed to make sense, and particularly in the context of the direction that was provided by this committee. So I struggled with it and then thought, well let's see what I can do. I drafted some initial thoughts and met with the officials in the Crown Investments Corporation to see whether they thought the objective was important, whether there was enough consensus and agreement that it was time to move it forward, that's it's time to begin anew, that it's time that we can escape from the past.

And then defining the objective within the context of the direction that came from this committee, that work within the existing legislation and within the recommendations of your committee. Set out the key issues; try to get agreement with the Crown Investments Corporation on what those key issues are; identify the key people that need to come to the table

because they are responsible for making sure that the system works — that being the Crown Investments Corporation, the Crown corporations, my office and public accounting firms — to make sure that they're all at the table discussing how the system should work and how it can work better.

And then we had to make sure that there was a direct link to this committee and the Crown Corporations Committee so that at the end of the day you can assess whether the recommendations and the framework for moving forward that I hope will come forward from this group is reasonable and is positive.

And then the last task was to identify a chair who would be respected by all parties. The chair plans to be with us tonight — George Baxter from the University of Saskatchewan. And from all comments and feedback in my knowledge of George, he, I think, fits the bill as being a person who is respected by all and will take the task seriously and get it done.

So through this process I have been meeting with the Crown Investments Corporation officials, discussing it within my office, also meeting with Mr. Baxter to make sure that he would participate and now wish to seek your encouragement and support for moving this initiative forward. Both the president of the Crown Investments Corporation and I fully support the objectives of this task force and see it as a good mechanism to move practices ahead. Thank you very much.

The Chairperson: — Have we got questions or comments or observations that you'd like to make? Eric.

Mr. Cline: — I had the opportunity to discuss this with the Provincial Auditor before and I think it's a very good process. I mean I commend the auditor for taking the initiative to get the ball rolling in terms of talking to CIC and so on. And I think the Provincial Auditor and CIC should be commended for taking this approach because it seems to me that we've had an awful lot of discussion of this issue.

And I know from other experiences that it really is much better if the parties themselves can come to some kind of understanding that they're both content with, rather than having that . . . and something imposed upon them which may be unacceptable to one of them or unacceptable to both of them. And so I think it's very much worth the effort and hopefully will result in an acceptable solution to the problem. So I think it's a very good development. And as a committee member, I'm quite happy to let the parties have a thorough . . . take a thorough examination of the issue. I think it's just excellent.

The Chairperson: — Any other observations? If I could just . . . Not to be negative at all, I just want to know from you, Mr. Streliaff, how you plan on, if there's disagreements on certain issues, how are you going to try and arrive at consensus on this? And then what is your view of the role of Public Accounts in relation to that consensus building?

Not only do you have to deal with the principles that you've suggested here, but the Public Accounts Committee is also the committee that will have to take the recommendation to the Legislative Assembly, I believe, as a formal recommendation. Or maybe I've missed the point here in what we have to do.

But I think we need to not only discuss the process as you've termed it here today, but also how do we bring it to a positive conclusion if there is a certain degree of lack of consensus. And then how do we then take it forward? There may not be a lack of consensus, and I hope that that happens. But there may be. And could you outline some of those thoughts for us.

Mr. Strelloff: — Yes, Mr. Chair, and members. What the president of CIC and I have agreed to is to bring representatives from each of the key areas together and ask them to come to an agreement on how the process should work without any legislative changes and without . . . and within the context of the recommendations of the Public Accounts Committee. And I believe that framework provides a fair amount of good starting-point for the group. Now if they don't . . . When I referred them to, or when we agreed to refer them to this approach to decision making, it was in the context of thinking that they're going to have a hard time coming to consensus, and yet their job has to be to come to the consensus. And there'll have to be some compromises made on all sides.

I don't anticipate that this committee will have to propose any legislative changes; that I anticipate that at the end of the day there'll be some solid recommendations; that the representatives of the government, through CIC and my office, will say okay, let's operate this way for the next numbers of years to see if this works.

Now if at the end of the day they can't come to an agreement and the chair can't move them to an agreement, well then this committee I think is going . . . at least my recommendation to this committee will be, you're going to have to step in and come to conclusions, that Mr. Cline referred to, that may not be wanted by one or two or three parties but that have to be made. But I'm confident that the people that will be at the table will have a larger interest, a larger public interest in mind, and will be able to move practices forward.

I already sense, in my dealings with some of the government officials and representatives from some of the public accounting firms, a new kind of beginning of a new, better understanding of roles and responsibilities. And maybe I'm optimistic and maybe naively optimistic; I hope not.

With us today are people that will be involved in this group as it moves forward. Mr. Richard Hornowski is sitting over there from the Crown Investments Corporation. He's going to be representing the Crown Investments Corporation. Brian Atkinson from my office sitting over there; he's going to represent my office and has been intimately involved in

relationships and auditing the Crown corporations for 15, 20 years now. And Judy Ferguson, a senior person in my office, is going to serve as the secretariat to this group. All very . . . all three are very strong people and I have a lot of confidence in them.

The Chairperson: — Okay. Another question that I have. And I'm not sure whether we need to cross this bridge and maybe you can help me out. Should we arrive at a way to establish consensus? I don't know how you do that in the context of this kind of a committee dealing with principals that come from vested interests that may or may not agree to consensus. And how does this committee, which is partisan in nature to begin with, resolve that in a way to arrive at consensus?

And I think as a committee we need to discuss that, and I think we need to have some assistance from your office as well in order to even provide us with some guidelines as to the direction we need to take when doing that. And I'm not saying that we should get into the administrative function of what the committee is doing, but after the fact, if there are one or two outstanding issues and there is no resolve to fix it, then maybe the legislators have to become involved. And maybe we need some preliminary guidelines in order to set that function in place.

Mr. Strelloff: — Just a couple comments. I'd like to start the task force with the responsibility to come to consensus and not to provide them an escape valve right away. I mean if they have to have an escape valve at the end, I want that . . . I would recommend that we make that as difficult as possible for the group — that they're at the table to resolve issues, not to refer them to somebody else. And if they can't resolve issues, that's not good.

The Chairperson: — Then would it be the responsibility of this committee to have an update as the time progresses? I know you've got a calendar here detailing some of that information. I agree with you that they should come to a consensus on their own without telling us that we've got to bring consensus to the table. I agree with that. And I don't know whether others will agree with that, but I agree with that. So having an escape valve is an easy way out for them if we allow them to do that; I agree.

At a point when there is no consensus, then what we want you to have is the freedom of opportunity to come to this committee and discuss it with us from that perspective.

Mr. Strelloff: — Well the committee is to report to this committee . . . or the task force is to report to this committee. I anticipate that when the task force meets they'll want to come to this committee, not just to report, but to perhaps ask the chair or vice-chair to come to one of their meetings to discuss related issues, perhaps to attend a meeting of the Public Accounts Committee to discuss where they are and where they are on identifying some of the key matters that they have to agree with.

I assume they'll call the comptroller, they'll call me to their meeting and ask for perceptions and answer questions. But I'm trying to move it to the task force to decide on how to do that. But at the end of the day they'll have to report, and if their report identifies an issue that they just couldn't come to agreement on, then it's back in our hands. I think they will be able to come to an agreement. I'll be quite disappointed if it doesn't. But again, it might be naive.

The Chairperson: — Okay, any other observations? Ms. Crofford?

Ms. Crofford: — Well, Mr. Chair, I share Mr. Strelieff's optimism about the ability to come to a consensus because on our all-party Committee on the Environment we came to a consensus, I think in quite a difficult area to come to one. And I think if there's a will amongst your members, they've all committed themselves to the process, you have a pretty good chance of arriving at a consensus. And I think it's probably better to operate from that starting-point than be too worried about it not working right off the bat.

I mean everybody has said they're willing to participate, right? So that's . . . no one's being forced to participate in this. They've all readily come in and agreed to participate.

Mr. Strelieff: — Mr. Chair, members, we have not moved it to getting, seeking, a nominee from a public accounting firm and public accounting firms in seeking a nominee from the Crown corporations. Both of us anticipate that that won't be difficult. They'll want to be at the table.

And also I think it's in the interest of all the four groups that are being represented that at the end of the day, before public reports are issued, the system should ensure that all groups know where everyone's coming from. And if they keep that in mind — and I think here the recommendations of the Public Accounts Committee focus that, particularly the fourth recommendation that deals with ample opportunity to comment on reports before they're public — if they can create a system that has that sort of end-of-the-day conclusion, the steps fall in place.

Because I think it's important for the government to know where each is coming from, where it's important for the public accounting firms to know, and it's important for my office to know before public reports are issued, because most of the issues that have surfaced in the past relate to after the report discussion, after public report discussions.

There's still . . . I mean I'm not abrogating my responsibility in the sense that if there are issues or different views that have to come to the table, I'll still bring them to the table no matter what the government believes or the firms believe. If I think that some issues or different opinions or views need to be brought to your attention, I mean that still comes with the territory of my job and I'm still going to do that. But before . . . if we can create a system that before public

reports are issued, all the key players know what the issue is and where people are coming from, that will go a long way.

Mr. Serby: — The public accounting firms, do they have some understanding, appreciation for what your proposal is, what this strategy is that you're putting forward?

Mr. Strelieff: — Mr. Hornowski, have you entered into any discussions with public accounting firms on this?

Mr. Hornowski: — I have spoken to the president of the institute, John Aitken, who'll be here later on this evening, and have generally mapped out what is being planned. He has not seen the terms of reference until the official copy. I presume he has one now.

And I've indicated to him that we would be seeking a representative from the public sector accounting firms, and that did not seem to create a difficulty although we have not at this point had a nominee nor is there as of yet a process whereby these firms could meet and discuss this. It is not likely to happen through the institutes, so it is probably more likely to have to happen by a joint meeting of the major firms that have significant audit engagements with the Crown corporations sector, and for them then to pick essentially a representative from their group.

Like Mr. Strelieff, I do not expect that there would be any difficulty in getting a representative because I think there's a commitment on all parts to try and get this thing moving and get it resolved but that the mechanics have not yet happened.

Mr. Strelieff: — I think the . . . at least when I was moving this forward, I thought that the most difficult step would be to get agreement between my office and the Crown Investment Corporation or a representative of government. That would be the . . . if I could get those two together or us two together to agree on a process and terms of reference, the other players would come to the table. I still think that that will happen.

The Chairperson: — I guess from my perspective one of the things that I would think was very important, and I have a fundamental belief that the Legislative Assembly is responsible and they have to be accountable for the decisions made, and this committee has been designated that responsibility to provide that back to the Assembly.

And I would . . . I don't want to interfere in this consensus building, but I think that there is a couple of things that I would like to see in that consensus-building component. And since there are people here who will be a part of that, I think there needs to be an open and frank discussion on all of the aspects even if they tend to be, from your perspective, controversial. I don't think you should back away from a thorny issue just because it may not resolve itself in consensus building.

And I think in doing that, if you're open, frank, and upfront with . . . and not to be abrasive or demeaning — and I don't think you will be — but that context has to be as forthright as possible in order to deliver the best component that you can for consensus building later on. So you got to put all your eggs in the basket and put them all on the table and then discuss it. Don't come back with another load five or ten days later and then have that have to be discussed in the context of trying to build consensus because then I don't think it will happen. And I'm wanting to have the process resolve itself through consensus, so I raise that as a point.

The second point I want to make is that, as a part of this committee, and our responsibility is to the legislature, your responsibility is to the Legislative Assembly as well. That's all of the players in the context of this. And we must never forget that because that's a privilege that has been granted to society in a democracy to have that function completed.

And I think it's important for everybody to know that, that the Legislative Assembly is the controlling agent of . . . and who you are ultimately reporting this consensus building item to. So I think those two things are significant from my perspective as this chair.

The reason I raise the second point is very important, at least to legislators, and that is that there's a privilege of being a member of the Assembly goes beyond the common word of privilege. It goes to the fact that it has been designated by society to regulate and control what goes on in a taxation-base concern for all of Saskatchewan, and I think we have to recognize that.

And I think that the private auditors, CIC, the Provincial Auditor and the Crown corporations all have to recognize that. And I'm sure they do. But I'm not here to scold you, but I'm trying to put the thing into a box so that you can take it home with you.

Those are the things that I would say have to be dealt with in building this consensus. And I want to put that in, not as a mandate, but as a charge to you to deliver that back to us at some point in the future.

I think there is also something else that needs to be done in this committee and I want to do that as openly and upfront, forthright you might say, as I can too. And that is that if there are outstanding issues — and I will make that commitment from my party as the chairman of this committee — that that will be held in some confidence within the framework of being able to build this consensus. And you will know in this committee when that will be changing. And I'll tell you that upfront.

Then I would also expect that that same respect be given to other members of this committee who are not of the majority party. And I say that for this reason: because you could have access to information that I or the Liberal Party don't have. And I raise that as a point to consider, not to be confrontational, but just to tell you that that's the parameter of the partisanship that we have to deal with here. And I want to deal with it in

a forthright way in that manner as well.

So for the individuals who are . . . and I expect that from the auditor's perspective, and I'm hoping that from Crown corporations and Crown Investments Corporation that we have that as well.

I won't change my mind that it isn't going to happen until it does, so be that as a statement of a concern. I wanted to bring it out here so that you all knew that it is our responsibility to hold the government accountable and we will. And it won't be done in an untimely way by bringing issues out into the public until — at least from our party — until the time is ready for a consensus to have been built.

Mr. Cline: — Well I understand what you're saying, Mr. Chairman. I think essentially you're saying that we are ultimately responsible to ensure there's a system of public accountability that is appropriate.

The Chairperson: — Yes.

Mr. Cline: — Okay, that's fine. And I mean, there's no . . . When we say that we want these parties to participate in this consensus process and hopefully arrive at a resolution, we're not saying as members of the Public Accounts Committee that we're going to rubber-stamp whatever they come up with. We will examine what they come up with; if it's appropriate, then we'll make a recommendation accordingly. If we think it's inappropriate, then we'll make a different recommendation.

But you know, to state the obvious, the Provincial Auditor is an officer of the legislature, and I assume that if he agrees in this consensus process that there is an acceptable system of accountability or there isn't, whatever, then I assume that we can place a great deal of faith in what he says, even taking an adversarial position vis-a-vis the government. So I really think that there isn't much of a problem here.

The Chairperson: — No, I just wanted to put it on the table so that everybody knew that this was not necessarily a problem, but it could become one. Because I've seen this committee break down into a whole week of hassle and no work being accomplished. And I didn't want that to happen prior to it.

The other point that I think I would like to raise, and we can have discussion about all of this, is that I think it's necessary for the principals to meet on occasion with all of us. I'm not sure when that should be, or I can defer it to Mr. Strelieff telling us when this would be a proper time. Then I think we can be apprised of progress, we can be apprised of where they're at in their deliberations. And I think that that's a part of what I think we were going to do today so that we establish kind of where the ground rules are.

It's like when Alomar and Guzman and Fernandez get together on the mound and decide where the ball is going to be hit and what the pitch is going to be. And that's my . . .

Mr. Cline: — It's sort of like that.

Mr. Strelloff: — Mr. Chairman, there's one thing that you could perhaps do tonight then. When Mr. Baxter attends — he's going to be attending tonight's session — you could welcome him, encourage him, and then say that you would like the task force to meet with members of the Public Accounts Committee and report to it during the midst of its deliberations.

What I'm attempting to do is move the process out in the middle and then back away, and then make sure that there are strong players at the table, and watch and wait.

The Chairperson: — Okay. Is there any other discussion that you'd like to have regarding this issue?

Well I personally want to say a thank you to you and your office, Wayne. As a part of assuming your responsibility I think you took an opportunity and delivered. Maybe you didn't hit a home run like Carter did, but you're on your way to maybe putting a man on the base. And I think you've done a good job of putting this together and I want to encourage you to continue to do that.

If I don't hear any more discussion on that, we'll go to item no. (d), I believe it is. Page 6 on the *Special Report of the Provincial Auditor* deals with two items, item no. 3 and item no. 4. And in my discussion with the Provincial Auditor, I came to the conclusion that, under his direction, that we have a time line for this, and I'd like you to explain that to us, if you would, where you perceive this to fit into the discussion we just had.

Mr. Strelloff: — Mr. Chair, members, I would recommend to this committee that we wait until we receive the recommendations of the task force before addressing these two recommendations as . . . or these two recommendations, recommendation 3 and 4, could still be used to assess the recommendations of the task force and to determine whether there's need to continue to move forward these two recommendations. So I in general would suggest that we wait until the task force comes forward with some recommendations.

The Chairperson: — Do we have some observations from the committee regarding that?

Mr. Van Mulligen: — I agree.

The Chairperson: — You agree? So do I as . . . Do you say as myself as chairman and under the direction of the vice-chairman that we bring forward these two items at the time when the Provincial Auditor is comfortable with bringing them forward, or do you have a specific time line that you want them brought forward is I guess the question I have to raise. When is the best time to bring them forward? I know we can't do it on a date basis, but we can do it on the basis that there will be a time when it's necessary to be done.

Any observations?

Ms. Haverstock: — . . . Provincial Auditor's time line.

Ms. Crofford: — I was just going to say the time line here would make it sometime during the tail-end of the spring sitting, if it's ready by then.

The Chairperson: — Okay. Now I got a consensus on that, so Eric and I will check into when is the best time through the Provincial Auditor to bring it forward, and then we'll do that. Are you comfortable with that? Okay, that's item no. (d).

Now I think we could take a look at . . . Oh, one of the things on process that I would just like to introduce before we go into item (e) and that is in the context of what we're doing here this evening. We're going to have Mr. Baxter and we're going to have Mr. Aitken, Brian Atkinson, John Aitken and John Brennan. We're going to have . . . (inaudible interjection) . . . yes, they're here already. They won't . . . They can listen.

From that group, how would you perceive the presentations be made? Do we want to have . . . what I had kind of looked at was having the auditor briefly go through what he did earlier today under item (f) and then everybody hears it from the same perspective and then give them the charge to go do their thing but allow them for comments . . . allow room for comments.

The other thing that I thought perhaps we could do is introduce ourselves as a part of Public Accounts Committee and I think that would be appropriate. Is that kind of form the outline of what we're going to do tonight? Eric?

Mr. Cline: — Well I think just . . . I'm not sure what it says on page 2 is entirely accurate in the sense that . . . Well first of all, if we're going to hear or we're going to have what is essentially a panel I guess, and there's Mr. Strelloff and Mr. Baxter and Mr. Aitken and Mr. Brennan . . . And you had mentioned Mr. Baxter and Mr. Atkinson — I don't have them on the agenda, but I don't have a feeling about it one way or the other. But I think also the people from CIC should be participating as well.

The Chairperson: — I agree.

Mr. Cline: — Oh, okay. Yes. I may have misunderstood your comment.

The Chairperson: — I was under the impression that they were automatically going to be here with the other two.

Mr. Cline: — Right. So Mr. Hornowski and also . . .

The Chairperson: — Mr. Atkinson.

Mr. Cline: — Yes, Mr. Atkinson. That's fine. And Mr. Hornowski.

The Chairperson: — And Mr. Baxter.

Mr. Cline: — And Mr. Baxter.

The Chairperson: — Just a minute.

Mr. Strelloff: — My understanding is that Mr. Brennan is going to come in and discuss his perceptions on the roles and relationships of my office with appointed auditors from his responsibility as chair of an audit committee that's established with The Provincial Auditor Act. So he comes in. And then John Aitken, as the president of the Institute of Chartered Accountants of Saskatchewan, comes in and makes a presentation on what his perceptions are on the roles, responsibilities of my office, vis-a-vis public accounting firms from his position as the president of the Institute of Chartered Accountants of Saskatchewan. So two presentations. After that I'm not . . . then we have a panel discussion, is that . . .

Mr. Cline: — Well I guess . . . See you're anticipating what my second point was going to be which is that I, I mean, I sort of feel that there's going to be somebody from the public accounting firm involved in this consensus process, and it seems to me that the consensus process should deal with the substantive issues that are raised in the terms of reference. And I don't think that Mr. Aitken and Mr. Brennan should be terribly adversarial in terms of their positions because that gets into substantive questions which really ought to be discussed within the context of the consensus process.

So I think what they should talk about . . . they should talk about the issues that are involved. And one can talk about the issues involved even giving different views with respect to an issue. And I think we should ask them to raise the issues that they think are important here and to examine the terms of reference and talk about whether the terms of reference as drafted are appropriate in terms of ensuring that the issues are dealt with, you see?

But I'm wondering about getting into . . . I mean we had decided earlier in the spring that we were going to get into the substantive issues because we were going to try to make a resolution with respect to this issue. But when we're not obviously arriving at a resolution because we're going into this consensus process, it seems to me that we don't want to have people, you know, drawing lines in the sand, if I can use that expression.

So I'm just saying, I think what we should do is Mr. Strelloff should review with the people that are here — especially, I guess, Mr. Aitken and Mr. Brennan because they are the invited witnesses — what he has told us. And I think we should invite Mr. Aitken and Mr. Brennan to give us their views on what the issues here are, not their opinion on the issues but what the issues are and perhaps some viewpoints, competing viewpoints with respect to those issues and whether they think those issues are appropriately addressed in the terms of reference. I think, at this point, that's what would be most valuable. And for that matter, I mean we could hear from Mr. Hornowski and Mr. Baxter

and Mr. Atkinson as well.

The Chairperson: — Well I think in order to have a level playing-field and for us as a committee to understand, I think Mr. Atkinson and Mr. Hornowski ought to have the same opportunity to deliver their little, you might say platform, to this committee as well as the others. And I'm not . . . That makes it a level playing-field for all of the participants. Are you comfortable with that?

Mr. Cline: — I don't have any problem with that.

The Chairperson: — And then should Mr. Baxter just be entitled to listen or draw conclusions?

Mr. Cline: — Well he's supposedly the dispassionate chair, so I don't know. My point isn't that we shouldn't hear from all these people. I don't care how many of them we hear from. My point is that the witnesses, I think, should understand that we're not so much trying to resolve the substantive issue, we're trying to get into a process here.

The Chairperson: — Yes, I agree.

Mr. Van Mulligen: — Having said all that, my interest this evening would be to hear very much from John Aitken and John Brennan, in as much as neither are going to be parties in this process to which a number of parties have agreed and feel comfortable with but are nevertheless two very significant individuals when it comes to these questions — John Aitken certainly by virtue of presidency of the institute and John Brennan by virtue of his chair of the audit committee. And both will have concerns, interests that they will have. And we need to ask them whether this process that's envisioned will, in their opinion, begin to deal adequately with those concerns and interests, or whether or not they feel that other things are also required. And we should not miss the opportunity to ask them that.

The Chairperson: — I agree. And I think I would defer to both of you to outline that opportunity to have that information come forward. I'm not telling you what to do.

Okay, I think I probably have an idea of what we're going to do this evening. And I appreciate that involvement by the committee to establish that. Do you have a . . . Okay, we're going the right direction.

Item number (e) then. We said at the time when we set this meeting up that we would try and deal with items I through 8 at this week's session, And I guess we should do that. There is an outline on the third page of your agenda dealing with those items. Would you want to do it, 2, 3, and 8, and then go back to the others if there's time and conclude that way, or start at the beginning and go through them?

Mr. Cline: — Well if I can make a suggestion — I don't know how the others feel — but since we're sitting from 7 to 10, I wonder if we . . . and since we've just sort of resolved what we're doing this evening and

we're familiar with that issue, I wonder if we shouldn't just leave this alone until tomorrow and simply adjourn now until 7 o'clock.

The Chairperson: — The only problem is what are we going to start . . . I'd agree to that if we had something to start with tomorrow morning. Item . . . I'm not sure that we concluded no. 1 yet.

Mr. Van Mulligen: — There's nothing in no. 1; no. 1 is just sort of a summary of chapters 2 through 8. It's an important summary, but it just refers you to ensuing chapters.

The Chairperson: — Okay, then we'll start tomorrow morning with item chapter 2, and we'll go from there. Is that in agreement? Then I would entertain a motion to adjourn and reconvene tonight at 7 o'clock.

Mr. Van Mulligen: — Move it.

The Chairperson: — Thank you. So moved.

The committee recessed until 7 p.m.

The Chairperson: — I would like to call the meeting to order. And I want to extend to the people who are here who are new an acknowledgement of their presence and say to them that we appreciate you taking the opportunity to come. I also want to note that you rearranged your schedules to accommodate us and I want to thank you in advance for that. I know that we were in discussion about exactly the format that we were going to take as of last Friday, and I appreciate your accommodating us in a number of areas. And one was the election yesterday and the second one was timing today. And we appreciate that and we want to acknowledge that.

The other things that I want to do, one of them, is that we as politicians have become somewhat accustomed to talking into the mike. We don't want you to be intimidated by that, but we just want to tell you that it's being recorded. And don't let her bother you. It's not for her personal sake, it's for us to go back and look at — not to analyse what you've said, but to look at what you said and to draw some observations from that. And we just want to have you aware of that.

The format we're going to follow is I'd like to have Mr. Brennan and Mr. Aitken tell us a few things about some of the observations they have from their various professional points of view as it relates to some very important things that have come into play in the last, I'd say, seven or eight years in the relationship of the Provincial Auditor to the private sector auditors and the relationship that the Legislative Assembly has to them; the relationship that the Crown corporations have to those private sector auditors who are doing the audit; and the public auditor as he does the audit — in each of those areas.

I personally believe that this is a progressive process that we have to assess every once in a while to see where we're at and review in order to bring everything into a format that has some relevance for everyone.

And I know that there has been a certain degree of struggling going on, both by the private and the public sector auditors, and I can appreciate the reasons why.

And we want to visit today about some of the things that are going to be enlarged by our Provincial Auditor, Mr. Strelloff. So we want you to feel comfortable in expressing your points of view. We're not here to debate with you. We're here to ask you of them perhaps, not to challenge you to be aggressively opposed or aggressively in favour of. We're here to acknowledge your presence as a contributor to a process that is going to have a benefit for all of us.

I think that the people of the province of Saskatchewan have a right to know what the public spending is, and they are demanding more and more of that. And in that process, I believe we have a responsibility as legislators to provide that to them.

What I'm going to do is I think for each one of us we need to introduce ourselves so that all of us feel comfortable. I will begin and we'll go around the table this way. And the gentleman not sitting at the table, if you would follow suit as soon as we've done here, starting at that end. There are likely to be two more joining us. I'm not sure about Ms. Haverstock, but Bill Boyd from Kindersley is also going to be here. He's the MLA from Kindersley and farms at Eston.

I'm going to start. I'm a rancher just north of Swift Current. I'm a member of the legislature since 1982, and my name is Harold Martens.

Mr. Strelloff: — I'm Wayne Strelloff and I am the Provincial Auditor.

Mr. Wendel: — I'm Fred Wendel, the Assistant Provincial Auditor.

Mr. Serby: — I'm Clay Serby. I'm the MLA from Yorkton. I was a farmer there previous to being elected in '91.

Mr. Van Mulligen: — Harry Van Mulligen from Regina Victoria.

Mr. Cline: — Eric Cline, MLA. I'm vice-chair of the committee and I'm a lawyer by profession.

Mr. Sonntag: — You're recorded. You never even told me that. Maynard Sonntag, MLA from Meadow Lake. My past profession is managing credit unions here in Saskatchewan.

Ms. Crofford: — Joanne Crofford, MLA, Regina Lake Centre.

Mr. Brennan: — John Brennan. I'm the dean of the College of Commerce. I'm here though in the capacity as chairman of the audit committee of the province of Saskatchewan.

Mr. Lindsay: — Darryl Lindsay. I'm currently the head of the department of accounting and just coming off three years in the auditing standard post for CICA

(Canadian Institute of Chartered Accountants), and I guess I'm also a member of the council of the Saskatchewan institute. I believe that's why I'm here tonight.

Mr. Aitken: — John Aitken. I'm a partner in the accounting firm of Deloitte & Touche. I'm also here though in my capacity as president of the Institute of Chartered Accountants.

Mr. Hornowski: — Richard Hornowski. I'm the vice-president of finance for Crown Investments Corporation of Saskatchewan

Mr. Kraus: — Gerry Kraus, Provincial Comptroller with Department of Finance.

Mr. Paton: — Terry Paton. I'm with the Provincial Comptroller's office as well.

Mr. Hunt: — John Hunt with the Provincial Auditor's office.

Mr. Vaive: — Robert Vaive. I'm Deputy Clerk of the Assembly and Clerk of this committee.

Mr. Stobbe: — I'm Mark Stobbe from Crown Investments Corporation.

Mr. Morgan: — I'm Dave Morgan with Executive Council.

Mr. Atkinson: — My name's Brian Atkinson. I'm from the Provincial Auditor's office.

Mr. Baxter: — George Baxter. I'm a professor of accounting in the College of Commerce.

Mr. Erickson: — I'm Gary Erickson. I'm the acting executive director of the Institute of Chartered Accountants.

Ms. Ferguson: — Judy Ferguson with the Provincial Auditor's office.

The Chairperson: — We have a fair degree of technical expertise here. And in order to get the process under way, I'm going to ask Wayne to give a brief overview of the way he's put together the opportunity we have of visiting here with you. And he has outlined these proposals to us and the process that he has participated in up to this point earlier on this afternoon, and he's going to describe that to you at this point. Please, Wayne.

Mr. Strelieff: — Thank you, Mr. Chair, members and guests, and thank you for the opportunity to begin our discussion of how to improve and strengthen our system of accountability, focusing in on our audit system. What I'm particularly pleased about tonight is that I have what I believe are three positive, proactive initiatives to announce, each designed to help our MLAs and the public work more effectively.

In my opening comments tonight, I will briefly describe some of the key events that lead us to where

we are now, set out a few of the key issues and describe why I think they are key issues, explain the three initiatives that we are undertaking, and review the formation of the task force which is the main focus of this afternoon and a bit tonight.

As many of you have heard me many times before in this past year and in the past couple of years to say that I believe, and I still believe, the changes to the audit system in 1987 were not very well thought out and were poorly implemented.

The key change was to allow the government to appoint another auditor. And what was not clear when the change happened was what process was to be followed to ensure my office could rely on the work and reports of those auditors which were appointed by the government. Other than that, when I decided not to rely, I was to explain why publicly.

The '87 changes created a system that had really little professional guidance to attach to it. Most of the existing professional guidance that relates to reliance on auditors, one auditor to another, relates to relationships where the corporate auditor or the auditor of a parent company is relying on the work of another auditor that relates to one segment of the financial statements of that larger corporation and the relationships and communications that have to take place to ensure that that reliance relationship works well.

Well the system that was put in place contemplated our office, or my office, relying on the work of another auditor for the reports on a corporation in its total rather than a segment folded into a larger group. So the changes in '87 created a system that had little professional guidance, which was an issue from the beginning.

And also in 1987, our office was examining and reporting on matters in addition to financial statements. We were reporting on matters related to compliance with legislative authorities and on internal accounting controls. The accounting firms in the private sector in Saskatchewan had very little experience with providing those reports. And when the transitions happened, we as an office expected the firms to provide those reports so that we could continue to assure the Assembly, the government, and its organizations were complying with legislative authorities and had adequate internal accounting controls.

So in '87 when the firms were beginning to be appointed and the transition was happening, there were two immediate key issues. The working relationships were not defined clearly and there was very little professional guidance which you could quickly attach yourself to. And our expectations, our office's expectations on reporting, on compliance and internal control were not well understood and were not even communicated, as far as I know, in the tendering documents that went out at the time. In addition, it was and still is not clear why one accounting firm is selected over another. The criteria

of selection are not clear.

So when I arrived in November 1990 and was welcomed back to Saskatchewan, I was presented with this predicament to try to sort out. The results of — to me immediately — the results of the poorly thought out and implemented system were quite apparent. The participants, the government, government corporations, senior officials, the appointed auditors, my office — all were disagreeing on who was responsible for what and how to carry out those responsibilities.

As a result, key accountability issues were, to me, obscured by focusing on or discussions on disagreements among auditors rather than focusing on the issue that was raised between my office and management or the government itself. And I think, and I still believe this, that important information was not being provided to the Legislative Assembly. The Assembly was not being well served by the system of accountability, and as a result, its ability to scrutinize what government was doing with public money was impaired. A conclusion also reached, by the way, by the Financial Management Review Commission which we will be discussing perhaps tomorrow or later this week.

So in looking at the relationship, I see two key problems. The first relates to the opportunity to discuss issues before public positions are taken. We have a system that the way it is practising now, or in the past, starts off with my office planning to rely on the work and reports of another auditor, but we're not able to assess whether we can rely on those reports until after public positions and public reports are issued and taken by government organizations and their appointed auditors.

So in those circumstances when we decide to disagree, when our office or my office, when I decide to disagree with a position taken by the government or a position taken by an appointed auditor, I have to disagree with published public reports and positions that have to be or end up being defended quite, quite vigorously.

The system has not provided a good opportunity to discuss and perhaps resolve issues before final decisions are taken on what to report publicly. In some cases, some of the public accounting firms do take the opportunity to review issues with us before going public; and others, they don't.

The second key problem is that the way the appointed auditors are appointed, they are appointed by the management of the organization they have to examine. And that arrangement to me places the public accounting firm or the appointed auditor in a very difficult position when deciding what to report, particularly when faced with difficult controversial issues. And they have to decide what information should be brought to the attention of the Legislative Assembly — a very difficult situation.

I know my profession in . . . or the issue isn't an issue

that just pertains to Saskatchewan. It's an issue that pertains to my profession in Canada, North America, England. The professions in those areas are now, and have been for quite a while, debating the relationship between management and the auditor and how to strengthen that relationship. Perhaps our guests tonight might want to discuss this debate that's taking place across Canada and elsewhere because it is important, and it also puts things in a broader context.

The committee in the Assembly in the past year has been presented with two general alternatives on what to do. The first alternative was presented by my office, and we first presented this proposal in our report in April '92 and again revisited it in '93. The proposal centres on creating an agency system in which my office appoints the accounting firms.

The extent to which the work is done by public accounting firms versus our office in a direct way could be determined by a funding decision by our funders, the Board of Internal Economy. The appointments could be reviewed by that group or this committee and the tendering process would include consultation with the government, with government corporations involved, and the accounting firms, to make sure that the terms of reference of the tendering request are clearly understood.

Under this alternative, which is used in Alberta, if disagreements happen, they would be between my office and the government, not discussions among auditors. So that the issues would focus on the substantive issues and management would come to the table to explain their position.

The second alternative which surfaced this spring and was presented to the Assembly and this committee in the context of Bill 42, which was a piece of legislation related to the responsibilities of the Crown Investments Corporation. That proposal of the government was to change the legislation to direct my office to rely on the reports of a government appointed auditor without performing any assessment of whether they're reliable; just to accept the reports and not do any further work. This way there wouldn't be any disagreements when there's an appointed auditor because we wouldn't examine what was happening. All we would do is report a limitation in scope and get on with it.

Now my understanding is that so far the Public Accounts Committee and the Assembly have rejected both alternatives and instead want a solution to be found within the existing legislative regime and the existing system.

The Public Accounts Committee last spring in their third report to the Assembly provided several important recommendations. But at the same time, they said to me that no, we don't believe that legislative changes are the answer. Instead they recommended that the government work cooperatively with my office by involving us in the process of choosing appointed auditors, in establishing audit plans, in maintaining solid

communications through frequent audit updates, and ensuring we have sufficient time to comment on final audit reports prior to their public release. Four I thought were, and I still think, are important recommendations; that if implemented in a very positive way would move practice ahead significantly and the Assembly, this committee, and the public would be better served.

So following that direction and decision and with those recommendations, I had to decide what to do next to move practice forward. And after careful consideration over the summer, and it was over the last two and a half years really, I decided to initiate three what I think are positive, proactive actions.

The first is to form a task force, but first to obtain the agreement of the government through the Crown Investments Corporation to jointly sponsor a task force and charge that task force with the objective of recommending how the audit process should work within the context of existing legislation and the recommendations of the Public Accounts Committee. That's the direction I heard from the committee and therefore the Assembly and it seemed like a reasonable mandate.

The second initiative to be undertaken is to issue . . . I plan to issue an annual fall and spring report so that our advice and recommendations are more timely and useful. The fall report would focus on the Crown Investments Corporation and those corporations with December 31 year-ends which I believe would better serve the Assembly; in particular, the Crown Corporations Committee which requested from our office more specific information and reports about the organizations that they examine.

And the third initiative is I plan to invite the accounting firms to attend the Public Accounts Committee meetings when the agenda of the committee focuses on a corporation which they are examining. And the representative from the firm would sit with me up at the front of the table with the chair, and not at the other end of the table with management. And I think that's an important step, and it was one that was recommended or suggested by members of the Public Accounts Committee last spring. And I think the positioning of that initiative is very important because it reminds everyone who we work for in a very direct way.

The idea of a task force, the first initiative, came to me when I was meeting with one of the ministers responsible for one of the Crown corporations. The purpose of that meeting was to discuss a project that we're initiating or carrying out right now on the roles, responsibilities, and duties of boards of directors. The minister pointed out that he's gone through some very interesting or tough controversial decisions that made him think about how to make decisions and he identified three processes for making decisions.

One is when you have the responsibility, you make the decision yourself. But the problem with that is that you have to go out there and convince others to abide

by that decision. And sometimes it just doesn't work that way.

The second form of decision making is to seek as much advice from as many groups as possible and then make the decision. The argument against that approach is that you end up making the decision and those who have given you the advice walk away or can have the opportunity to claim that their views were not quite heard in a legitimate way.

The third one, the third approach that he recommended for issues that were controversial and that had a lot of participants or stakeholders involved, was to ask the key participants to come together, agree on a purpose, and let them meet and discuss and decide. And that way the ownership of the decision is moved out to those who are directly involved and have to make whatever the issue is work.

And I went away from that meeting thinking . . . We were talking about the roles and responsibilities and duties of boards of directors and how they make decisions and I went away thinking, well I've got one issue that I have not been able to move forward in what I had hoped to be a more positive way. And I thought, why not think about it in the context of that third decision-making alternative, particularly in the context of the direction and recommendations from this group. So I thought, well let's see if I can set it up.

So the first thing I did though was I thought for an initiative to examine the roles and responsibilities of auditors. And to move something forward that would be accepted, I would need a significant representative from government at the table.

So I went to the Crown Investments Corporation and discussed whether they would support a task force to examine this issue. Now I think we all have the terms of reference for the task force and the objective is set out there. And the president of the Crown Investments Corporation agreed that it was timely, it was needed, and we should move it ahead.

So we began to define what the objectives should be and the key issues that we think needed to be addressed; and then got to the types of the representatives that needed to be at the table and we concluded that there were four key representatives that needed to come together to make this feasible.

First someone from the Crown Investments Corporation -and Mr. Richard Hornowski would be that person; someone from the Crown corporations community; a nominee from the public accounting firms which we thought would have to be agreed to or nominated by the public accounting firms themselves to make it work; and someone from my office.

And then we thought, well we need a chair that would be respected by all and we approached Mr. George Baxter — sitting over to the right — as being a person that we thought would be respected by all and would be able to manage what would probably be a fairly difficult group.

And then we wanted to make sure that the group would have to report to this committee and the Assembly. So we tied their report to the Public Accounts Committee and to the Crown Corporations Committee so that the members of the Assembly who are responsible for the system of accountability can assess whether improvement could result through the recommendations of the committee, or of the task force.

Again, both the president of the Crown Investments Corporation — and I think Mr. Hornowski can concur with that — and I fully support the objectives of this task force and we seek the encouragement and support of the members of the Public Accounts Committee to move it forward.

In a general sense, I see the task force as an opportunity to move forward. I think most of us know that escaping from the past is not easy. My hope is that this time next year I can come back here and say that the process has been strengthened and that the system is moving ahead more effectively.

However, I still understand and accept that at the end of the day I do have the responsibility to step forward when I think additional information should be brought forward that is not being brought forward by a particular government organization or by a particular appointed auditor. That comes with the territory and I will continue to do that. However, I hope to do that within a system, an audit system that serves the Assembly more effectively.

Thank you very much for the opportunity to introduce the topic and I certainly look forward to the discussion and presentations that are coming now. Thank you.

The Chairperson: — I would like to thank you, Wayne, for doing that. I would like to ask Mr. Brennan and Mr. Aitken if they would like to give us their perspective of the terms of reference of the areas that the auditor has pointed out and anything else that pertains to any of the observations that he has made.

It's like I said earlier, this isn't where the debate is going to be. This is where we as members of the legislature learn to understand your perspectives in relation to the discussion. And so we'd like you to proceed. You've decided which one's coming first.

Mr. Aitken: — This will be one of the few times that we do it alphabetically. I believe John is going to be second.

The Chairperson: — Okay.

Mr. Aitken: — Maybe to answer your question, Mr. Chairman, I think I should perhaps explain why we feel that we are here before I answer the question of are you ready to respond to the terms of reference. I think I'm here as president, and am joined by Darryl Lindsay, also representing the Institute of Chartered Accountants, at the initiative of this committee to attend, perhaps with a view to expressing or outlining

our perspective on the relationship, between private sector auditors and the provincial auditors.

In a sense, we have spent some time putting together a description from our perspective of the existing relationship. So it's a little bit of a commentary on the status quo. We are not here, however, as advocates because we as an institute represent all of chartered accountants in the province, which includes people working with private sector auditors as well as the Provincial Auditor.

So I think it's fair to say we don't want to come here necessarily as an advocate one way or the other. We have had an opportunity to examine the document. I think it will be premature for us to speak on behalf of the institute since that was at 4 o'clock this afternoon that we saw them.

That would be my opening comment and I'll pass it across to John.

Mr. Brennan: — Well thank you, Mr. Chairman, and members. It is a pleasure to be here.

I should explain the basis upon which I'm here. I must admit I was a little surprised at the beginning with the official auditor presenting in effect the history, and if I may say, perhaps arguing his case a little bit. I understood that my presence here was as the chairman of the audit committee and with the opportunity to comment on some of these issues.

I thought I had heard about this task force possibly, but I received the terms of reference after I arrived here tonight. I didn't see them in advance. So I'm not really able to comment specifically other than to the credibility of the members. The proposed members of the task force clearly are certainly very credible.

What I would like to do if the chairman and committee would permit me would be to say a few words about an organization that scarcely anybody knows about and describe some of the activities of that body recently as they bear on this issue, and that is this audit committee of the province of Saskatchewan. It exists under jurisdiction of The Provincial Auditor Act. It's a body that has been in existence for I'm not sure how many years — eight, nine. It certainly predates the appointment of the current Provincial Auditor. It's a body who has been made up of three individuals, generally described as independent, though by individuals who have been appointed by order in council and I believe with no consultation beyond the Executive Council.

That body has annually carried out one activity, and that is to sit and listen to the Provincial Auditor present his report. And generally it's not just the Provincial Auditor but other members of his staff and members of management, predominantly the Department of Finance, but whenever matters involving Crown Investments were on the agenda or in the report, where individuals from that organization were also present.

it approached the task as a challenge to attempt reconciliation, attempt identification of areas where indeed perhaps the auditor's concerns might be advanced by a little bit more . . . pressure's not the right word, but expressions of support on the part of an independent body, and likewise concerns by management about perhaps some of the reports or activities of the Provincial Auditor. There might indeed be an opportunity for those to be aired in an environment which was less confrontational perhaps than across the desk in the audit environment.

At the conclusion of that exercise, the committee reported. And to this date that report has solely been a report to the Executive Council through the Minister of Finance. The report's contents from my point of view have been confidential. I've served as chair for three or four years and as a member for the previous three or four, and in each case, I have understood it to be confidential.

But the contents are not terribly exotic. They dealt with the matters that are in the annual *Report of the Provincial Auditor* and expressed the views of the committee with respect to the importance of some, to perhaps the lesser importance of other elements of the report.

In some cases we expressed views which were strongly in support of the view presented by the Provincial Auditor. In other cases, we were not in support of the views expressed by the Provincial Auditor. But the purpose was to try and draw that balance.

The committee has found it to be a bit of a frustrating experience for a number of reasons, one of which is that we only deal with the fait accompli of a report which very often is minutes away from being printed. And that has varied over time, and it's based on timetables and schedules of everyone involved.

But there's been the frustration of not being able to have an impact on the report. But an even greater frustration was because the terms of reference as we interpreted them and as they were being applied didn't embody many of the controversies that have been cited here tonight.

What the audit committee has done is to convene itself not in the mode of considering a report, but in the mode solely of re-examining its role and considering how an adaptation of its role might contribute towards the resolution of some of these issues and indeed better serve the public that the Provincial Auditor was identifying — the public in the direct way, i.e., this committee, the legislature, but also the people of the province.

We have done that review and we have made a couple of recommendations. And they are done with. . . I think a number of presumptions must be noted first. First, that no member of this committee is an expert auditor, and that includes the chair. I may have the CA (chartered accountant) designation but I do not claim to be an expert auditor and neither are the other

two members of the committee. I am, though, someone who has had some experience with public financial reporting and I am an individual who has served as the chair of an audit committee in a public corporation.

Secondly, we have approached it from a point of view of attempting to emulate the contribution that audit committees in public companies — we get difficulty with the public-private sector split — but companies that are listed on stock exchanges and owned broadly by members of the public, to emulate the benefits to corporate governance that are made by such committees. And a very brief review of the literature of the governance of corporations will make very clear the significant advances made with respect to the activities of audit committees and the contributions that they have made to the effectiveness of corporate governance.

Lastly, we are basing our approach on what we understand to be the essence of professional relationships in the auditing profession and in professions in general that a member of a profession is presumed to be a competent, appropriately performing professional and that the way in which differences of view among professionals are dealt with, if there is a transgression of the professional ethics or the professional standards, they are dealt with by that professional body.

But in advance of that, there is a consultative, positive, supportive interrelationship among professionals. And that's been a presumption of the way in which we've proceeded. There are no lawyers on our committee.

A Member: — That's too bad.

Mr. Brennan: — Well we could debate that issue.

The specifics of our proposal, our ideas, are as follows — and I'd like to very briefly mention them and then stop I guess — is that the audit committee function, when it relies solely on the review of the results of an audit, is really quite incomplete; dramatically incomplete. And there are two other — at least two other — but two other major stages that are essential to the performance of an audit committee as that term is understood in the publicly listed corporations.

First is an involvement in the planning of the audit. And our committee quite clearly, and I without betraying any confidences can indicate that this has been in our report more than once, is concerned of the absence of extensive interaction at the planning stages of audits. And this applies to this topic because of the decision to either have a private auditor audit some segment. That's one element of it.

The other element though is the decision by the Provincial Auditor to audit or to not audit an entity that is not now to be audited by a private auditor. There's a decision to be made. But there is no interaction between management or/and the . . . no interaction between management and the auditor and then no

result of that interaction reported to a committee such as this.

So number one is the very high priority placed on the importance of there to be that interaction and likely even a formal reporting role with respect to the planning function. The decision about what is to be audited and who is to audit it seem to us as a committee to be an essential first step.

The second step is, as we now do, is the review of the audit; the discussion of the results of the audit; the identification of those items that deserve much greater prominence than others. And we understand, we're sympathetic, I believe perhaps some of us less than others, to the challenge the Provincial Auditor has in presenting his audit. But in such a book, in terms of the real financial interests of the committee and the legislature and the people, it is our view that there are some items that deserve far greater prominence than others. And that role can be, I think, effectively done.

But thirdly is something which is now becoming standard in the relationship between corporations and their auditors, is a formal report card activity about the performance of the auditor. That goes to varying degrees of detail, but it evaluates what has happened, not necessarily in terms of the content of items of concern, but the process of carrying out the activity.

Our committee believes that those three things should be done. Those three aspects should be a charge of such a committee. We made a number of other . . . drew a number of other conclusions. First that with respect to the appointment of such an audit committee it clearly must be an independent body. In the publicly listed companies the standards are that there shall be only independent outside directors on such committees. And any time where it is other than that, it is less than meeting what's conventionally understood to be the standards.

And so we have suggested, without perhaps full understanding of processes, that a very similar process as is established for the appointment of the Provincial Auditor might be used for the appointment of members of the audit committee. That it not be the appointment of the Executive Council, but that it be an appointment of perhaps this committee, or at least vetted by this committee to ensure that there is some general acceptance of the independence of this body.

Secondly and perhaps most importantly, that this body be the recipient of the report of the audit committee. We see this as an important change to give the role and the charge of this audit committee credibility not only in the eyes of management, but in the eyes of the Provincial Auditor. Because today there is, in our judgement, very little of the interests of the Provincial Auditor, relatively few interests of the Provincial Auditor to be served through the process that's now in place. Quite in contrast to, in the private sector, publicly listed corporations, where the audit committee is seen to be a very valuable asset to the externally appointed auditor.

What this committee has done is to try and re-examine its process, try to identify changes that might indeed facilitate the resolution of some of the issues that are being identified.

We've considered the possibility that the appointment process be included, the appointment of auditors be included. That is something about which we need greater consideration. And perhaps this task force will be a vehicle for considering potential inclusions in the specifications of the committee's mandate to include that or not, depending upon its view.

Clearly though, it requires involvement of this committee, that is the Public Accounts Committee; it likely involves the Crown Corporations Committee, and in our view clearly also demands the involvement of the Board of Internal Economy.

Because if one is looking at the planning process and making those decisions, it is very hard for us to understand how the Board of Internal Economy makes its decisions with respect to funding the Provincial Auditor if it has not received advice with respect to the appropriateness of the plan of the Provincial Auditor with respect to its auditing task. And that plan would include the division or separation of the duties with respect to private auditors versus public auditors.

Those are matters that I believed I was coming here to tell you, to report to you, and to provide you. Perhaps as the discussion ensues I might then be in better position to respond to more specifics with respect to this proposal. At the moment I don't believe I've read it carefully enough to comment.

The Chairperson: — At the outset I'll say this. What the Public Accounts Committee thought by having the Provincial Auditor give an expression of his opinion in relation to beginning to formulate this committee, it was our view that everyone get the whole load at the same time, with the same context and in the same framework, and in that way establish a beginning to where we want to get to. And we respect the observations that you've made about the timeliness of the information and we're not anticipating that you have a 30-page volume describing how you feel about it.

What we want to talk about further this evening is how different members of the committee view what they've heard this afternoon, and some of them heard it the first time this afternoon as well. The auditor has expressed it to me and to a few members of the committee earlier this past week. And I think that because we were having the meetings and they were scheduled, we thought it was important that we bring them to all the players' attentions at the same time, understanding that there would be this hesitation to make a public statement about an opinion. And we respect that.

The floor is open for observations and discussion from various areas. Mr. Hornowski, would you want to make some observation from your perspective to start with, and then we will probably go into some

questions.

Mr. Hornowski: — Thank you, Mr. Chairman, committee members. I'd like to offer four different segments to what I have to say: some general observations including a comment on the appointment of auditors; some comments on dispute resolution mechanisms for the task force — that was an issue that came up this afternoon; and identification of some key issues, as I see them, that would need to be overcome or addressed by this task force; and then some conclusions.

Clearly based on the discussion and the situation that has arisen, I think we have a process that is at least partly broke. And when it's broke, we should fix it. And so I think the task force is really intended to form a mechanism or to provide a mechanism whereby a lot of different things can happen that are adjacent to the terms of reference, not the least of which is an improvement in communication.

I think just because those differences have occurred in the past, it should not be misinterpreted as a vastly different process of objectives or ultimate responsibilities. I wouldn't want this committee to be left with the viewpoint that the Provincial Auditor's office is the only entity that's concerned with accountability and control. And sometimes we lose track of that because of some differences of opinion as to how to do something.

I think that the Crown Investments Corporation in its role, the Provincial Auditor's office, the external auditors, government departments to the extent that they're involved in the process, various committees, in particular the three committees of primary interest to this subject, namely the Public Accounts, Crown Corporations Committee, and the audit committee, both the executive arm of government and Legislative Assembly all have at the end of the day a commitment to the wise and prudent management of resources on behalf of the province. And I think we sometimes lose track of that by being overly critical in a context which is not working largely because of other factors than the failure to accept responsibility for certain actions.

There have been numerous attempts at resolving this problem. This is not by any means the first approach. There have been meetings held with private sector accounting firms and the Provincial Auditor and CIC in various guises and various ways. They've led to some success and they've led to some failures. The process does go on. And it isn't as if we're really reinventing a new thing here.

From CIC's perspective, I think there does need to be an appropriate balance struck between accountability and control and the ability to efficiently discharge duties and obligations. I think that balance is such that both the executive arm of government and the legislative arm of government can do its job. I think that there are disputes on how best this balance can be achieved, but I think those are matters of gradation that we have to reach a better understanding on and we have to appreciate the trade-offs associated with

that degree of gradation. I think the main thing to appreciate is that infinite control will carry with it an infinite cost.

CIC is committed and I think has expressed its viewpoints that there are significant advantages in the continuing of the appointment of external auditors for the audit of Crown corporations. Those advantages cover a variety of different aspects, but we are convinced that at this point in time there are greater advantages to that appointment than disadvantages as long as we can deal with some of these interaction issues.

We also believe that there are more subtle choices than the ones that have hitherto been presented, namely an agency relationship between the Provincial Auditor and appointed auditors or the mandatory alliance by the Provincial Auditor on the work of external auditors. I think part of the objectives of this task force will be to explore those alternative arrangements, those alternative agreements that might be reached. And it's clearly one of the reasons why CIC is fully in support and co-sponsoring this project.

In terms of appointment of auditors, leaving aside for a minute the controversy that might exist in other jurisdictions, and I'm not sure that it is quite as extensive as some would argue, I think most private corporations have a process in place that assures the appointment of auditors through a shareholder participation rather than management. But leaving that aside, I think with the passage and hopefully the upcoming proclamation of The Crown Corporations Act there are some provisions in that Act that would establish the appointment of auditors to Crown corporations through CIC by the Lieutenant Governor in Council. So I think that process has been reaffirmed through the passage of that legislation.

In terms of the dispute resolution mechanism for the task force, I think the committee really needs to explore this issue of consensus and I think there's no question that that is by far and away the preferred option. If some agreements can be reached, even if we only agree on half the issues that are outstanding, to me that's a certain degree of progress.

I think this committee — and the chairman explored that this afternoon with other committee members should exert some pressure on this task force to try and reach that consensus opinion. A certain amount of healthy pressure and a little bit of pushing and shoving is certainly not out of order and probably would accelerate the process a little bit better.

Even if we have unresolved issues- and we may- at least we will end up with a clearer identification of them than perhaps if the task force does its job properly, an outline of some possible solutions as to how we can resolve the hopefully remaining few issues, if any, at the end of the day.

I'd also caution a little bit about neglecting the needs and the legitimate viewpoints or concerns that might

be expressed by the Crown Corporations Committee and the audit committee. The process of discussion that this committee is going through has not yet been engaged in with those other committees. It is the intent of certainly the Provincial Auditor and CIC to engage in that process and to give those committees an opportunity to comment on those terms of reference.

The terms of reference when they were worked on are in my mind purposely silent on the final mechanism for resolution. And in part that is because it will depend very much on the unresolved issues. If those issues fall within the prerogative of this committee then clearly our expectation would be that this committee would resolve them. If those issues legitimately fall in the prerogative of some other area, then the assumption would be that that other area would attempt to resolve them.

At this point in time I think we do have all of the options open to us, even if there is a loss in resolution of those issues by the deliberations of the task force. So we're sacrificing nothing by not overstructuring the process and we do gain the flexibility of attempting to reach consensus.

In terms of the key issues, I'm not personally convinced that if we had had a few other pieces in place, we would be facing some of this problem. And a lot of these issues really boil down to a little bit of history and a little bit of deterioration in relationships that has led to a position of lack of trust and of a confrontational approach towards the resolution of issues.

We've purposely restricted the scope of this committee to Crown Investments Corporation and subsidiary Crown corporations and to some specific issues. And that was done because that in itself is a big enough task. There are, however, issues that may span beyond those terms of reference, and the findings of this committee may well prove useful in the resolution of those other issues such as those between treasury boards and the Provincial Auditor and government departments and the Provincial Auditor.

The key issues then that I would list, and these are not in any sense of priority but I think are relatively needy in themselves in that they encompass a fair amount of subsidiary information, the first of those would be the question of responsibilities and duties, which really is the fundamental issue beyond this . . . of this task force.

We have an Act that, as all Acts, does call for a certain amount of interpretation, and there's been differences of opinion in terms of the interpretation behind that Act both in The Provincial Auditor Act and The Crown Corporations Act. I think we need to work at clarifying or reaching an understanding of what the legislative Assembly truly meant when it drafted this legislation.

I doubt however that there is any piece of legislation, with all due respect to the legal profession, that is so good that it would ever call for a lack of interpretation. And so I think we in all events will have to rely on a

certain amount of goodwill and the interpretation of that legislation to an understanding of all of the participants.

I don't think we've talked enough. I don't think there have been enough interactions between the respective parties in order to share these viewpoints and to explore the differences of opinion that should have occurred.

I think there is a difference in the interpretation of the scope of audits. That is a critical issue in my mind because it then determines where people's territories end and begin. I think the Provincial Auditor has some viewpoints and versions as to scope of audits and I think private sector practices as normally applied may be in divergence with those viewpoints. And so we have to reconcile that. We have to either perhaps expand the scope of the private sector auditors or perhaps reduce the scope of the Provincial Auditor's expectations, both of which are legitimate approaches to the resolution of that problem.

We've discussed and spoken about the question of reliance. It is a critical and somewhat abstract issue, but it does exist in private practice. It also exists in other provinces. This situation is not unique. The Provincial Auditor in other provinces has the same problem of reliance on other auditors. And frankly the process works better in other provinces, in other jurisdictions.

I think in the question of reliance there are some guidelines in the CIC handbook. They are that — they are guidelines. They're not perfect. But they do form some direction in the sense of what should be applied. I don't think there's been sufficient attention given to the interpretation of those guidelines and to the development of working rules based on those guidelines.

We have to be cautious and careful about duplication. If we allow reliance to go too far, we will perhaps risk neglect. On the other hand, if we force reliance to a duplication, we create additional cost. And so there has to be some trade-offs there, and the way to deal with that is to develop guidelines that are practical and workable.

I think there are questions and issues of reporting relationships. There are differences of opinion as to who the private sector auditors report to when they are engaged in an engagement on Crown corporations. And I think the legislation is perhaps a little less than clear in that area.

So again I think we have to reach an agreement and understanding amongst all the stakeholders as to how that should work. I think there is a question of independence of the private sector auditors and who they really do report to, who their clients truly are.

I don't believe we have at this point an efficient disagreement resolution process. Part of that involves timing, part of that involves appropriate information, but what happens is we are faced with a situation that

really encourages an adversarial resolution to the problems because everything happens very late.

So again, we have to think of a process that can properly resolve the majority of disagreements and perhaps leave only the very few to be resolved by some other authority.

I don't think we have enough trust between the relevant parties. And I've heard the viewpoints and I suppose in a sense we're lucky and unlucky in the position of CIC — that we hear both sides of the arguments and discussions. And there is legitimacy to both parties in certain instances when they make perceptions or accusations.

I think we're working in part on the basis of a different model of the management system for the Crown corporation sector in this province. And that in itself leads to different perceptions and different needs for governance and we have not explored that sufficiently at this point. I think professional relationships have suffered because of a number of these different items.

Timeliness and issuing of guidelines and a timetable has not been as effective as it should be nor has the access to legitimate information, however that is defined. I think we have a little bit of a power struggle going on, and that doesn't help the situation. I think people are attempting to protect or enhance certain territories, and that really has to be dealt with.

I think we have — and this is an evolutionary process — the need for CIC and other parties to issue certain guidelines with respect to expectations and to improve on the guidelines that are already in place. So that in itself for me creates a fairly lengthy list of issues and items that need to be resolved.

In conclusion, like everybody else I think CIC initially entered into the definition of these task force guidelines with a little bit of trepidation. After all there's been a degree of mistrust, a degree of adversarial confrontation, but that has to be broken down. And the only way that that can be broken down is through activities such as this task force.

We're committed to giving the process the best shot. I have absolutely no reservations that the accounting profession and the Crown corporations will be committed to giving it the best shot. And if we do nothing else, we will open up communications that will help the process.

Thank you, Mr. Chairman.

The Chairperson: — Well I think that all of you have been fairly candid about your perceptions and your vision of where we could go. And I think that that's to your credit and I want to thank you for that, including CIC. I appreciate your openness and your candour too, Richard, and I'm pleased that you did that.

Are there any questions or observations from members of the committee to any individuals that have spoken, or any questions of anyone else that you

would like to consider?

Ms. Crofford: — Thank you, Mr. Chair. I knew you'd remember my name. Anyway I very much appreciated your identification of the issues. I think that's pretty much how we've discussed what some of the concerns are that we're just not sure which way they should go, and I'd be really pleased to hear the outcome of the discussions.

But I wanted to talk a little bit about the points that you raised, Mr. Brennan. I think one of the most difficult things for a non-professional in the sense of audit profession group of people to deal with is how to decide what needs to be audited and in what depth it needs to be audited and what the pieces are, as you talked about prioritizing in the report — which things require more depth. Because of course there's a lot of things you could count. But for the purposes of public accountability as we mean it in this context, some of them are more important than others.

What would be some of the standards you would apply to making some of those kinds of decisions about how to prioritize and whether in fact we're overcounting or undercounting in our accounting systems?

Mr. Brennan: — I just came from a meeting this afternoon where someone cited a principle, and if you'll excuse me, citing it, the attempt is to Mother Goose it, express it very simply, non-technically. And if you do that and force that on me, I don't talk in terms of accounting terms. I look for professional advice, I look for the experts, and then I try and identify if there are differences of view among those experts and attempt to resolve them. Usually professionals with differences of view can become quite clear in very simple terms, where their differences are. And I can't tell you up front, this is what I would instruct a group to audit and this is what I wouldn't.

My experience outside of the government environment maybe applies. I chair an audit committee of a billion dollar corporation where an external auditor meets with us and meets with management and meets with the internal auditor of the organization, and we discuss what they plan to do.

And in some cases management says, but here's an area that indeed we have some concern about. Or the internal auditor has uncovered a concern which is then used by the shareholders to exert an influence to have that included in the list.

But it's done not on a "here's things that you should do" in the basis that I know it all or our committee knows it all, but rather by making sure that the professionals have our professional basis, exchanged their views, and identified what is the kernel of their difference of view. And 99 times out of 100, those are resolved; but they're resolved on the basis that professionals to professionals have trust and have respect for their professional views and professional standards that are being adhered to.

So I can't answer your question in terms of this and that.

Mr. Lindsay: — May I try? I've been involved in writing some of the auditing standards and I'm sure Wayne and his people could jump in. The auditing standards are written in terms of what we call a risk model. And at the planning stage we try to suggest to people, identify where you think the risks are that the financial statements may be materially misstated, or where a piece of legislation is hard to interpret and therefore it may be offside, or where the control systems in companies may break down.

And so we encourage people to try to do that at the planning stage by drawing upon what we call a knowledge of the business, which a lot of it is developed through past experiences of that client or like-clients or experiences in a particular industry. So it's all framed and termed a risk model. If you wanted to have an analogy with fishing, you want to fish where you think the fish are; you want to audit where you think the misstatements are likely to exist. Does that help?

Ms. Crofford: — Yes, it helps. I guess the other thing that's concerned the committee a bit is kind of the current trend towards fiscal accountability of governments and for tax dollars and what not. We may be putting an increasingly larger amount of resources into counting or shrinking pie. And I guess at some point you wonder where the flip over point is, where you've reached the point where your returns don't equal your investment in terms of what it's costing to get that job done. And that's a very difficult thing for us to access here also, that kind of a judgement call on whether we're spending the right amount to get that job done.

Mr. Aitken: — Maybe, Ms. Crofford, if I could, the framework in which auditing occurs in this province, and I speak from the perspective of someone involved in the audit of a Crown corporation, the framework seems to be that the Public Accounts Committee, through the Legislative Assembly, through the enactment of The Provincial Auditor Act, has already expressed its desire as a body as to what it expects of its auditors, things like not just a report on the financial statements of individual Crowns — tell us about those instances where there's been a breach of statute.

We're talking about somebody misreporting their income tax return or materiality becomes an issue. Where do you stop on the size of the dollar? Things like: is the system of internal control at SaskPower Corporation or SaskTel sufficient to protect the assets of the Crown? Are we talking equipment, big dollars, little dollars, sophisticated equipment within a business environment?

Within the existing legislation, being The Provincial Auditor Act, there are various requirements of the auditors, Provincial Auditor, and hence Crown Corporation auditors as well, which require some interpretation, some judgement as to what did you really mean. And I guess my own perspective is it will

help the whole process of the audit regime as it presently stands if the members of the Legislative Assembly have an opportunity to say now this is what we really mean.

In other words we don't want you to go and look at . . . cost benefit is a significant issue. Where do you stop? And in outlining your expectations, because you represent the people, in effect it's what is the public's expectation of the audit profession? Where do we stop? What do you want to know about? Then we'll go ahead and deliver as best we can as a profession.

But your question, Ms. Crofford, is a good one because I think it does deal with some of the things that Mr. Hornowski was mentioning which is expectations, meeting your expectations. So there already is a framework in place.

Mr. Lindsay: — May I just follow up on that too? Jumping in the . . . If you look at the Provincial Auditor's report, they haven't found a whole lot of things, given the number of activities that do take place in the province. So it must suggest a lot of things are taking place.

Richard pointed out in his comments now if you spend good money in hiring very, very competent management or you're honest and careful and have an audit committee or a board sitting over them who are competent and careful. Likely you're not going to be dealing with too many issues and it's those issues that the auditors will be focusing on. That's where you spend the money is good, competent people up front.

Mr. Hornowski: — I think that's an absolutely critical point because if we focus in on only one of the defensive strategies, if you will, for managing any enterprise we're going to be distorting what is really going on. I think it is critical to understand the context within which management manages and audits occur. And we do have, particularly in the Crown sector, a fairly elaborate structure which has a lot of defensive mechanisms already built in place.

We might sometimes spend more money on asking ourselves, is that structure, is that process working, rather than creating additional control mechanisms to make sure we catch that last incidence of undesirable behaviour.

Ms. Crofford: — Yes, and almost an analogy would be in the area of policing where you can decide if you have an outbreak of certain types of crime to up your policing or to do something to change the circumstances. Thanks very much, Mr. Chair.

Mr. Sonntag: — Thank you very much. I'm always impressed with the way you pronounce my name. First of all your instructions, Mr. Chair, must have been very good; no one seemed very intimidated by the microphones here. And I appreciate your frankness, every one of you.

Thank you also, Mr. Hornowski, for your refocusing us on the similarities as opposed to the differences. I

think too often we spend too much time on the differences of problems that we have.

My past certainly, when I introduced myself, would leave me most comfortable with the structure that, Mr. Brennan, you referred to with the audit committee. And I guess I'm aware that the microphone's here but I'll tell you that I'd been sitting on this committee for some time before I was aware of the existence of the audit committee, and I say that very honestly. So the audit committee in my view certainly could play a much larger role than it does now.

I'd like to refer to something though that you were talking about and I hope this isn't too technical — I'd like you to comment on it if you could — with the structure of the audit committee. The audit committee structure that I am most familiar with links closely management to the audit committee and certainly audit committee would have a keen awareness of budget restrictions as far as the audit goes and sort of even the make-up of the audit that you referred to.

So my question therefore would be, how would you propose — I want a little bit of clarification — how would you propose that the audit committee, given that the audit committee could be struck as you suggest with more powers and those sorts of things, how would the make-up of the audit committee take place so as not to be too political and yet have a close link to management and yet be aware of the budget restrictions and all those sorts of things? I see a very fine difference between the audit committee here and maybe the audit committees that I'm used to, and I can't reconcile those there.

Mr. Brennan: — It might be astonishing but there are a considerable number of individuals in our economy who are completely independent politically. We found a lot of them yesterday, didn't we? But seriously, I'm not exactly sure what you mean by the knowledge of the budget restrictions. But the independence of the individuals in considering and encouraging and facilitating the interaction between those who do know the issues you're talking about, but to facilitate it from a point of view of the, if you use the term that we use in the private corporations or the publicly listed corporations, the shareholders . . . I mean it's done every day. Fifty per cent of our economy is managed that way. It seems to me not unrealistic to believe that the other 50 per cent of our economy could gather the same kind of independent mind to that role, to that facilitating role.

It doesn't demand that I understand what management's decision is going to be with respect to the budget coming up next year. The role I would play would be in hearing management's argument with respect to what needs to be audited, the Provincial Auditor's view, both of them having much, much greater in-detail understanding of the details of the operations of the enterprise, and to have them reconcile their views.

It would only then be the . . . and as I said, ninety-nine times out of a hundred, those views reconcile, not

because they're patsies, but because they are professionals, that they understand the rules, they understand the methods of operation, and they are driven by the same objectives as Mr. Hornowski drew.

There is an image conveyed sometime in some rhetoric that there is kind of, you know, management over there and the shareholders over there, and management's out to get the shareholders. But that's not it; that's not the way it is.

I mean, I serve on a board of directors and I am, every minute I'm at that table, concerned about the shareholders. And if I'm not, in the publicly listed environment I have Canada's legal system to remind me of that responsibility.

But underpinning that, I have my personal, ethical, professional position that's at stake. And by far that's the most significant driving force. We cannot orient ourselves and design the whole system for, you know, paragraph 29 of chapter 7. I mean that's the minority of what actually happens.

Mr. Sonntag: — If I could just clarify a little bit, Maybe I could have been a little clearer on it. My reference to budget was . . . and I'll use the analogy, the exact comparison that we used in my past career. When I say budget, I'm saying essentially we would go to the audit committee and we would say, here is the budget that you have to do the audit and that's what . . . I'm not referring that the audit committee would be aware of the whole budget process. I'm just saying the budget that the audit committee would have . . . and manage the audit as best as possible within those amount of dollars. So that's what I'm referring to as the budget.

And the other thing I wanted to say also, when I'm talking about the link with management — and I think you've made some good points; they clarify a few things for me and maybe it would function better than sort of I thought just a few minutes ago — would be the audit committee goes to management frequently looking for suggestions in areas that management thinks need not to be audited as much, or need to be reviewed more, and those sorts of things.

And that is maybe my concern about when I refer to being too political. Do you understand what I'm saying?

Mr. Lindsay: — I think I know the background you're coming out of with the credit unions, and the members of their board and their audit committee are members of the credit union and they get there by virtually not having any particular expertise; they just volunteer to be a board member. What's been a real concern is that the audit committee there really doesn't serve the function of an audit committee particularly. And there are great dangers in having people sitting on audit committees who don't have the competencies, particularly the independents that John was speaking to. And I think the environment that you're coming out of is one that is really ripe for some significant difficulties.

Mr. Aitken: — Maybe I'm going to have another go at credit unions because I was thinking the same thing, that if your background is in credit unions it's very relevant because what is being expected of financial institutions is somewhat like where the province of Saskatchewan has been for several years, which is credit unions are now, like other financial institutions in Canada, are being required for their auditors to address issues in accordance with the law, that they must do it.

The auditors don't have like a back-room discussion with management — will we do it this year or will we not do it this year. Rather it is enforced essentially that they speak to issues which are together called the wellness model, or words to that effect. But it's matters that were beyond the financial statements.

And why the audit committee is interested is the directors as a group want to know how much liability they are left with because they have to figure out how much reliance should I be able to place in fulfilling my responsibilities as a director on what the auditor has just told me. So if the auditor has done XYZ and the rest, that makes him feel more comfortable that by placing that reliance he or she is not exposed to litigation. The federal government has therefore decided that this broadened reporting will happen.

I just want to make the point however, it is not therefore left to the auditor just to have a discussion with management to say will we or will we not, will we leave this bit out; the shareholder and the regulator have decided that this is what shall happen.

It's analogous to your environment where if Public Accounts or the Legislative Assembly say you will audit XYZ, it shall be done, because you are the client. You're expressing your wishes. And like any true profession, we will only do what the client tells us.

Mr. Sonntag: — I wasn't particularly going to bring the credit unions into this. I appreciate your comments none the less; they are all good. Thank you.

Mr. Cline: — Yes, Mr. Chairman, I want to join with the others in thanking you all for coming this evening. Even though, Dean Brennan, this is not what we invited you to speak about, I am really intrigued, as obviously others are, by your comments about the provincial audit committee and changes that could be made in terms of the integrity of its appointment and so on, and also what it could do.

Because one of the things that we have to examine here over the next while are the issue of the resources of the Provincial Auditor to carry out his function in a proper way. And obviously there are some issues that arise there in terms of, as Mr. Lindsay said, fishing where the fish are. And I think that's a very apt analogy although easier said than done.

But somebody else mentioned the idea of looking at the cost benefit of audit. But my point to you is simply that you've raised some very valuable points in terms

of the provincial audit committee because I don't think any of us had actually thought of it in terms of examining some parts of the Provincial Auditor's report. But I think we're going to have to probably get the advice of your committee.

And I personally feel, now that I think of it, that we're going to have to have you come back to speak to us in more detail about the idea of an audit plan. Because certainly that is one way I think that, just as in other sectors of government, we're trying to think of ways of doing things more efficiently and spending smarter. If we have a problem in terms of the resources of the Provincial Auditor, we may need your assistance in that regard. And indeed I think the Board of Internal Economy may need your assistance because they have the responsibility of setting the budget for the Provincial Auditor.

So I just wanted to say I don't . . . I hope you don't think that your pleas with respect to the provincial audit committee have fallen on deaf ears, because I think they're very good suggestions that you're making and I certainly would like to follow up on them.

Mr. Brennan: — If I could respond. As I read this document again while someone else was speaking, it may very well be that some of these suggestions might be very useful to the task force that's been created, albeit the task force has a narrower focus than the ideas that I was bringing to the table.

And then the second comment, just to reiterate. . . The content discussions, the content of what comes out of this process doesn't come from the committee, it comes from the Provincial Auditor and management, and that's very important, I think, to understand.

The committee's role is not . . . the audit committee role is kind of, as I envisage it, is unlike, at least in one dimension, unlike the publicly listed company situation because the members of the audit committee are not in the situation in the publicly listed companies; the members of the audit committee are members of the board, are members elected by the shareholders, are those legally responsible, and are in effect, acting on behalf of their colleagues.

It's been pointed out to me in some of the verbatim reports that it has been this committee, the Public Accounts Committee, has been described as the audit committee of the province of Saskatchewan. So there is a delicate kind of difference here that would need to be worked on. And I'm not sure how to resolve it. That may be indeed something that the task force could examine to see how one deals with that dimension.

Repeat, it's the substance of what comes from that process comes not from the committee; it comes more from the interaction between management and the auditor and the facilitated interaction that generates a result which is a different kind of information to the decision-making body.

Mr. Cline: — Well it does . . . I think what you're saying about the role in the provincial audit

committee does relate to the work of the task force in this sense, that you mentioned that the provincial audit committee could have a look at the Provincial Auditor's plan including the question of private auditors versus public auditors.

And one matter that the task force could explore, I think, is whether the provincial audit committee could play a role in terms of the formulation of that plan, you know, where it is appropriate to use appointed auditors, where it is appropriate that the Provincial Auditor do the work. So that's related to the question of the jurisdiction or the job of the task force.

And then there's a separate and different question that we're going to be discussing, that is simply in terms of the budget of the Provincial Auditor and the manner in which the audit is carried out and whether there is some things that are now done that don't need to be done and so on.

And I don't know what the answer is either, Dean Brennan. I'm just making the point primarily that it's an area that we'll want to hear from the Provincial Auditor on, and the comptroller, and perhaps members of your committee. And next time you come we'll actually make sure you know what it is we want to hear from you about.

Mr. Brennan: — If I could just make one quick point. What I reported tonight has not been discussed. We haven't had a consultative process. I have not, for example, met with the Provincial Auditor. It has been simply within the committee and consistent with our normal operating procedures for reporting, though I have now been informed that there was no objection to me reporting the result of the report that I made, and that's a change in process.

The Chairperson: — I'm just going to make a couple of observations, then Mr. Van Mulligen will have the floor. One is that it's my perception that the — and I may be incorrect in this too — is the audit committee that was established in which you are a member, Mr. Brennan, is somehow that dispute settling mechanism between the private sector auditors and the auditor's department and management. And that, in my view, through the time that I was in government side of the House, that was my observations as to the relationship that occurred. Now I'm not sure whether that did or did not, but that is the sense that I got from that committee.

The audit committee of the legislature who is representing the shareholders of the province of Saskatchewan in relation to departments and Crown corporations is the Legislative Assembly who have delegated this committee to be the audit committee. And that is not what I've done; that's what's happened in bygone years to a large extent. So in the context . . . And I'm not sure that I gave the proper definition for the context of your committee. However, that's just an observation I wanted to make to a part of the discussion.

Mr. Van Mulligen: — I'd like to thank all those that

have contributed here this evening. I found it to be a very useful discussion so far. I want to congratulate the Provincial Auditor, especially him, and also CIC for recognizing that we do have an issue and that the best way to resolve issues is to come together and to look for common ground that we can agree on.

This whole issue of the relationship between your office and the private auditors has gone on unresolved for too long, I think; it has been too vexatious for all of us. And so I congratulate you for coming this far, although I must admit, listening to your comments this evening and after reading this and then listening to the comments, I thought that in addition to George Baxter that you might want to appoint somebody from the Natural Law Party to help you out.

But having said that, I would like to invite the opinions, either additionally tonight or subsequent to this, from Mr. Aitken and Dean Brennan about the process that these two parties have proposed as a means of dealing with this narrow issue or this particular issue. And it has been a troubling one for us for some years.

Also, I just want to pick up on Dean Brennan's comments and say that we've undergone a major change within, in terms of the relationship of the government to the Provincial Auditor and how the auditor's office is funded and then who determines what the auditor should get, all in the context of changing expectations about what any of us should get to carry out their jobs. Whereas at one time it would be a matter of the auditor satisfying the Department of Finance and the Department of Finance putting forward a budget as to what the auditor should get and his activities being reviewed, I guess to some extent, by the Provincial Comptroller and others. Nevertheless some budget was arrived at.

Now we have a process where the funding comes more directly from the Legislative Assembly, but the Legislative Assembly really not having anyone that might have some expert opinion to offer in terms of, well, what is the Provincial Auditor's plan, and what is it that he should be doing, and how do we evaluate that, and what should the resources be. And I think the Board of Internal Economy is struggling. I think they're grasping; I don't think they know. I don't think that this committee particularly has the expertise and Department of Finance is . . . you know, I mean, they have to sit back. They can't get involved in this.

So your comments . . . let me just back up, Wayne. The Provincial Auditor has raised this in his report, and I appreciate the comments that you're making this evening. It may well be something that will assist us down the road to begin to clarify this issue.

I wanted to ask . . . just follow-up to what Eric was asking. If there's somehow that your comments can be noted and sent on to whoever so that we can have them for future reference, or if you're available to meet with us again, so I wanted to ask that.

But basically I wanted to ask both you and Mr. Aitken

if you had any further comments, or whether you could provide them subsequently, about the proposed task force as a means of helping us to sort through this issue of the roles, responsibilities, and duties of auditors.

Mr. Aitken: — Yes, I see. As Mr. Strelieff opened, he described the period since 1987 when the Provincial Auditor amendment Act was enacted. And my own memory of history went all the way back to the '70s where there was a so-called resource crunch, we were being audited. So in effect it's private sector auditors who are members of the institute to whom we represent have been involved, as well as the Provincial Auditor, for many years in this area.

And so when we were asked to appear before this body to describe the relationship, or be on hand to describe or react to the status quo and the relationship, we deliberated and have prepared a veritable . . . a great deal of information, and thought about describing what comes down to this: some views, perspectives, on the very issues which the Provincial Auditor and CIC have put together.

I mean, if you want to touch some of the hot buttons for our profession, it's talk about things like independence and matters like that. I guess my proposal would be that that could be grist for the mill. There are perspectives in here which, for most CA's in the province, should be brought to bear on the subject; nevertheless, I don't think the time is right.

Nevertheless within the document, and I heard Mr. Strelieff and Mr. Hornowski say, probably quite correctly, in the resolution of the issues perhaps we shouldn't deal with the institute as a whole since it's the disciplining body of the membership and deals with standards, etc., etc. Rather, representatives of the private sector auditors are able to look after themselves, thank you very much.

That is probably the right approach to take in terms of its impact on our members. We are here as an institute, as a regulatory body for our members, but also to try and deal with, if you like, there's a sort of misinformation and somebody asks us, what are your rules and regulations and perceptions?

Yes we'll respond, but I think for purposes of the process it's going to be important that . . . at the risk of going against what I said earlier, nevertheless when we received your fax this afternoon, we didn't jump up and down and say oh, this is going in a terrible direction; rather, it was on track and we were not jumping up and down seeing which one would be here. I'll leave it at that.

Mr. Van Mulligen: — I don't know if auditors ever jump up and down.

Mr. Aitken: — They have their moments.

Mr. Brennan: — If I could make a comment. Yes, I concur. I think the task force could be a very productive vehicle. Yes, I'm certainly willing. The

members of the audit committee have discussed the fact that I was coming tonight. This would be the first time any member of the audit committee would be in that kind of a role. So yes, we are willing to participate in that process.

A caution with respect to some of the so-called hot buttons. We must resist the attempt to reinvent the wheel. There are some hot buttons. There are some issues. And the Provincial Auditor is right, they have been discussed around the world. But let's not get into too much of self-deprecation. We have one of the most effective financial reporting economies in the world. We have very credible independent auditing function within our economy today.

So let's not become overly critical and try and re-examine the basic standards of auditing. There is a profession that has committed itself to elaborating those standards, articulating them. And for sure they're not perfect, with all due respect. And for sure there are problems.

Mr. Aitken: — You get what you pay for, I guess, John.

Mr. Brennan: — But in general the standards, yes, are very high, and they are constantly being improved. So I would think the benefit from the task force would be to focus not on issues of whether the private sector auditor is truly independent when dealing with the board of the Crown because the professional standards demand that that auditor be so. And if that auditor is not, that auditor is disciplined. And there is evidence and a record of that kind of activity.

Where we can I think have some real benefit is in examining the processes so that indeed the Provincial Auditor has the capacity to carry out the demands of the legislature through this committee. And currently the Act provides confusion, which . . . it does not make that clear.

It seems to me that the task force could very effectively focus on those kinds of issues as opposed to the reinventing the wheel type issues. Now I know it's not obvious where they are. But it's the practicality of our activity, on the presumption that we're dealing with professionals, it seems to me would be the most productive.

The Chairperson: — I'd like to make a number of observations, I suppose, in relation to the comments that have been made. I first of all want to put myself in a position and say that I have agreed with the private sector auditors being involved in the audit process. Since that discussion took place, there has always been a struggle between that independence, as you just indicated, and management's view of that independence perhaps. And maybe that's the view that we received, rather than the view of the auditor, who is independent.

And that perhaps is a part of what needs to be addressed as well, in discussing this with this committee. Because one of the things that I believe is important to understand is this committee has a

concern about the role of the private sector auditors in relation to management and this committee. And we want to impress on you that we believe that we are the ones that you're working for and not management. And we want that absolutely entrenched in the minds and in the accounting processes or the audit processes. And I think that that's very important.

About touching some of the hot buttons, we have skirted . . . and you were very political when you were doing this at the beginning to find out just exactly where all the buttons were, and you walked around like it was on a mine field. And I want to compliment you. You should be a politician as well. But what we need to do because we have skirted them since 1987 . . . we have skirted some of those issues and haven't addressed it.

There's a number of things that the Provincial Auditor, I believe, has done right in this, and that is that he has prepared to distance himself to some extent from the discussion in the process by allowing one of his members of the Provincial Auditor's department to become involved in the discussion. And that distancing is a part of, I think, an awareness that the problem exists but also that he wants to deal with it at somewhat of an arm's length, understanding that. And I think that that's important in this discussion.

And that's why I think that you should actually touch on some of those hot buttons because . . . And it's to take it away from a political posturing that needs to take place, and I won't reiterate all of the discussion that went on in '89 and '90 relating to the Provincial Auditor in the Assembly, and I won't go into that.

But some of that could have been avoided if in fact the discussion had taken place outside of the parameters of a political system or distancing itself from the Provincial Auditor as the person in charge of the responsibility to the Assembly and giving that responsibility a slight distance. And the Provincial Auditor has done that, and I think that that's to the credit of the auditor's department and himself.

And I also want to say that in that, I think you should take the cue from CIC as well that they are in fact giving you an opportunity to address that same issue with a context Mr. Hornowski said — and he reiterated very carefully and did it well — some of the problems that exist. And you probably could add, and each of you could add to that.

What I see, and I don't want to get into a trade discussion here with the NDP (New Democratic Party), but the dispute settling mechanism that we have in the Canadian-U.S. free trade agreement is very significant to me in agriculture, and I understand what that is and I value that. I value that a great deal because it gives me parameters to deal with what we have to do.

And that's what we as a committee here are beginning to think; we need to have that dispute settling mechanism to know that when these items occur that we give it to that and then there is a function that exists

to say, this is the way it's handled, and then it's done. And the people have the confidence to believe that that exists at arm's length from both the auditor, the private auditor, and even this committee. And that comfort level I think is what the public need to have and get a sense of. I think I've made that point.

There's another point I want to deal with, and that is that the committee here has to have, I suppose . . . We don't want to set you on a time line; I'll put it that way. We don't want to set the auditor on a time line. But we think that you need to get at this sooner than later, and I'm not sure that the auditor is prepared to suggest a time line. He's been very careful in negotiating principles that people could be, or individuals as principals who could be . . . the various groups could be comfortable with in discussing, and I think that an opportunity like this has not existed up to this point. And I think it's important that each of us very carefully consider the value that this opportunity presents to itself.

This issue was raised by Mr. Cline earlier in spring as one of the functions that this next session of the Public Accounts Committee could maybe deal with. And the auditor has gone on behalf of the audit committee of the legislature to come to you and say to you, we want you to put together the things that are there that bother the institute, that bother the chartered accountants and the corporations that do the business.

And the Provincial Auditor put them in somewhat of a framework so that you know and we know what is expected. Because we are not accountant professionals. We are here to look after the taxpayers in the province of Saskatchewan. And we want to do that.

So this is an opportunity I think that we are asking you as a Public Accounts Committee, even though it was initiated by the Provincial Auditor, we are asking you to respond to that. And that's I guess as clear a mandate as you can get from the taxpayers' audit committee. And I'm not telling you you've got to respond today, but I'm saying to you that that's what we would like.

The other thing is that — you raised it, Mr. Aitken — that it wouldn't necessarily be yourself. I believe that we are expecting an appointment. And Mr. Strelloff could comment on this too. We are looking for an appointment that would be comfortable from your institute's perspective to come forward. And we ask you to probably deliver that. Would you want to enlarge on that or is that fairly accurate?

Mr. Strelloff: — Mr. Chair, members, I think what we anticipated — and I think Mr. Aitken agreed with it earlier — is that the principal firms involved in the examinations of Crown corporations related to CIC would get together and nominate a person that they would want them to represent their interests on the task force. Now whether those principals when they get together want to consult with the institute, I'm not sure. It would be up to those individuals.

Mr. Aitken: — For clarification, there are probably 16 firms across the province, at our best reckoning, could be involved in one way, shape or form of reporting on Crown . . . on auditing Crown corporations. They don't meet as a group. They compete with one another almost in today's environment. We are like the lawyers in that regard. But we have as an institute prepared to facilitate the appointment of that and will undertake to do that.

In responding, yes we responded to this invitation to be here today and we will respond in like manner that the good of our profession is involved in what you're deliberating. It impacts quite a broad base of our professionals. Therefore we will do whatever facilitation is necessary to come back to you.

The Chairperson: — Okay. One other point I want to make and that is this. I don't believe at any time in our history have people wanted to have an open, forthright accounting process and they want to be made aware of it. And they want to be made aware of it as cheaply as possible. And I use that word "cheaply" because that's probably their expression to the process.

And yet every time that there's an additional function of audit, it not only costs that additional audit, but it costs an additional because of the value assessed to that additional sort of hierarchical component of the audit system. Like you have one checker checks another checker until you have five of them, and each one costs more because he's supposed to be more competent and more able to deliver a better audit system. So people want it done as cheaply as possible. And I guess that's our responsibility to describe how well that's done. I think that what we want to have is a conclusion to where the audit is finished.

And I guess to make the point is this. You can check and you can check and you can check and the people will always say it isn't quite enough because it doesn't necessarily agree with what they thought should have been done in the first place. So it isn't necessarily accurate. And that's not to say that you aren't competent in delivering it; it's to say that they haven't understood the process.

And I guess that we could just leave for you to assess within the framework of the groups that are putting together the hot spots and all of those things.

Are there any more questions or observations of individuals around the table? Well personally I want to thank each of you for coming. I have actually learned a considerable amount here today, as I usually do.

And I also want to say that the auditor will be acting on behalf of the committee to facilitate this task force. And that's not to say that he is going to be involved in it; that's to act on our behalf to make the facilitation work.

For those of you who are likely here who are going to be on it, we want to thank you in advance for your

participation. I think that's it. And we appreciate again your willingness to attend. We apologize for the lack of information, but it's a process and we need to update you and that's what this meeting was for. Thank you again.

I'll take a motion to adjourn and then we'll conclude, reconvening tomorrow at 9 o'clock.

The committee adjourned at 9:06 p.m.