The Chairperson: — If I could have your attention directed this way, I'd appreciate that; we could begin. We want to welcome you back, and I think the first order of business that we need to discuss this morning is what, the next three days, we're planning on doing, and I am looking for direction on this. I guess yesterday we decided we'd start with chapter 2. Do you just want to go through the thing . . . (inaudible interjection) . . . Pardon me?

Mr. Van Mulligen: — Whatever your agenda was.

The Chairperson: — It wasn't absolutely clear, so we need to go through all of it. We don't want to miss anything. So is it proper for me to suggest that we move through . . . starting with 2 and go to 8, as far as we can get, until sometime on Friday, okay?

I see a consensus growing. I don't know whether it's . . . (inaudible interjection) . . . Well I don't know whether it's my bifocals or what but anyway . . .

A Member: — It's a ground swell.

The Chairperson: — A ground swell.

Mr. Cline: — We're with you all the way.

The Chairperson: — Thank you. Well that could be misconstrued here. Anyway, let's proceed on chapter 2 with some of the discussion that needs to take place. Are there questions that members would like to raise with the Provincial Auditor as it relates to some of the discussion? And if there are, at some point in time, witnesses that we need to get, we need to also prepare ourselves for that in case that you want to have them come in. And I'm sure that that could be arranged, but we need to know that somewhat prior to the items being brought forward.

I will take names for a speaking list on items on chapter 2 that you want to raise. Mr. Auditor wants to review some of the key issues in chapter 2, and I think we'll allow that to proceed. Brian, I think, is going to have a picture show here to wake us up and to provide some detail for chapter 2. Go ahead.

Mr. Strelioff: — Thank you, Mr. Chair, and members. Chapter 2 is the first specific chapter in our annual report and is there because we think it's a very important chapter in terms of understanding the finances of the province in the context of the first-ever audited summary financial statements for the province. And Brian Atkinson is with me as a senior member of our office and is in charge of the audit of the summary financial statements and is going to review with us what's in that chapter and why we think the perspective provided by the summary is very important.

Mr. Atkinson: — Thank you, Mr. Strelioff. Mr. Chairman, and members, I did bring along some overheads because the chapter deals with the summary financial statements and understanding the government's finances, and there's a great deal of financial information provided in there, and I thought it might be easier if we went through it together rather than just me explaining it to you or trying to explain it to you without the aid of some overheads.

I hope that I won't step on your toes first of all.

The Chairperson: — Oh no, you'll be aware of it.

Mr. Atkinson: — Okay. Before I begin, I'm sure that each of you have been asked the question: what's our deficit? And if you use the *Public Accounts* — the 1992 *Public Accounts*, volume 1 — there's a number of answers that seem to come to mind. The first is in page 9 of the *Public Accounts*, you see the combined funds deficit is about $6 billion, $6 billion there.

Another alternative would be to look on page 31 of the *Public Accounts*, the Consolidated Fund, and you see the deficit of $7 billion. Having looked at those two alternatives, you might go deeper into the *Public Accounts*, to page 67, and in the government's summary financial statements, you can see the accumulated deficit is approximately $6.2 billion at the bottom of the page here.

If you thought that was the right answer, you're definitely on the right track. However when using financial statements it's important, first of all, to know whether those statements have been audited, and second of all, what the auditor has to say about the financial statements.

Our auditor's report on the summary financial statements appears on page 65, and it says a couple of things. It says, first of all, the financial statements are reliable, except for the failure to record pensions. In other words, the pension liabilities and pension-related expenses aren't recorded in these financial statements. And the yellow highlight, you can see it says the financial statements advise that if pensions were recorded, liabilities and accumulated deficit would be increased about $3 billion. So what does that mean to us?

Well if we go back to page 67 in the *Public Accounts,* you take the accumulated deficit that's shown there. You'd add $3 billion for the pension liabilities to it, and you'd arrive at an adjusted accumulated deficit of $9.2 billion. So that's what the effect of the auditor's report means when you look at the financial statements.

For the purposes of chapter 2, we took the numbers presented in the summary financial statements and just made that adjustment to them. And since we weren't sure, at the time, what the effect on pension expense was, there have been no adjustments to the numbers presented in the summary of financial statements for pension expenses. So that wasn't adjusted at all.

As Wayne indicated at the beginning, chapter 2 is an overview of the finances of the Government of Saskatchewan, and the information that we presented in chapter 2 is the summary financial statements adjusted for the pensions and condensed. And that's all we've done to it.

As you're aware, 1992 was the first year the government presented audited summary statements that showed the financial position and results of operations of the government as a whole. And that was a significant event. It's important that members and the public understand the finances of the government as a whole so they can debate and question about spending proposals and revenue-raising proposals and alternatives. So I think that's why we felt that this chapter was fairly important.

The information in this chapter has been organized in two ways — one by general programs and the other for user-fee enterprises. And as it says on the bottom here:

> The general programs . . . carried out (are funded) through (the) government departments . . . These programs are financed primarily . . . by an appropriation approved by the Legislative Assembly.

User-fee enterprises have the financial and operating authority to carry on a business, and they raise their revenues through direct charges for goods and services.

So that's how we've organized the information, by user-fee enterprises and general programs.

If we go next to page 9 of our annual report, you can see schedule 1 which condenses the statement of revenues and expenditures. The statement of revenue expenditures is important to identify key trends and indicators that might be important for you as you're going through the financial statements.

For example, you can see the total revenues increased about 5 per cent. Total expenditures increased about 15 per cent, where the accumulated deficit increased about 122 per cent. if you look at that information in a little more detail, you can maybe find some of the reasons for that. General program — this is on page 13, by the way, if you're following along — schedule 3 shows that general program revenues decreased approximately 5 per cent. Well how did that happen? Well if you look at revenues from taxes, increased, but federal transfers and other revenues decreased, resulting in a decrease of 5 per cent.

On the expenditure side, you can see that total expenditures from the general programs increased about 7 percent. Well where did that happen? Most of it actually came through the "other" category, you can see. The "other" category, that was related to losses on the shares of Cameco, on the sales of those shares, the write-offs for the Bi-Provincial upgrader and NewGrade, and the Rafferty and Alameda dams. So that explains some of that.

in the user-fee programs you can see that revenues increased 21 per cent; that's the numbers in the solid colours. And expenditures increased about 34 per cent; that's the numbers with the blocks around them. The reasons for that are mostly related to the Saskatchewan Crop Insurance Corporation. You can see the large increase in revenues and the large increase in expenditures. And that corporation administers the GRIP program.

Going on a little further, to page 11 — or back, I should say — you can see that schedule 2 shows you the assets and liabilities. What this means is that it shows you what's owed and what we have available to pay for those debts. Quickly you can see that there are total assets of about $10.2 billion, total liabilities of about $19 billion, resulting in an accumulated deficit of $9.2 billion.

If you look a little closer in there, you can see that general program assets decreased about $400 million. That was related mostly to investment disposals, losses, and asset write-offs. The user-fee programs' assets increased about $400 million as well. That was related to the acquisition of energy-producing assets. As you can see, the total liabilities increased about $1.6 billion, and that's related to the annual deficit of the year which was about the same amount.

What's interesting on here and what's not shown is the investment in infrastructure of roads, buildings, and dams. And we don't have any information on that to present. And that's one of our recommendations, is that the government should present information about its investment in infrastructure so that people can look at how the government's managing that investment and also so that they'll give them some information about replacement and maintenance and those types of expenditures.

Okay, as you're aware, the government's estimates are incomplete. They focus primarily on the expenditures that are going to be provided through the general program activities. They don't provide you with a great deal of information about what's going to be happening through the user-fee corporations.

If you take a look at schedule 5 on page 16, you can see that the financial plan of the government, when compared to the government's revenues and expenditures as a whole, it really only covers about half of the activity. We recommended that the government should provide the Legislative Assembly with a financial plan of the activities of the government as a whole. And that financial plan should include a multi-year forecast.

Now in February your committee asked our office to work with the officials of the Department of Finance and the CIC (Crown Investments Corporation) to prepare a report on how the government would present an estimate of its financial activities as a whole, including a multi-year forecast. Well we have begun that project, and we're discussing the project with the Department of Finance and CIC. We plan to focus on what information needs to be included in the estimates so that the members and the public can understand and assess resource allocation choices and decisions. And that'll be what we think will be the focus of the project.

We plan to survey the MLAs and hold discussions. We plan to work with Finance and CIC to ensure that we can develop appropriate criteria for this project. Once those criteria are developed, we hope to take the '94-95 budget and apply those criteria against that budget. And our plans are to have a report ready for this committee by the fall of 1994.

Just as a final note, it's interesting that Alberta has recently changed the focus of its budget from the General Revenue Fund to all the provincial funds and agencies. And we think that's a good step because we believe more complete information allows for better decision making. Thank you.

Mr. Strelioff: — In my office I frequently go to Brian to get explanations of complex issues, particularly some of the transactions that involve four or five different government organizations and maybe different governments. And he's very good at explaining how it works. And I quite often sort of just lose track of it like the GRIP program or the Saskatchewan Crop Insurance Corporation, all the different programs it has and all its different relationships with other government organizations and other governments. Each time I get up to speed on it, I remember it for about five minutes, and then I goon to something, and then I lose it. Then I have to go back to Brian again to ask, well how does this work again? So perhaps the results have changed dramatically since last year. I'm sure you'll see that when the Public Accounts come out today. And he's very good at that, and I encourage all members to, if you do have questions at any time on these kind of issues, please give him a call because he'll explain it in a very understandable way that I can even understand.

Are there any questions or comments about chapter 2 or some of the issues that underlie chapter 2?

Ms. Crofford: — I know I'm getting to be a bit of a pain about this particular question, but when you talk to people who are concerned about the finances of government, they're concerned that their money is going somewhere where they can tell where it went. They don't want their money going into sort of the black hole called the Consolidated Fund. And I guess what troubles me about it is the way the general public thinks of accountability is so different than the way auditors think of accountability.

For example, let's say you've got a little piggy bank at home, and you're putting coins in it for a holiday. Now the sensible thing wouldn't be to put it in that piggy bank; it would be to put it in your bank account, have a budget and plan it rationally what you're going to do with that money. But a lot of people say if they put it into the bank account — they may have a separate account — if they put it into the bank account, they'll end up spending it, and it won't be there in the piggy bank for the trip.

And I have a hard time really with this whole issue because I know that, for example, let's say you had something like a deficit reduction tax. People understand that, when it's going to that purpose of deficit reduction, but they don't accept it nearly as easily where it's going into the Consolidated Fund, and then they have to trust you to spend it on deficit reduction. I guess what I'm struggling with here is how do you reconcile these two approaches?

Another example I would give is when a department perhaps produces maps for sale. Now the more maps they produce, the more cost there is to their department, and there's a corresponding revenue for producing those maps, but that revenue doesn't come back to their department. It goes into the General Revenue Fund. So they therefore lose the incentive for selling lots of maps because it just drains their budget to produce all these maps, and they don't have a direct benefit, other than on the global budgetary level, for that money to come back into their operation. And I guess I'm saying, how do we reconcile those two very different views of the world? And I understand your view.

Mr. Strelioff: — Could you state my view?

Ms. Crofford: — Well I think the view that I understand from the audit perspective is that it should all go into the Consolidated Fund, and then budgetary decisions should be made based on the priorities of government without necessarily taking into account the designation of funds. And I thought we'd . . . moving towards an attempt to remove as many designated funds as possible.

If I'm wrongly saying that's your view . . . But that's sort of how I've understood it to be. And I don't mean you personally; I mean the audit process and the budget process generally.

Mr. Strelioff: — Just on that view, my concern on when revenues are collected and spent is that whatever is done, the Assembly gets as much of a clear understanding and choice on it, and the Assembly gets to say yes/no because I think that's where the responsibility lies, and that's what should happen. Now that doesn't mean that all revenues have to go into one fund, just like the total revenues of SaskPower don't have to go into the General Revenue Fund for a specific decision.

However to me, the key point is, however you organize the revenue collection and spending that there should be a clear proposal to the Assembly, and the Assembly can say yes, no, or ask questions.

And if there's a specific, designated purpose, for example I think in the last year there was an internal discussion about the environmental protection fund or something like that. And as you said, some people were proposing that revenues be collected by that fund, and the department managing that fund be encouraged to take specific initiatives to perhaps raise those revenues and then use those revenues for environmental initiatives.

Well I don't see anything wrong with that as long as that's on the table and the legislature says yes, that makes sense to raise that, say, $5 tax on old tires. And we think that the department comes and says, we think that we'll collect a million dollars on the tire tax, and here's our spending plan for it. And you say, okay, that makes sense; or no, I'd rather have that tax money be spent on health. To me the issue is as long as you have the ability to make those decisions, that's the key.

Now there is another view and that quite often government managers want to make sure . . . or resource allocation advisers want to make sure that all the money's on the table at the same time so that you can decide. So that all the priorities also are on the table at the same time and that the trade-off between spending on health and spending on environmental protection is very clear, very up-front. And there's a view that the only way that that can happen is if all the monies are on the table at the same time. And that advocates or that leads to putting it all in one fund and then deciding whether we should spend it on environmental protection or health or energy or whatever. But you can also organize your decision making so that there are components. So that's when you said, what's my view, it's a little different than what you stated.

The deficit reduction tax that you mentioned. Well when you looked at what Brian said and portrayed the finances of the government, you're starting off with say a $9 billion accumulated deficit, and say you're forecasting a $500 million annual deficit. And then you go to the people and say, well we want to raise specific monies to reduce the deficit. Well okay, say you raise $200 million. Well the only thing you can do is reduce your annual deficit by 200. You don't even get to the accumulated.

It doesn't work until you actually have balanced your budget and you're then moving to — balanced your annual budget — and then you're moving to a surplus. And then you can say, okay, we're going to plan so that our annual surplus of $200 million, perhaps raised by a specific tax initiative, link it to it, is going to go to a reduction in the accumulated deficit. Otherwise it's not feasible.

Ms. Crofford: — Yes, I see what you're saying.

Mr. Strelioff: — And I know the GST (goods and services tax) in the federal scene was explained kind of in the context of this money is going to reduce the deficit or maybe the accumulated deficit. Well until you balance your annual deficit that just doesn't work. And that's why it's really important for everyone to understand the finances of the governments. Because when you're told that something is going to be designated for a deficit reduction mechanism, and you know that we're in an accumulated deficit position of 9 billion, well unless we balance and move to a surplus position on the annual results, it doesn't work.

Mr. Kraus: — Well I just wanted to say, I think the auditor has explained it about as well as it could be explained. And really the short answer again, although the auditor is trying to provide options within, there's still the notion that if you still analyse what he said, there may be different funds. But by the time you account for everything as one fund, you're back to where you started. He is saying you could have separate funds, but when it comes down to it, you still want to add all your revenues up, all your expenditures up, and see what your deficit is in total. So really the short answer was yes.

Mr. Strelioff: — Yes to which question?

Mr. Kraus: — Yes that we agree, I believe, that there should be one fund, and it should be accounted for as one fund. If it is accounted for as fund A, B, C, D, you still use a summary financial statement to bring them together so that in effect you still have the deficit on one fund.

Mr. Strelioff: — So the summary financial statement can be viewed as one fund, but there's all sorts of subcomponents all the way through it. You can view the Crop Insurance Corporation as a fund, just an accounting entity designed to focus management responsibility.

Ms. Crofford: — Let me complicate this just a little bit further. We are now entering the era of partnerships where government joins with private sector to do things. In that kind of an accounting framework where you've got maybe staff and resources donated from the private sector and you've got some staff and resources from the public sector and they're combining forces to achieve a particular goal, is it still possible to work in that kind of a relationship and be able to deal with the accounting end of it when you've got basically two separate people bringing their budgetary forces to bear, and there's a revenue component of that activity?

Mr. Strelioff: — One of the other people within government has asked me this question too and that is — you referred to it earlier — where is the incentive within the system to encourage government managers to take proactive initiatives that may result in increased spending but also generate more than the spending for revenues? And the only way . . . And they argue that you need to have the ability to manage those revenues as well as the spending to encourage that kind of activity, rather than have the revenue move to the Consolidated Revenue Fund directly and the incentive to take those proactive steps seems to disappear.

So the issue to me becomes, should all revenues automatically move to the Consolidated Revenue Fund, or should there be a mechanism to have the revenues move through the departments. And we use special purpose funds and set up Crown corporations and government agencies to facilitate that.

And again I go back to the general principle that the form of organizations that are used to carry out government initiatives shouldn't be the issue. And you can use all sorts of different forms of organizations and all sorts of different ways of providing managers incentives to carry out proactive initiatives. The key to me is, at the beginning of the day, the plans for those initiatives be set or provided to the Assembly. And if it involves a particular department forecasting revenues that they're going to use and spend to do something specific, and the Assembly says, that's a good idea or that's not a good idea for these reasons, that makes sense.

I guess where this leads to is a questioning of whether the General Revenue Fund is really reality today. I mean there are so many different, other government forms of organizations that governments use to carry out what the government does. Is the General Revenue Fund really . . . It used to be that all activities were financed and carried out through that fund, but it's no longer the case, and perhaps there has to be rethinking on how we manage.

Mr. Atkinson: — Just a point about your analogy about the family collecting the money in the jar for their vacation. I think what we're trying to say is that what you need for good decision making and for good planning is that you need everything on the table because, as you watch that jar of pennies or dollars or nickels grow and you get a warm feeling that your vacation is going to be very long and lavish, if you don't know that one of your other family members has been using the Chargex card, I mean you've got a false sense of security. So you have to bring everything to the table. And once it all comes to the table and you can look at it together, then you can plan.

Ms. Crofford: — Yes, I understand bringing it all to the table. It's the question of whether you . . . and of course I mean without saying too much, I have something in mind as I ask all these questions in terms of what's possible and what isn't possible, a particular initiative that's under consideration. But I'm just concerned about this private-public relationship and what happens then with your budgetary track when you're combining forces with other people who are primarily using private funds and not public funds. It becomes more complex then.

Mr. Strelioff: — Again I think the issue becomes making sure that the proposal, if the department is planning to raise revenues from the private sector and for a specific initiative that is being planned, the key is to bring that proposal in a clear way to the table and also compare it to other uses of money and other initiatives and be able to make decisions and assess alternatives.

Ms. Crofford: — And I will shut up, I promise, right after this. The Crown has been our main kind of mechanism for setting up separate, financially accountable bodies, but I have to admit it occurs to me lately that maybe we don't have the kind of financial structure we need in a way for some of the new kinds of relationships that are developing, and I'll just leave it at that. But I keep running into this as we look at different options for doing things, and I just wonder if we're missing something new that has to be invented; I don't know.

Mr. Sonntag: — We should find out whether Joanne uses the jar or the bank account and see how that works.

Ms. Crofford: — I don't even have a whole jar.

Mr. Van Mulligen: — I just want to make a comment on what Jo was saying. I think she's right that there's a sense in the public that we're prepared to pay something additional or we're prepared to pay for a specific undertaking of government, but we don't want to see that money go to some other undertaking of government. And for sure we don't want it to go into that pool called the General Revenue Fund because then it becomes part of your overall priorization. And that's not necessarily what we gave you the money for; we want it to go to a specific thing. We're prepared to pay an extra five bucks on the tires that we buy.

We buy because we recognize that there's a problem with the tires and how to get rid of the tires, and that's good. And we're prepared to pay for that. We understand that. But that then doesn't translate into all that money going to the General Revenue Fund, trusting the government of the day with — you know, notwithstanding all the auditors and all the opportunity for the opposition to . . . (inaudible) . . . that — nevertheless, trusting the government of the day to make the decision that in fact all those dollars are going to dispose of the tires. And if you don't need all the money to dispose of the tires, the tax would be lowered or dropped, whatever the case might be. And I think there's that mood out there, that the public are prepared to buy certain kinds of fees and what have you. But they want a very clear undertaking in blood from the government that it's going to go to that.

On the other hand you have increasingly government saying, look, decisions that we're making really require everything go into the General Revenue Fund because the priorities are . . . the state of government is such that we really need to be able to control every penny possible and direct it towards the priorities the government feels are important. And I think we should be looking for ways to deal with that.

And I recognize that the special purpose funds create their own problem. I remember a few years ago that I think the government cancelled a capital . . . What was it called? It used to be called a community capital fund, the CCF, and then it was called the provincial capital whatever, the PC fund for urban municipalities. And it was cancelled.

On the other hand, some other programs such as intermunicipal recreation grants and so on and other recreation grants were continued. So you had the city with a conundrum that its roads were falling into disrepair because it couldn't get the money to . . . or didn't have as much money as it figured it needed to maintain its roads program. On the other hand, here is government sort of bestowing them money to build recreation centres. And they said, well our priority would be on roads, not on recreation centres. So you can't do that because it's, you know, targeted funds.

I don't know what the answer is, whether it's if you set up the special tax, you issue separate reports on . . . or targeted tax. Or even if it goes into the General Revenue Fund, here is your accounting for that specific form of revenue. I don't know.

Mr. Kraus: — One of the advantages to creating separate funds is — and there's that dark side to it — is that management begins to take control of it, and it doesn't work the way the auditor is suggesting, that it go to the legislature for full accountability, Historically those things are managed by a deputy minister and, of course, the minister and a few people that have an interest. And they begin to spend the money in a way in which perhaps it wasn't originally intended. It's not that they're not basically following the initial intent, but they begin to expand the thing. And after a while priorities are not necessarily, of the government, aren't being considered when they're spending money out of this fund. And you begin to lose control.

And so if you had to do what the auditor has suggested, that you have to bring it back like the Consolidated Fund and put it on the table, then it loses its attractiveness, and to some extent there isn't the request for it. Now I guess because what I'm saying is . . . too often while people have the best of intentions, there's also the other side. And then I think there's too much money spent on things that you perhaps wouldn't want in the first place.

Ms. Crofford: — I think actually Harry probably had the answer there. Maybe it's some special reporting on areas that people are particularly concerned about, drawing it out of the bigger picture.

Mr. Strelioff: — Well that's consistent with what Gerry was just saying. He said the key is to bring it to the table in a very forthright way and not move it in a *sub rosa* way, that it's a clear proposal by the government to raise this revenue for this purpose, and it's on the table with the revenues that we're collecting for another purpose, for reducing the deficit or whatever. And then you as legislators can make the choice. When you see it on the table together, what you might have thought as a good environmental protection initiative, when thinking about it in isolation, might not be as attractive when you consider an alternative, or you may still think that's an important initiative.

But it should come to the table, not just the first year that this fund is created which quite often happens. it should come to the table every year. And one of the dilemmas that you'll end up facing is that if the priority of a particular government is to end up with a deficit, annual deficit of $500 million dollars and they're moving through the year and finding that that target is not being reached, if that's the priority, they then have to come back to the table and say okay, all these other . . . of all the initiatives that we had planned, including using special purpose revenues for a specific purpose, we are going to have to reassess. Should we forget about it, or should we not? And that's an ongoing decision, but you end up with the dilemma of the priorities, and the General Revenue Fund emphasis focuses that priority quite well.

The Chairperson: — Were you finished Harry?

Mr. Van Mulligen: — Yes, just maybe one comment that . . . one of the taxes . . . is there a deficit surtax in Saskatchewan? Right? It's been a while since I did my income tax.

Mr. Strelioff: — Yes, something like that.

Mr. Van Mulligen: — But there's a deficit surtax. But see any reporting on how much money is raised by the deficit surtax and whether or not the money generated by the deficit surtax in fact, goes in paying for the deficit? Or is it larger than what the deficit is? Or is it going into debt retirement or . . . I don't know if any of the money that is paid on bottles? Is that money going into government coffers? It does?

Mr. Kraus: — Yes, we go into . . .

Mr. Van Mulligen: — Well I never see any, you know public accounting. Here's your dime for the bottle and here's our report that every dime in fact went to recycle the bottles I don't see that, and I think the public don't know that. And especially at a time when people are saying well, I don't want to pay any more taxes. On the other hand, if you need an extra five bucks to get rid of the tires and I understand it's problem, then I'm prepared to pay that. But I don't want to pay the extra five bucks on tires to see it go for committee per diems for MLAs. But part of the dealing with that in this is sort of accounting publicly, on those extraordinary revenue measures.

Mr. Strelioff: — In general, we need the overall report, but you also need the specific reports to say what's happening in specific departments with specific revenue measures — all the way down the line in terms of what has been said to the public.

Mr. Van Mulligen: — There's many people out the that when they look at a bunch of trees they see forest, and there's others, they see individual trees and they got to do both.

Mr. Atkinson: — I think as a note, that public accounts in Saskatchewan has started moving that way, that you can take a look at the overall picture and see how things are going in a global sense. You can then start follow through, as you say, your taxation if you want to see how much money was raised by a specific tax which department raised it. I mean the public accounts are starting to evolve to the point where you can say, okay, go and say how much individual income tax was raised, and then you should be able to then follow it through within the financial statements.

Mr. Van Mulligen: — I think it's got less implication for the auditor than it does for Department of Finance to be able to explain to people how certain monies that were raised for a purpose are in fact being used for that purpose.

Mr. Atkinson: — That's why I say. I think that's the job of the public accounts. It should be able to lead you through. If you're an interested taxpayer, you should be able to go to the global, the big picture, and then say, follow it down until you're satisfied that you can see the X department raised so much money for a certain type of tax and how it was used.

Mr. Van Mulligen: — And I can't. I think it's just a . . .

Mr. Kraus: — just one short comment. I agree that special reports are probably going to be required. I also want to bring in — these are all related; they don't sound like it — but the infrastructure, roads, buildings, and dams. As you know, the accounting, CICA (Canadian Institute of Chartered Accountants) is looking at how governments might account for those assets. Governments aren't very good at accounting for them. They are really struggling.

But that and issues you're talking about, Mr. Van Mulligen, I think more than ever government reporting is going through quite a transition. And I would expect there'll be a lot of change over the next number of years. Just exactly what form it'll take, I don't know. But I would think that the *Public Accounts* and financial reports will look a lot different by the end of the decade than they do today. I would imagine we'll see more change in the next five, six years than we've probably seen in the last 25. And we've seen quite a bit just recently. I would expect it's going to continue.

The Chairperson: — I have a question, and it relates basically to where Gerry left off, and that has to do with when are we going to take a look at the value of our total assets as a provincial government and look at them in the way that the majority of people do.

Mr. Brennan here yesterday said that *50* per cent of basically our economy is driven by the private sector and yet almost 100 per cent of all of the people in Saskatchewan do business in the private sector. When it comes to renting an apartment, buying a house, buying a car, it's all done with all of the accountability going in more or less a straight line. And when we have the provincial government, we have all of the . . . we have the investment and program-based Crowns. We have all of the expenditures in programs and all of those kind of things. When are we going to get a picture of all of the assets of the provincial government?

And I think that is going to have to take some time to do that, but I think we have to realistically begin to take a look at that. The majority of people that I deal with, they know what their liabilities are. They know what their assets are, and they compare the two. And I know that government doesn't come into a market position in relation to what those assets are valued at, but somewhere along the line they need to be not evaluated at what they are in terms of book value and depreciation; they have to have some real value.

And with that I was going to ask you a question because you've used the term user-fee enterprises, and have you got a value or has a value been placed on those user-fee enterprises, and can you give me a list of which ones you've classified? The whole list. Like you've got four listed there, but have you got a list of all of those that you include as a user-fee enterprise?

Mr. Strelioff: — Mr. Chair, and members, the list of the user-fee enterprises which relates to say page 15 of our report . . . and it has the category, user-fee enterprise program. If you go to- I'm going to have to publish the financial statements within this report- if you go to page 85 of the summary financial statements, on schedule 12 there's a listing of those enterprises.

And they include the SaskAuto fund, Sask Crop Insurance Corporation, the Sask Economic Development Corporation, SEDCO; SaskEnergy, Sask Forest Products, Sask government growth fund, SGI (Saskatchewan Government Insurance), the Liquor Board, Power Corporation, Telecommunications, STC (Saskatchewan Transportation Company), the Water Corporation, and the Workers' Compensation Board. Those are the organizations that sit behind the user-fee enterprise programs.

And on page 15 you can see that their total assets are 6.9 billion, and their total liabilities are 5.6 billion. And if you go to the revenue side on page 13, you can see the total revenues of those organizations are 3.4 billion and the expenditures are 3.28 billion. And then in the summary financial statements in *Public Accounts*, volume 1, page 75, in schedule 3 there's a very useful, detailed schedule showing the assets, liabilities, revenues, expenditures, in a more specific sense, of each one of those corporations.

So the information is very much there and summarized, quite usefully done. And page 13 just aggregates it — 13 and 15.

The Chairperson: — Okay, following that, what kind of a value is established as the value of the asset? What is the determination of those values?

Mr. Strelioff: -The accounting conventions that we use, the accounting rules that we use say that the assets are valued at their cost — what they cost when we acquired them. And then we write them down to reflect their use over some period of time.

The accounting world has not moved to valuing assets at perhaps their replacement cost. That could be an alternative, at their market value which you could perhaps sell it for. Or there's three alternatives for example: the historical cost, the replacement cost, and what you could sell it. The convention, and that's the same convention in the private sector, is to value assets at what they cost and then write them down over time.

The Chairperson: — Okay, within the framework of what you've talked about there, I didn't see any value in relation to Saskatchewan fertilizer company, which is what Ms. Crofford was talking about. I didn't see any value in the assets in relation to Millar Western in Meadow Lake. Those are all part of it, and is that evaluation also taken at value, at cost of construction when that is defined as a value to the . . .

Mr. Kraus: — Mr. Chairman, the net investment in long-term investments is I think what you're referring to. And again the summary financial statement, schedule 4, shows that . . . I'm sorry, page 77 will show that there's a total investment of $1.369 billion. You were talking about Meadow Lake, were you, Pulp Limited Partnership?

A Member: — Yes.

Mr. Kraus: — At that point in time there was $9.8 million, I see, invested in it on the investment side, and then there's bonds and debentures of another $132 million.

Mr. Strelioff: — Okay. So if you go to page 15 of our annual report, and on page 15 the first title is called general programs, and then there's long-term financial assets. Within that $2.297 billion are long-term investments in Cameco for 300 million; Potash Corporation for 265 million; the Bi-Provincial upgrader of 200 million; Saskoil, 60 million; Saskferco, 38 million; NewGrade, zero — 232 minus write-off of 232. So the value of the investments that we made are reflected in these financial statements and they're there.

The Chairperson: — The question I raise, is that their real value? And that's the part that . . . When I buy my house in town, I can reflect the real value as to what it will be five years from now. it might be up $5,000; it might be down 10. But I know what that is. When we're dealing with quasi-private enterprises, we always go back to that value that was there at the cost of construction and the depreciating value. And that's why I think we need to go far more to a real value base than what it is.

And is there a value base that is established in, let's say, convention that says that you have a multiple factor of the gross income of these user-fee companies; is there a value that's established on a multiple factor where you can take that in a general sense and multiply that times the income that is generated by those user-fee corporations and then say that is the value of that asset.

Mr. Kraus: — Mr. Chairman, an investment like we have in Cameco Corporation, the accounting convention is that you would report the investment at your cost. And so if you paid $15 a share, that's what your asset would be reported as on the balance sheet. And even if it went up to $19, for example, or $22, it would continue to be valued at 15.

Now if it took a drop to 5 and it was everybody's belief that that's where it was going to stay and it was a permanent decline, then you would have to write it down by that $10 a share. But I think it's fair to say that you just do not typically write assets up to market value; you may have to write them down if there's a permanent decline. But otherwise, cost is the standard valuation.

You may on many balance sheets where, in addition to the cost information, they may in brackets show what market values are. But as far as the total assets go for the company, it's still based on cost. Do you agree with that?

The Chairperson: — Okay, then Diefenbaker dam, Gardiner dam is of zero value because it's been written off to that. But what is it in real value as an asset and a book value to the province of Saskatchewan, or the assets, the infrastructure assets in the province of Saskatchewan or the infrastructure assets in the city of Regina or Swift Current or Herbert or whatever?

Mr. Kraus: — And that's what the Institute of Chartered Accountants says. They have a project and as you know — I think it's New Zealand and maybe Australia as well — have tried to pretty much copy private sector accounting practices where they've put a value on their balance sheet, I believe, for the cost of these things and then depreciating them and then working those into the budgetary expenses and then taking that into account as to whether they've had a deficit or a surplus for the year.

And I mean, I don't know where this thing is going to go, but I agree there's a struggle because some would argue you can't sell it so there isn't a financial value in that sense. And yet we know most of these assets contribute to our economy, and so they're providing a basis for our economy to exist. And so that indirectly provides revenues to the province.

But it's not like a private sector company who, when they build something for $400 million, they know that they can set that up as an asset and depreciate that over time because they are going to, in turn, charge that depreciation or the use of that plant to the consumers. Revenues flow in so there's a matching of revenues against the use of that asset. It just doesn't quite work that way for us in government, and I think that's one of the problems.

Governments are very good, by the way, at reporting their liabilities. They're great. And they can do a pretty good job of reporting what we call financial assets: assets that are cash or near cash or going to be and you could convert them to cash. But we're not very good at accounting for these infrastructure assets, and that applies to government generally. That's what's being worked on.

The Chairperson: — The point I wanted to make was that most people apply their normal budgeting process to what you just described, and they don't take their income as separate and their liabilities separate without including their assets at the same time. And that's what makes the evolution of what we have to do to provide them with — where they are — the information what they deem to be of significance.

And that is where we have to get to.

We can't continue to place the focus on bringing them to where we are. We have to go where they are because there's more of them than us. And that's the difficulty.

I raise it from a couple of points of view, I guess . . . is in the year under review there were significant amount of write-offs of assets, including the irrigation project at Luck Lake, and Riverhurst I believe was one of them. And I think Rafferty and Alameda, and there were a number of these that were written off as a zero asset, and yet they are an asset of value to the . . . not to the return on the liability necessarily, but they're an asset to the province of Saskatchewan.

Mr. Kraus: — In the same way as the No. 1 Highway is a value.

The Chairperson: — Right, exactly.

Mr. Kraus: — And that's what the struggle is, is to how do you . . . I have sympathy for governments everywhere because, like I say, there's focus on the liability side and what are you doing with our money, and there doesn't seem to be a way of fairly demonstrating that. But some of this money is being invested in infrastructure that has a value to us over some time into the future.

The Chairperson: — And that's the same with hospitals or any of the physical structures that are built in the province of Saskatchewan as well.

Mr. Strelioff: — Universities as well.

The Chairperson: — That's right. And then the one that Ms. Crofford was talking about is the one that's a Saskatchewan fertilizer company is a perfect example of that because there's money invested, and the private sector sells shares on the basis of its value. It knows what its value is of its investment, but the government doesn't know.

Do we take our value in equivalent proportion to what Cargill will take for their portion of the investment? Is that where we go with those? Is that how we start to evaluate that? Because then it will change the focus of our debt and our deficit and our assets because people will realize that we're doing . . . If we're building for Saskatchewan, we will build with a debt-related asset. And if we deal with deficit, it deals with a totally different kind of a function. That's a program-driven deficit and not a debt-driven deficit or deficit-driven deficit.

Mr. Strelioff: — Where I am on the investment in the infrastructure that you're talking about . . . is on page 15. On page 15 there's a line at the end that's called "Investment in infrastructure of roads, buildings and dams." And what I think is useful, would be to show what the cost of that investment has been so that when readers look at the financial position of the province they can see that yes, we have an accumulated deficit. The future taxpayers owe a great deal, but we've also invested that in infrastructure, And the value of that infrastructure, if it's just . . . we just say if the cost of that infrastructure is X billions of dollars, it gives you a sense for what we've done with that borrowing. It's more than . . . We haven't just thrown it out. We've invested it in roads, buildings and dams and bridges. But if we keep it separate like we've done on page 15, we still highlight the amount owed by future taxpayers. It still preserves that amount.

The debate on how to account for these kind of assets usually gets rolled up into adding the value of those assets before you calculate the accumulated deficit and then reducing the deficit by the value of your investment in roads, dams and buildings.

And I think the community is moving to preserving the way the accumulated deficit is measured, the difference between liabilities and financial assets, but showing what our investment is. Where did that accumulated deficit go? And we have invested huge amounts in highways, buildings. Yet those assets . . . we can't sell them, so we can't use them in a direct way to reduce the deficit. But they are a use of resources. And the current financial reporting of governments across Canada, local governments as well, doesn't bring this to life in a very forthright way.

The Chairperson: — We have made those same assessments in pension funds when the actuary takes a view of income coming in for a pension and what is going to go out as a pension, and then he will say that this is the unfunded liability in relation to that actuary that describes what that liability to the taxpayer is going to be. There is a process in place that has established what that actuary studies. And that's what I think we need to take a hold of when we look at the different kinds of assets. And I think they need to be identified as different kinds because they have a different function in the society of Saskatchewan. And those are the Crown corporations, those Crown and private-public invested companies, and then what we would consider as non-saleable entities like hospitals and schools and universities. And those are assets that should roll into an actuary kind of a study that deals with how we make the presentation to the public. Just an observation.

If you want to respond, I'll give you a moment, and then we'll I go on to the next one.

Mr. Cline: — Well I just want to comment briefly on, first of all this issue, the assets. And then secondly, the separate funds issue that we were talking about earlier.

I think we have to apply some common sense to the argument that we should be just like the private sector because, I mean, we're not just like the private sector because we can't sell our assets or most of them. So it's very difficult to . . . I mean we're not going to sell the highway. We're not going to sell the Rafferty dam, Mr. Chairman. You raised that one as an asset, but not so sure.

But I thought your analogy of the house was a better . . .

You can sell your house and in the private sector they will put a value on that. But it's a difficulty in the public sector, it seems to me, and the Provincial Auditor recognizes that I guess on page 15, because the investment and infrastructure is unvalued because you can't put any market value on it, you know, because you're never going to buy it. Who knows what the market value of this building would be, for example? And yet we know it has a great value to the people of the province, although they might disagree with that from time to time too.

But getting back to the issue of the separate funds, I think there has to be some balance here. I mean it would be easy to say that everything should go into the Consolidated Fund, or I guess we call it the General Revenue Fund now, because somehow there is going to be greater accountability if you do that. But in one sense, as Harry said, I think, you could end up not being able to see the trees for the forest, you know, in the sense that you've got the whole picture.

But on the other hand, you've got these little funds that are sort of hidden in the whole picture too. So you have to be careful to maintain some kind of separate reporting, but it seems to me that the real issue here is not whether you have a separate fund, I mean it doesn't bother me that there are separate funds. People want to pay $5 on a tire tax. I mean they want a separate fund because they want it all to go to a program to deal with the problem of tires, it seems to me.

And I don't think there is anything wrong with that. They pay a deficit-reduction tax. They want to know if that's going to reduce the deficit.

But the two issues I don't think are incompatible. I mean you can have separate funds as long as. . . and I think the point is you have accountability, which means that you get the big picture. And chapter 2 is an attempt at that, a good attempt as far as I know, in terms of giving the whole picture of not just the General Revenue Fund, but what the Crown Corporations are doing and so on.

So you have an idea, subject to the caveat that it's not necessarily a complete idea, because you can't buy you the assets, which presents you with a bit of problem.

But as long as you get the big picture and you have accountability because the separate funds are audited and report, I mean I think that you can have, you know, the big picture presented by the Provincial Auditor plus you can maintain separate funds. And I think as a matter of common sense that's probably what you do have to do. We're not going to roll SaskTel and SaskPower into the General Revenue Fund, I don't imagine, because they have specific purposes, you know.

And there are other specific funds with specific purposes too. And I think the public wants that to continue. So to me the issue isn't whether it's all paid into the General Revenue Fund. The issue is what kind of accountability you have.

And certainly the people in the wildlife federation made their view very, very clear last year I guess it was that they want their separate fund because they feel that people pay a surcharge — I don't know what it is — and it goes into the wildlife fund, if that's what it's called, and it goes to particular purposes. They don't want it to go into general revenue.

And from my perspective, just speaking for myself I mean, it doesn't bother me as long as there is proper accountability. You know, as long it's properly audited and reported and anybody can look at that, you know.

But to me public accountability doesn't demand that everything be paid into the General Revenue Fund. That's how I feel about it.

I'd be happy to hear what the auditor or comptroller may have to say — if anything.

Mr. Strelioff: — Mr. Chair, members, I agree. It's not just the audit and reporting though. It's the plan that comes forward with the use of the revenues or how much revenues are anticipating to be collected, what are you going to use those revenues for. The MLAs (Member of the Legislative Assembly) say yes, no, or change it somehow. That's the key starting-point and that's quite often the missing link.

If you search far enough you should be able to find out what that revenue was used for and it'll be in a detailed audited schedule somewhere. But what you haven't got is, at the beginning of the day, what's the plan and do I agree with that and then what happened at the end of the day.

The Chairperson: — Just to add to that, that's a part of what you have to evaluate. Typically, there was one in lands branch that was exactly the same as the one you described in wildlife where the livestock that were purchased through contributions to lands branch from the Consolidated Fund and then sold back into the Consolidated Fund and it was always a continual liability and you could never realize any benefit to lands branch for the function that those animals were purchased for, and the revenues, even on rent of those animals, was charged back but went into the Consolidated Fund.

What happens if you have that special fund build up? Then members of the Assembly are not in control of the expenditures of those funds except to make the rules to start with. And that's where I see the difficulty. And Finance, from my experience, has said in order to manage that better, we want to have control of that, And the public have said once it goes into that big black hole of the Consolidated Fund, it's gone for ever and I never see that.

And so that's the dilemma that we face. Maybe it's time to get it back into the hands of the Legislative Assembly to control through seeing what the budget will be and then assessing whether those funds were accurately spent from a Public Accounts point of view.

Mr. Boyd: — I just briefly wanted to discuss and challenge the thought from Mr. Strelioff that a dedicated deficit-reduction tax doesn't do any good or it doesn't work as long as there is a yearly deficit.

Now as I understand it — and the accumulated deficit, I presume, is made up of a number of components of debt and each carrying presumably again different interest rates attached to those various components of that long-term accumulated debt. Now a deficit . . . or I mean a debt-reduction tax can then, it could then retire one of those components of debt which is carrying a higher interest-bearing component on it, and thereby reducing the overall amount of debt-carrying charges, thereby reducing the long-term debt in the future. I guess that all assuming that interest rates do fluctuate, as we know they do, and also assumes that we're not tied into penalty clauses on retiring long-term debt early.

So do you understand what I'm saying? It's like you're carrying a mortgage on your house, you're carrying a loan payment on a car. The car interest rate is 22 per cent, we'll say, and you say to yourselves, I've come into a little bit of extra money here. One way or another, rather than just go along merrily as we are, I'm going to retire that high interest rate debt that I'm carrying on that vehicle and thereby reducing my living costs or my . . . you know, my operating service debt, debt-servicing charges in the long term.

And I presume government operates pretty much similar to that. We've seen high interest rates. I would expect Saskatchewan is paying some reasonably high interest rates on long-term debt and you would think that it would make some sense to dedicate a tax to the deficit and thereby look at and decide, government decide, whether or not they want to retire some of that higher interest rate debt.

Mr. Strelioff: — Okay. Page 22, 23, 24 of volume I of the Public Accounts sets out all the debt of the province and the interest rates. So you can see how low or high the rates are.

But let's go back to your first comment on the dedicated tax. just think of it this way, that say we owe an accumulated debt of $10 billion and we have . . . this year we're forecasting a $500 million annual deficit. Okay? Now your thought is, let's take some of the revenue of this year and pay off . . . say, we'll take a hundred million dollars out of the revenue of this year and pay off part of the $10 billion debt, so that we have $9.9 billion.

Mr. Boyd: — Right.

Mr. Strelioff: — But by taking some of the revenue out, we increase our annual deficit to $600 million.

Mr. Boyd: — Oh, I understand that.

Mr. Strelioff: — And then we have to borrow to finance that. At the end of the day our accumulated debt is $10.5 billion. It hasn't changed.

Mr. Boyd: — I understand that.

Mr. Strelioff: — The Department of Finance on a day-to-day basis manages the debt in terms of interest rates and they're always looking at opportunities to refinance to a lower interest rate to the extent that the debt terms allow. And you'll see they're just doing it all the time, trying to make sure that the annual interest costs are as low as possible. They focus on that. So that happens. I mean they're refinancing that $10 billion debt constantly as to the terms. So they are doing that.

But just from my analogy with my way of thinking about it, if you move the hundred million out to payoff part of the $10 billion, assuming the forecast for the annual deficit stays the same, nothing has changed. You still at the end of the day have ten and a half billion dollars accumulated debt.

Mr. Boyd: — Except that if that hundred million dollars that you brought in carried a significantly lower interest rate than the hundred million that you paid off, then the debt-servicing charges are lower in the future.

Mr. Strelioff: -So if you retire debt with high interest rates.

Mr. Boyd: — Yes.

Mr. Strelioff: — But remember the Department of Finance is always looking for opportunities to exchange lower-cost debt for higher-cost debt all the time. So they're always trying to do that.

Mr. Boyd: — I guess my point is, is that I think people will understand that. People look at it and they say, well why are you carrying in a debt at 14 per cent interest rate when you can refinance that debt at a lower interest rate? And if you're doing that that's fine, but I think just to say to people there's no benefit in it is not quite accurate.

Mr. Strelioff: — I'm not saying there's no benefit in raising a specific tax, but you have to understand how the accumulated deficit and the annual deficit relate to ensure that that additional tax has any impact on the accumulated deficit. It will have an impact on the annual deficit because the more taxes you raise, theoretically, to some point, the lower your annual deficit is.

Mr. Boyd: — Thank you. I wasn't aware that they were constantly monitoring the interest rate thing and refinancing that.

Mr. Strelioff: — Well, Gerry, assure us that the Department of Finance is doing that. Please.

Mr. Kraus: — Well they're constantly monitoring interest rates and I'm not sure that they do redeem very much debt before it's time, unless it's callable . . .

(inaudible interjection) . . . Yes, because there's always a cost associated with it. But clearly they're always looking to get the best deals they can and they go into the market at the best time that they can, and the average interest-rate draw is always dropping, particularly at this time.

Mr. Strelioff: — And the cost of redeeming debt, it can be equated to the cost of renewing your mortgage. I mean there's a three-month penalty, and they have to assess whether that three-month penalty is more expensive than the gain on the lower interest rates.

Mr. Boyd: — Is that looked at routinely, though? Retiring long-term debt early?

Mr. Kraus: — I think there'd be quite a premium. If someone was holding debentures and they were carrying 14 per cent interest rates, they'd probably you know rather than paying them $100 on a $100 bond — they'd probably want, in addition to the interest you owe them, they might say, well pay us $120. You know how the price of bonds fluctuates. I mean you'd pay such a premium that it'd probably equate to the same as having paid that interest rate over the remaining five years or six years of the loan.

Mr. Van Mulligen: — There's a very active market that . . . I mean somebody's got Saskatchewan bonds at 15 per cent with three years left to go, they need the cash now, they don't necessarily come to Saskatchewan; they just float them out there on the market to sell them at fourteen and three-quarters or 14.95 and, you know, because they want the cash then. And they don't necessarily go to Saskatchewan and say, well do you want to buy them back this early.

Mr. Boyd: — Well in private business that I'm associated in we're constantly looking at that as a way of reducing our debt-servicing charges, trying to reduce . . . trying to refinance our long-term debt. And often you'll find, well at least in private industry — I presume government probably has more levers than I have available to myself — but the penalties sometimes aren't as great as you think they are because it's a negotiated process.

Mr. Kraus: — But in these cases, I mean remember there's always old debt coming due each year, generally every year, so that's refinanced at a lower rate; and quite frankly, I would think you'd have to pay the market rate if you were going to redeem some of these bonds and . . . I know you could have bought some Saskatchewan bonds not very long ago. The prices look like they just can't go any higher, but you know you might have paid $100 for a $100 bond and now they're up to 105 or some of them would be 115, 120. And we'd certainly have to pay that type of premium to redeem them.

So again, I say that we wouldn't, no we wouldn't be able to renegotiate with those bondholders particularly. You'd have to pay the market rate to get out of the debt and it would equate to paying that interest rate over, as I say, the remaining life of the bond.

Mr. Van Mulligen: — I just wondered whether there's some value at some point, like maybe when we get through this, in this session, maybe to have somebody like the . . . Is it Gary Jones?

Mr. Kraus: — Bill Jones.

Mr. Van Mulligen: — Bill Jones, that's in charge of debt management, explain how they borrow and that whole process.

Mr. Strelioff: — And how do they manage the cash in the province. It's a very important exercise.

On page 68 of the *Public Accounts* you can see that in '92, the government refinanced, redeemed, $1.2 billion of debt and part of the year before that 2.8 billion. So that evidences new debt or old debt expiry, the terms expiring, or they were able to renegotiate.

Gerry said it sounds like most of it relates to the term of the debt or the term of your mortgage is expired and you're renegotiating new, refinancing new, and the $1.2 billion shows the activity there.

The Chairperson: — I'll just make this comment and then we'll have time out for 10 minutes and Ms. Haverstock will come in after. just one observation. When this lady from Standard and Poor's was talking about dedicated taxes, the bond-rating agencies had a higher degree of confidence in dedicated taxes to a program than just putting it into the Consolidated Fund. She made that point a number of times in order to . . . And she was talking about some things in Ontario that had a dedicated tax. And the Coquihalla Highway is an example, she said, of one of those where there's a dedicated tax saying this is what it's going to be used for, and that's where it's going to be spent. When it's done, it's finished. She made a point of saying that a number of times.

The committee recessed for a period of time.

The Chairperson: — Interesting conversations going on all over, but I think we need to have in place some direction. It's my responsibility to do that, and we will wait for a moment. The Provincial Auditor will return in a minute, I'm sure, and then we'll go with your question, Lynda.

Ms. Haverstock: — Thank you, Mr. Chair. I just want to take a few steps back and ask some quite simple questions. Who determines the value of assets?

Mr. Strelioff: — As they're recorded in the financial statements, management does. They're usually based on what they paid for those assets.

Ms. Haverstock: — I'm going to present a scenario that someone has presented to me and I would just like your comments, if I may. This is the picture that someone painted. If assets indeed are undervalued, and perhaps it's by the institution for whom we are wishing to borrow money, assets are undervalued, and the debt is overvalued then in borrowing monies, the interest rate would be higher because we're seen as a greater risk.

I'm wondering how you would respond to someone who would suggest that that might be the case because it's in the best interests of the lending institution to receive more in interest payments.

Mr. Strelioff: — I don't think that liabilities are overvalued. There's a lot of precision, I think, to the liabilities. Assets could be undervalued in the context of what you might be able to sell them for.

Now if assets are undervalued, then it gives the impression that the government or the jurisdiction has less ability to repay debt than one . . . (inaudible) . . . perhaps otherwise. And the credit ratings and the interest rates, particularly the credit ratings, should be — and as Cathy Daicoff said in Toronto, are — very directly related to the credit rater's assessment of the jurisdiction's ability to repay their debt.

So if assets are undervalued, then the perception perhaps is that the jurisdiction has less ability to repay their debt. Their credit rating is lower; their cost of debt, therefore, is higher.

There are other factors that credit raters consider when rating debts, three or four factors that I can pull out. One is the economic activity of the jurisdiction, as perhaps indicated by GNP (gross national product), that this jurisdiction generates X billions of dollars each year and it's growing or declining. That will be a factor that the credit rater uses to assess and compare jurisdictions. So that in some way factors out the undervalued assets because it brings it back in.

They also assess the debt load. They assess the fiscal posture of the government. Is financial management on the top of their list or on the bottom of their list? And they somehow try to assess that. And that impacts the credit rating and therefore the cost of debt to the province.

Now your question. If the assets are undervalued and the liabilities are overvalued, does that impact? I think the liabilities are not overvalued. The assets might be undervalued in the sense of a market value, what someone would pay for it, but there are other factors that credit raters factor into their assessment which might balance it out somehow. Now did I answer that question?

Ms. Haverstock: — I don't know if there was an answer for it.

The Chairperson: — just a minute. Gerry wants to answer that.

Mr. Kraus: — I also have the answer, I think, Ms. Haverstock. I think what that is doing is questioning — and maybe properly — but still it's questioning the skills and the credibility of the credit-rating agencies and that process they go through, interestingly enough. I mean the interest rates are based on the credit worthiness that the credit-rating agencies place on government or private sector corporations or whatever.

But the interesting part is that for the most part when they're wrong in a big way, they're usually wrong the other way. They're not wrong in that they've undervalued assets. It's usually they've given the corporation or government too much credit. And, you know, I use as a specific example, I don't think it's very long ago that Royal Trust had a very good credit rating. And if you were investing as a shareholder and phoned up a Standard and Poor's or Moody's, whoever was rating them, they were giving you a very good credit rating. And yet within months that thing collapsed.

And so I would argue that if anything, they're probably trying to err on the side of being too positive rather than negative.

Mr. Strelioff: — I'm going to put another perspective on the credit rating that has always bothered me in governments. And that is that, as I said, the credit rating is based on an assessment by the credit rater of the ability of the specific jurisdiction to repay that debt. And the less likely, the lower the rate; the more likely, the higher the rate.

Well in Canada, all our arrangements are so interlinked that I've always had a hard time rating or considering how one jurisdiction can be rated differently than another jurisdiction since we have equalization, cost-sharing programs, an integrated tax system. And what it assumes — and this was a question that I asked Cathy Daicoff at that meeting — what it assumes is that if one jurisdiction, Prince Edward Island, isn't able to meet its debt payments, the rest of Canada will walk away from P.E.I.

And when I asked that question, I've asked it of her and a few other similar people over the last numbers of years, and they say there has been experience where the national environment has not come to step forward when a specific local government or city or state, city or local government has not been able to meet its debt, and therefore it's useful to rate them differently.

But I've always wondered about that and I've asked the question and never gotten a very comfortable answer from it. On the other hand, it does provide some sense of . . . in a larger . . . well, in Canada it does provide some sense of how each of the jurisdictions are doing in a financial sense, and therefore that's useful.

But I don't know why it should . . . I'm not sure why it should affect their cost of borrowing unless we're assuming and everybody agrees that Canada isn't a whole; Canada really is really separate . . . (inaudible) . . . And I just don't know how to wrestle with that one and never have been.

Ms. Haverstock: — I have a final question that relates to all of what we've been discussing here. It appears as though what's been happening across the country is that all the provinces and hopefully the federal government are moving toward general auditing procedures as well as financial reporting. is that a correct assumption, that with so many more discussions going on that we are attempting to come up with, for want of a better term, a more integrated system than things that can be more compared with each other? is that a correct assumption?

Mr. Strelioff: — Certainly as the governments, how they portray their state of finances, is moving in a more comparable way. It certainly isn't there yet but it's certainly moving in that way.

Ms. Haverstock: — But that's the thrust.

Mr. Strelioff: — Yes.

Ms. Haverstock: — Okay, given that, I'm curious if all governments in Canada or any other jurisdictions are including the following as we currently are: the accumulated deficit plus the guaranteed debt plus the unfunded pension liabilities. It actually in totality makes up what we would be calling our debt or liability side.

Mr. Strelioff: — Let me rephrase that. To me what you're asking is on page 15 we have an accumulated deficit measure of 9.168 billion. Sorry, I'll move to page 11. We have an accumulated deficit measure of 9.168 billion. And there's a note right underneath it saying that our loan guarantees, or guaranteed debt, is — or our loan guarantees — 1.37 billion. And those numbers include all the debt of the province including the pension liabilities, unfunded pension liabilities, and the loan guarantees. It's sitting right there.

So now the question that I think you asked me is if I went from jurisdiction to jurisdiction to jurisdiction across Canada, could I be assured that those numbers are on the table?

Ms. Haverstock: — Yes, that's what I want to know.

Mr. Strelioff: — B.C., I think yes; Alberta, I think yes; Saskatchewan, yes; Manitoba now is yes; Ontario, no; Quebec, I'm not sure; New Brunswick, no; Nova Scotia, no; P.E.I., yes; Newfoundland, no; Canada, yes.

Ms. Haverstock: — Now I am curious — and just assist me with this because I really am searching to understand — we're talking about here an accumulated deficit of $9.2 billion. Where is this number, then, that . . . And I'm assuming that the total number comes up much larger. You're telling me that this is the number that includes the unfunded pension liabilities as well as the guaranteed . . .

Mr. Kraus: — Do you want to find that number in the financial statements?

Ms. Haverstock: — Well I thought it was higher than this.

Mr. Strelioff: — Well just a minute . . .

Ms. Haverstock: — I thought it added up to . . .

Mr. Strelioff: — Ms. Haverstock, if you're looking at page 11 you can see that the total liabilities right above it of 19.4 billion?

Ms. Haverstock: — Yes.

Mr. Strelioff: — So that's our total liabilities.

Ms. Haverstock: — Right.

Mr. Strelioff: — And then we have financial assets of $10 billion, like the assets of SaskPower and the inventories of the Liquor Board.

A Member: — This is like net worth.

Mr. Strelioff: — And then the net accumulated deficit is 9.2 billion and that includes the unfunded pension liability. And that you can tie directly into the volume 1 of the *Public Accounts*.

Ms. Haverstock: — Yes. When Brian was speaking this morning, you were talking about the 6.2, so this 9.2 is with the unfunded pension liability . . .

Mr. Strelioff: — That's right — $3 billion there. Yes.

Ms. Haverstock: — All right. So really when the discussions in the public take place and there's great concern and consternation on the part of people and they should have those same feelings about 9.2, when the discussion comes about with a number of 15 billion, that's including the debt from Crown corporations, or what's going on?

Mr. Strelioff: — No, what that includes is . . . what that is is the debt only; say, the 19.4 billion . . .

Ms. Haverstock: — Yes, that does not include the assets about which we have been discussing.

Mr. Strelioff: — No, it does not.

Ms. Haverstock: — Okay.

Mr. Strelioff: — It is the direct borrowing. It's the bonds that we borrowed, say, $15 billion. Then we've got $3 billion of pension liabilities. That moves it up to 18 billion. And then we've got some, perhaps, some accounts payables and some accrued liabilities of holiday pay and who knows what else . . .

Mr. Boyd: — Loan guarantees.

Mr. Strelioff: — No, not loan guarantees. Loan guarantees are that separate item of the 1.537; it's separate from.

Mr. Boyd: — So that has to be added as well?

Mr. Strelioff: — But if the 15 billion . . . usually when you hear people talking about that number, it usually relates to the direct bonds, the borrowings of the province, and it's encompassed in that 19.4. Right, Gerry?

Mr. Kraus: — Yes. The press kept asking that question last year when we released the *Public Accounts* and we tried to explain it to them that, this accumulated deficit number, as somebody said, is your net worth. If you sold your assets at book value and got exactly what you show on your books for them — including SaskPower, SaskEnergy, the whole lot of them — at the end of the day, you would still owe this $9.168 billion plus you'd still have some obligations for guaranteed debt.

Ms. Haverstock: — Okay.

Mr. Strelioff: -And you would have, as Mr. Martens was saying, you would have an investment in infrastructure of roads, lands, and buildings that you'd have to begin again.

Ms. Haverstock: — I still require a little more help then, if you don't mind. This number of 19.4, I guess, why is there a difference then between on page 68 — I had been discussing with someone earlier . . . What number have you got there?

Mr. Kraus: — Well I just wondered if you wanted to see the same $9 billion number, you can see that that's six one six seven plus three gives you 9.2 rounded. So it's . . . or nine one sixty-eight, I'm sorry. So that's . . .

Ms. Haverstock: — Why is there, when you, you know, we've got public debt here, guaranteed debt and there's the unfunded pension liabilities in here somewhere, that adds up to 17.2 . . . I mean 17.48?

Mr. Kraus: — Yes.

Ms. Haverstock: — Why is that different from this number on page 11 ?

Mr. Kraus: — The summary financial statements eliminate the debt that we have in the Crown corporations and likewise the corresponding assets that we have in the Crown corporations. And we only show our net equity or net investment in the Crown corporations which is, again, one billion two ninety-seven. You see that "Investment in government . . . "? That's the net. That means after you subtract their liabilities from their assets, we have an net investment in those Crowns of 1.2, plus we also have investments in other government enterprises. Okay?

It's a little confusing. Again I have to say, if I could just at this point, I think this model is meeting the standards of the CICA at this point, the Canadian Institute of Chartered Accountants.

I think this model has some shortcomings that I think will . . . something else will evolve over time because we're struggling with maybe should we show all of the liabilities on this statement and should we show all the assets, and then that locks into the big question: what about roads, buildings, and dams?

And so I think over time you're going to see this statement change a bit because it is confusing.

Ms. Haverstock: — Well I'm finding it quite confusing.

Mr. Atkinson: — Do you want me to perhaps give you a hand with where the numbers came from or maybe some of the things you're having some difficulty with?

One is the — I hate to use the word "jargon" because the jargon that we use when we produce these financial statements, or we as accountants, I'm not talking about we as the government, it's we as accountants — the first thing you have to understand is what we mean by debt, deficit, and accumulated deficit.

The debt is what we owe. And I can show you very quickly how we went from what is produced in the summary financial statements to what we show here. And if you look at page 66, this is what we owe. This amount we're talking about — the debt. What we owe is the $10.6 billion. If you look under liabilities and accumulated deficit, there's a number, there's a subtotal, $10.6 million. To that number, we added the $3 billion liability for the pension liabilities, which isn't included in these financial statements. To that, we added the unrealized foreign exchange gain of $71 million. That comes up to 13.752 billion, the number that's on page 11 in our report.

The user-fee enterprises — that comes from schedule 3 on page 75 where it talks about the total liabilities, about half-way down the page on schedule 3, which is the $5.636 billion. It's 5,636,339. And that's the number that shows under the user-fee enterprises as the liabilities.

So when we're talking about what we owe, the debt, we've taken the numbers in the summary financial statements, brought them forward to here, added the $3 billion to it and said, that's what we owe.

Now the deficit for a year is the difference between the revenues and the expenditures. Okay? When people are talking about the annual deficit, that's what they're talking about.

Now unfortunately we use the word deficit again when we talk about the accumulated deficit. The accumulated deficit is nothing more or less than the difference between what we owe and what we've recorded in the financial statements as assets. And as you're aware now that all of the things that could be called an asset aren't in fact recorded. So the assets that are typically recorded in the financial statements are those that would be available to pay for what we owe. And when we compare the two, the difference is the accumulated deficit.

And that's where these numbers came from and how I hope they can be simply explained. Have I helped at all or have I made it worse?

Ms. Haverstock: — You have. Yes. I guess the confusion comes . . . I think it's very, very valuable that we've been spending the amount of time we have in some discussions about the asset side because I find that that's one of the things that's raised very often by people, saying there has to be some worth when we have universities in this province that would . . . it would be such a tremendous problem for us if we didn't have those facilities here. So they have to be seen as what they are and that's a tremendous asset to the province.

Obviously we can't sell this building in which we're sitting, but I mean universities have been sold. Now not that I would ever like to see that, but there are some things that make us a more valuable place in which to live and we don't seem to take into consideration some of those things. And these are questions that are brought to me very often. I'm just not . . . I don't have the expertise to respond to them.

But these differences in numbers, they're confusing for me and I have the advantage of being able to ask you. They're very confusing for others and they say well, what is it, like, what is it that we really owe? I mean now it's getting to the point where they feel completely vulnerable and hopeless, saying well it just seems as though this number is getting so expansive that, you know, why bother? Let's just put a "For Sale" sign over the province and see if anybody wants to take us over, you know.

And I think it's important for us to be able to clarify to people more appropriately and accurately and in some ways providing them with a sense of hope that this is doable.

Mr. Strelioff: — I've always been surprised that a government hasn't taken initiative to record their investment and infrastructure — infrastructure: roads, buildings, and dams — because it is such a positive message. Particularly the government of the day that initiates that. They can say well, just a minute. Sure we have a 9.168 accumulated deficit, but don't forget that we've invested X billions of dollars in these kinds of things that you can see.

We can't probably — and don't — plan to sell them, but they're part of why we owe some money. And it's just always been surprising.

Ms. Haverstock: — And again, as Harry pointed out, people want to know where their money has gone. I mean it's their money and they want to see that it equals something. And those things really do very often for a lot of people in our province equal our quality of life. I mean those are things that they value and we, in simplistic terms, want to be able to walk over and touch some things and say well, this is where our money went.

Mr. Atkinson: — I think in very basic terms when you go back to a family or a person, you may — when you have a house — you may say that house is worth so much money, but you have to live somewhere. I mean if you sell the house, you're in the street. I mean sell . . . (inaudible) . . . Your intent usually isn't to sell your house and capitalize on what you have there and live in the street. It's just that you know that you've taken . . . if you've borrowed money for it, that's what it's for, and you're living there.

Now the other important part is to know once you've got that house what it cost you. Also equally important is to know how much will it cost you in the future to maintain that house and to do the necessary repairs and maintenance and replacements on it.

So those are the things that we're saying are missing from the financial statement — is the fact that you don't show that you do own a house and then when the decision-makers are sitting at the table they don't have that information to know what will it require us to maintain this valuable asset.

So those are the reason for the recommendation that we have there, is once that stuff, the investment and the infrastructure comes forward, it will be much clearer, you know, what we've borrowed for and what we have and what it'll cost for us to manage it in the future.

Ms. Haverstock: — Thank you very much.

Ms. Crofford: — Yes, two comments. I just wanted to comment a little on your questions about credit ratings because I read something just the other day that talked about one of the tools that credit-rating agencies use is that they look at your financial plan compared to the likely accuracy of your predictions. So for example if you've predicted an economic growth rate of 5 per cent and it's only going to grow 2 per cent, then obviously you're not likely to achieve your financial plan.

And I know that's why the Department of Finance tracks the financial plan so carefully to see if in fact their projections are in line with what they projected they were going to be, otherwise we won't meet our year-end target in the areas of revenues generated by taxes, whatever they are.

So anyway, they look at the whole financial plan. I have a feeling they probably look at our budget darn near as close as we do.

The other thing is, I think, the area we're veering off into is that people aren't interested any more although they are, but they're not as interested even in capital assets as they are in non-capital assets. For example, what is a tree that you don't cut down worth? Or what is a kid that doesn't end up in jail worth? Or what is a person who doesn't end up unemployed worth? And that's a lot tougher. And I did see actually an article . . .

Mr. Van Mulligen: — Or a citizen who doesn't get elected?

Ms. Crofford: — They're worth more. Anyway I did see an article — and I think it was a chartered accountants' magazine — recently. They were talking about how when businesses go to the bank these days, they're not going there as much with capital assets as they are with the knowledge base, the skills, and the corporate culture of their particular venture and it's becoming a little bit trickier for banks to figure out who to loan money to because the basis on which money is loaned is shifting a bit.

And of course I'll be happy when it goes back to the days when you could borrow money because you were a decent person and would likely repay it, but that doesn't happen in very many places any more.

Anyway I just wanted to add that to the discussion. I think it's these non-capital assets that are starting to concern even more people because we've going to such a market valuation of things. And of course now even the market is starting to say maybe these aren't the only things that we value an enterprise on, so we might see movement now that the market is interested in the subject too.

The Chairperson: — Yesterday on Prime Time they were interviewing a gentleman from Wood Gundy, and his observation that 60 per cent of the federal budget has to do with social infrastructure and related items, and therefore Mr. Chrétien was going to have a great deal of difficulty realigning all those and that goes back to what the value really is.

Mr. Sonntag: — A couple of comments. I made note of Mr. Kraus's remarks about the credit-ratings agencies. If they err, will be on the side of too high as opposed to too low. We certainly won't be taking him along to renegotiate any of our rates that's for sure.

I wanted to go back if I could to something that Mr. Boyd raised about the renegotiation of debt, I suppose. It's an interesting point because as an individual MLA, I should say, dealing with the public at public meetings and sorts of things, that's a question that gets asked quite often actually.

I would in my limited knowledge, I suppose, disagree on one point that he made that the individual . . . or that the government would have more leverage in terms of renegotiation than the individual would, although I'm not sure I'm correct in saying that. It seems to me the individual has a leverage in the fact that that person, he or she, can wave the stick of insolvency, I suppose, so the person lending the money therefore has a choice about whether they want to lend it at a lower rate and maintain the solvency of that individual or not.

So I think what Harry said earlier that to have — was it Bill Jones? — here talking to us about that, I think that would be worthwhile because I find that a difficult question to answer to the general public as well, as whether or fact . . . I mean I genuinely believe that the province doesn't have as much leverage as an individual does in terms of renegotiation although I may be incorrect on that.

Mr. Strelioff: — Mr. Jones would be the person that would know how to answer that question. He would be very interesting to hear from.

Mr. Sonntag: — Yes, it would. That's the only point I wanted to make.

Mr. Serby: — Yes, I'm interested in learning from you, Mr. Strelioff, if in other jurisdictions across the country there has been any determination on, say, capital assets like you talked about — dams and highways. I'm thinking of schools and nursing homes and hospitals, because if we're talking about placing a value on those assets, I heard someone say this morning that the ownership of that really is to the people of Saskatchewan. But there's a more regionalized ownership of these things. And I think of, for example, schools and nursing homes where you have municipalities contributing a portion of their tax base in the community to those facilities.

So I think the decision of who in fact owns this and to what degree they own it needs to come under some scrutiny as well. And I see the process as being not only onerous but also very difficult in terms of trying to bring it to fruition, and wonder if that's happening anywhere in the country right now.

Mr. Strelioff: — Well in general, the state of the art of recording these . . . or keeping track of these kinds of investments is not good across the country. B.C. and Alberta appear to be taking more proactive moves to present say an adjustment in infrastructure on their financial statements. They have specialty projects under way.

In Saskatchewan we do have a lot of assets recorded in individual financial statements all over the place that don't come into the summary financial statements. For example if we have, say, the Royal University Hospital in Saskatoon, is a provincially owned hospital, I don't think there's any disagreement on who owns it, like you were talking about.

Well it will go to the financial statements of the University Hospital and you'll see the cost of the hospital buildings and equipment. But we don't move that cost into any kind of report in a summary way.

And SPMC (Saskatchewan Property Management Corporation) has taken appraisals and recorded the cost of all sorts of buildings and properties that we own as a province. But those haven't been placed somewhere in these financial statements so you can sort of bring it together.

But my point is that we're not . . . I mean there is some information out there, particularly on those assets that we're using to deliver specific programs — hospitals, universities. There isn't much information in an accounting sense on the infrastructures of roads. Well even dams, there's information. It's a big coordinating and bringing-together exercise, other than the highways are a little bit more difficult.

But I bet you if you asked the Department of Highways and Transportation what is their estimate of the cost, and replacement cost probably of our highway system, they would have very specific records on it. I think it's 7 billion.

Mr. Kraus: — Just a short point of interest, and to show you how difficult it is to account for things in government, It wasn't long ago the government was accounting for some of its capital assets on the balance sheet through SPMC, namely infrastructure investments in universities and some hospitals. And of course we received a qualified audit opinion for doing it.

And now of course we're supposed to look at ways of reporting it. So I just hope the committee appreciates the difficulty.

Mr. Strelioff: — Just to be a little bit more explicit, on the financial statement you called that a loan to some organization and a loan seems to mean to me that you're going to get some money back from it. Whereas the loan that was recorded, the only way you could get the money back was to give the organization some money and pay it back. And it wasn't a very good measure of the underlying asset value that underlined that loan.

Mr. Kraus: — If we had shown it as hospitals and universities, I suspect we still might have had a qualification. I mean you know what I'm saying. It's you're sort of caught if you do and you're caught if you don't. And so it's just very interesting.

Mr. Atkinson: — I think rather than placing the auditor in a difficult position as to saying whether or not you would give a qualified report for this, I think you have to look to the information that you provide users of the financial statements, and you tell them how you have prepared these financial statements. And I think that if you look to those years when we placed those qualified auditor's reports on, you'd find that you said you expensed all of the fixed assets. So you ask us to judge the financial statements in accordance with the accounting policies that you present to us and we say, well I'm sorry, they don't meet those standards. So there's sort of a little clarity.

Mr. Kraus: — I suspect we probably noted the exception.

Mr. Sonntag: — I was going to say, in my experience if you give them a loan you shouldn't assume you're going to get it back.

The Chairperson: — Mr. Serby, were you . . .

Mr. Serby: — No.

The Chairperson: — Mr. Cline. Yes, Mr. Cline.

Mr. Cline: — Well I'm going to suggest, if it's agreeable, that . . . I mean we've had a fairly thorough discussion of this issue. I'm looking at a recommendation on page 14, no. 24. I'm going to suggest that we agree to recommend that the government should move toward disclosing in the summary financial statements information to describe its investment in infrastructure.

And the reason I put it that way is I think it's quite clear that there is not necessarily any clear methodology right now for actually evaluating the infrastructure. But I think if we said the government should move toward disclosing in the summary financial statements information to describe its investment in infrastructure, then I would suggest we all just agree on that unless there's some other appropriate wording.

The Chairperson: — Is there some discussion further to what we've had on that recommendation?

Mr. Van Mulligen: — I think that there's agreement in accounting circles as to how to treat certain government assets. There's no question there. But there's others like roads and bridges and darns that I don't think that PSAAC (Public Sector Accounting and Auditing Committee) has any clearer guidance as to how to treat those. But you know it shouldn't prevent us from working towards that. And even if it means in Saskatchewan that we help out the other jurisdictions in how to treat this issue, well then so be it.

The Chairperson: — Do I have from consensus here that we approve that? Okay, thank you for that. And we will note that.

Moving on, there is . . . Was that the first recommendation?

A Member: — Yes, it was.

The Chairperson: — Okay. The second recommendation I believe is on .29 . . . (inaudible interjection) . . . no. .29, yes. Do we have some discussion as to item no. .29?

Mr. Cline: — Okay. On this one, this is the issue I think that is . . . there are ongoing discussions with respect to between the Provincial Auditor and representatives of CIC (Crown Investments Corporation of Saskatchewan)?

Mr. Strelioff: — Mr. Chair, yes, we are beginning a project on how to put together a financial plan like this. And the Department of Finance and representatives of CIC want to be involved in that project. And it relates to an item that Brian mentioned, and that is a project on the budget or the estimates, focusing in on what information needs to be included in the estimates so members and the public can understand and assess resource allocation choices and decisions, and that relates to this. We're hoping that we'll be able to report back next fall.

Mr. Cline: — Okay. Well I would like to suggest, Mr. Chairman, that this should be deferred until we have that report because I think this would be jumping the gun.

The Chairperson: — Would it be jumping the gun to endorse it as a principle?

Mr. Cline: — Well I'd like to hear what the committee has to say. I mean they're examining the issue. And I don't know if there's any caveat that should be attached to the principle or not but I'd like to hear what they have to say.

Mr. Van Mulligen: — This last report we said that we agreed in principle with the concept for the need for a multi-year financial plan for the government; and your committee recommends that the government study the implications and issues related to the achievement of this goal and that it's the matter of an annual financial plan. The committee recommends the Office of the Provincial Auditor or the Crown Investments Corporation . . . discussions, a joint report and all that. I think . . . like this report can say that in our previous report this is what we said and those discussions are still going on.

The Chairperson: — In February of '93 and in item .31 in your book there it explains that, that it was done.

Mr. Strelioff: — This also relates to what we were discussing earlier in terms of if you're designing a direct tax or a special-purpose revenue, that the financial plan as a whole would move you towards having a plan for that special-purpose tax or special revolving fund on the table with everything else. So it isn't just the financial plans of SaskPower-type organizations, there's all sorts of other organizations.

The Chairperson: — Could you rephrase that, what you want done with .29 in lieu of .31 again, so that I'm a little bit clearer?

Mr. Cline: — Well I would suggest we say in our report that we note with respect to the recommendation in paragraph .29 what was said in the third report of the committee to the legislature and in particular . . .

The Chairperson: — Well it deals . . . item .31 in your book, is what it says there.

Mr. Cline: — Yes, but it doesn't say about the agreement in principle and I think we should simply make reference to what we said at the bottom of page 1 of the third report and the top of page 2 because it pretty well covers what is said in .29. But I don't think we should be repeating ourselves or doing it in a different way because I think we should stick with what we said before.

So I'm recommending that we agree that we simply report that with respect to the recommendation of paragraph .29, we note that we have already reported to the legislature in our third report, as indicated at the bottom of page 1 and the top of page 2.

Mr. Van Mulligen: — The actual report may have different page numbers.

The Chairperson: — Actually what you should do is read it into the record and then it would be in the record and then when we do a review of the verbatim, we can include that as a part of the report. So if you wouldn't mind doing that.

Mr. Van Mulligen: — This is just a draft of it. I don't have the report itself. Do you have that somewhere?

The Chairperson: — I don't have it personally.

Ms. Haverstock: — Mr. Chairman, can I direct a question to . . .

The Chairperson: — Sure.

Ms. Haverstock: — I'm trying to understand your rationale for wanting this recommendation postponed because of the task force. Did I understand that is what you're suggesting?

Mr. Cline: — No, not postponed so much as . . . I think I used the word referred, but what I really meant to say was that what is stated here has already been dealt with by us before. So I'm simply saying, instead of adopting a recommendation that might . . .

Ms. Haverstock: — Which we've already approved.

Mr. Cline: — Which we've already approved, and creating confusion by adopting this recommendation, I think we should simply note the recommendation we adopted before.

Ms. Haverstock: — Okay.

The Chairperson: — You have it on page 2 of your . . .

Mr. Cline: — Yes, well I could just read from the actual report.

The Chairperson: — And it's item no. 4. Do you want to read that into the record, Mr. Cline, starting with item 2?

Mr. Cline: — Yes.

The Chairperson: — And then it's on the record and then we'll deal with it that way.

Mr. Cline: — Well, yes. The committee notes and then, as I said before, that we made the following recommendation in our third report last year.

Financial Plan for Government

2. More specifically, your Committee agreed in principle with the concept of the need for a multi-year financial plan for the Government.

New paragraph:

Recommendation

3. Your Committee recommends that the Government study the implications and issues related to the achievement of this goal.

4. That, as to the matter of an annual financial

> plan showing proposed revenue-raising programs and spending programs of all government organizations and the matter of a multi-year plan for all government organizations this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.

The Chairperson: — Do we have agreement on that? It's just an expanded version of what item .29 is, and it designates the players as well.

Mr. Strelioff: -One thing we discussed this morning was the need to have financial plans or budgets of individual organizations. This project contemplates bringing it all together. But there's also the individual organization budgets or plans that need to be brought to the Assembly or to the committee or to be reported in financial statements or specific plans brought forward. And the issue could be segmented between plans for CIC Crown corporations and plans related to special-purpose funds and Treasury Board corporations. Is there any thought or views of us moving that forward?

Mr. Van Mulligen: — We thought that that's why the Department of Finance was involved in this discussion. It just wasn't a matter for CIC and then your office to discuss. And I mean even if you look at it and you find that there is some agreement on Treasury Board Crowns or other government agencies that aren't fee-generating entities . . .

The Chairperson: — Okay, any other questions? Can I ask the committee to agree with the recommendation as of February 1993, as read by Mr. Cline, and then I would say that we should include that in our report again as a part of looking at the auditor's recommendation of no. .29. Agreed? Recommendation agreed to.

Okay, thank you. Moving on to chapter 3, or would we want to just defer for lunch and come back at 1:30 on chapter 3 . . . (inaudible interjection) . . . Okay, we'll defer and we'll go for lunch, and thank you again for your attention. At 1:30 we'll start with chapter 3.

The committee recessed for a period of time.

The Chairperson: — I would like to again ask you to direct your attention to the work of the committee.

We have an individual who is representing the comptroller's department. She is the senior analyst with the financial management branch of the comptroller's office and she's here representing Gerry Kraus and . . . Gerald Kraus. Her name is Jane Borland and we want to welcome you here.

And Gerry has provided us with a great deal of direction and if during the discussions in the committee you want to add, well just give me a wave and we will include you in the discussions.

Ms. Haverstock had an observation she was going to make prior to beginning item no. 3 and then we'll deal with that.

Ms. Haverstock: — Thank you, Mr. Chairman. This is regarding .29 which we were discussing in chapter 2, page 17, and it's further to the recommendation made by Mr. Cline. It will appear in the verbatim as though there was complete agreement on that, and I would like to just register now that I don't want it to be perceived as though I am in agreement with this not moving forward and moving forward as soon as is possible. I know that the way it was addressed as though what we're simply doing is deferring to what was stated in a previous report by the committee. But I believe that this recommendation should be proceeded within whatever way possible. Thank you.

Mr. Van Mulligen: — We went through this one at some great length last year, and you know I guess it depends on how you want to approach it. I agree in principle that we should do that.

I would also like to know what that means and what the implications of that are, and we discussed those in great length last year. And once knowing that I'll know whether to proceed further. Some people say no, that's the way it goes and you know whatever implications there are, well that doesn't matter.

I'd like to know and I'd like to get a report back from the auditor and from the CIC and Department of Finance so I know what recommendations we should be making to the Legislative Assembly. You know I guess we'll be seeing that at some point and consider it and then make a further recommendation.

Ms. Haverstock: — Well I too am interested in the implications of course, but it sounded in a way as though there were some, and I'm not going to use . . . the word hesitation is not correct, but it did not sound as though this was a firm way of saying yes, this recommendation is very worthy, perhaps even more worthy today with the information that we have than in February of 1993 and that it has our hearty endorsement. It has my hearty endorsement.

Mr. Van Mulligen: — Well it's got mine too.

Mr. Cline: — Mine too.

A Member: — Me too, me too.

The Chairperson: — Would you care to make some observations regarding this or . . .

Mr. Strelioff: — Mr. Chair, members, I fully support the recommendation. That's why we have the recommendation there, and our office does plan on examining it and making it even more important or more clear that this is an important recommendation to all.

The Chairperson: — A question then on process, since we're just deflecting a little bit. Where is the process in, and where are we at, in relation to the recommendation as it was recommended in February of '93? Where are we at? Is it proceeding at all or are we stalemated at some point? Or is there progress?

Mr. Strelioff: — Mr. Chair, members, our office has begun to scope out, define a specific project on paragraph .31 . I've met with officials of the Department of Finance. I've discussed this issue with officials of the Crown Investments Corporation. And we're moving it forward.

As I think Brian mentioned — Brian Atkinson mentioned this morning — that right now we're trying to identify . . . We've linked this project to a project on what information do MLAs and others look for in the budget documents and the estimates. And we're developing a survey on that project and examining practices across the country. And the first objective for us is to identify specific criteria that . . . benchmarks that people believe . . . benchmarks of information that they believe should be in budgets and financial plans and estimates, and discuss those criteria with CIC, the Department of Finance. I think also there was reference to discussing it with the audit committee and the Canadian Institute of Chartered Accountants. And then once we get agreement on the criteria, then we would be assessing the '94-95 budget of the province in comparison to those criteria and with the objective of reporting back next fall.

The Chairperson: — I think from that summary that it might be a good idea to put that in the context of our report as a part of the process and the progress that's being made in relation to the discussion. And that will solidify the fact that there is some progress being made, but also what direction it's taken.

Mr. Cline: — Agreed.

The Chairperson: — Agreed. Noted, Mr. Secretary. Thank you.

Anything else that we need to conclude with prior to moving to Chapter 3? Thank you.

What I would like to do is ask the auditor's office to go through with an overview of Chapter 3 and then we will deal with each recommendation in a specific fashion. And there are quite a number of them. And we will deal with them each individually and then allow for discussion as each one is acknowledged.

Mr. Strelioff: -Thank you, Mr. Chair. With me today is John Hunt, senior person in our office who has been keeping track of this chapter and the recommendations of the Financial Management Review Commission and how those recommendations have been moved forward. And he's going to provide us with a review of the chapter. John.

Mr. Hunt: — Thank you, Wayne. Mr. Chair. We believe the 42 recommendations contained in the commission's report provide valuable advice on how to improve financial management and public accountability. And for this reason we were pleased the government completely endorsed the spirit and intent of the report in its recommendations upon its release.

In chapter 1 we indicated the government had made steady progress in moving forward on the recommendations and advice of the commission. A progress report showing actions taken was released last November. This we felt was significant, indicating the government was intent on holding itself accountable for implementing the reforms identified by the commission.

In chapter 3, the chapter we're about to review here, we make note of particular areas of progress and indicate other areas where action needs to be taken, if important report recommendations are to be substantially put into effect. We also believe ongoing progress reports are needed so the Assembly and the public can monitor further actions. We believe the government should report such progress annually.

In analysing the government's reported progress, we organized the chapter into three subject areas: accounting changes, disclosure practices, and legislative scrutiny. In the area of accounting changes the government took the important step towards adopting the accounting principles and reporting standards for senior Canadian governments which were issued by the CICA, the Canadian Institute of Chartered Accountants, and which were recommended by the commission. This step involved the preparation for the first time last year of summary financial statements for the province.

We note that two of the commission's recommendations in this area have not been implemented. The first, we encourage the government to legislate the adoption of CICA's financial reporting standards as the commission recommended. This in turn would require the liability for unfunded pension obligations to be recorded, which was also a commission recommendation. As was noted this morning, our auditor's report issued last year on the summary statements included a reservation because these obligations were not recorded.

Last year the government took an important step to improve disclosure practices by legislating the requirement for the *Public Accounts* to be prepared and publicly released by the end of November. Last year at this time the *Public Accounts* were released for 1992 to conform with this new law, and as we speak today, I believe the '93 *Public Accounts* are being released. And the Provincial Comptroller and his staff have been instrumental in coordinating efforts of all concerned to make this happen.

The government also released an interim financial report last November with a forecast of Consolidated

Fund results to the end of the '92-93 fiscal year. We believe such a forecast is helpful to government and legislators in assessing whether timely alternative actions are required. However, as was discussed yesterday, we recommend the interim reports should reflect the financial results for the government as a whole and should show a comparison to the interim date with what was planned as well as a forecast to the end of the fiscal year.

This is in keeping with the commission report which also said it was difficult to assess what the interim figures imply without comparable financial statements for the same period in previous years. This is because revenue and expenditure patterns are not consistent within a fiscal year normally. Monthly patterns are more similar when comparing one year to the next.

We note improved disclosure practices in the area of disclosure. We note the improved disclosure practices for the Crown Investments Corporation and its stated intention to table all financial statements of government corporations including CIC subsidiaries, as well as an intention to include mandate statements in the annual reports of government corporations. Now since this chapter was written, CIC has reported on the activities of CICIII, as it's called — that's CIC Industrial Interests Inc. — and has begun to address the need for mandate statements. And in our office we are focusing on the contents of Crown corporation annual reports in a project which is now underway.

We note further, with regard to this issue, that Bill 42 requires officers and directors of Crown corporations to perform their duties while taking into account the public policy and business objectives of the respective corporations. We believe it will be necessary for CIC or Treasury Board, as the case may be, to ensure the public policy and business objectives for all Crown corporations are prepared and presented to one of the legislative committees for review.

The commission report states all government organizations should have the same public reporting responsibilities as government departments unless specifically exempted in their mandates.

In furtherance of this objective, we recommend the government should disclose for each government organization the payments made to employees and suppliers of goods and services. The organization would have the alternative under such a framework of appearing before a legislative committee to justify why it's mandate should exempt it from such disclosure practices.

In the area of legislative scrutiny, some changes were initiated and a study was begun on other issues. We make the point here that improving public accountability means more than just providing reports about what has already happened. An effective system should provide ample opportunity for discussion and debate of proposed actions, alternatives considered, and what's expected to be achieved.

So the commission recommends several changes to be made to ensure important transactions and commitments are preceded by more rigorous legislative scrutiny and public debate and we make recommendations which endorse these changes, namely the following: first, that the government should propose legislation to limit the amount of public money that can be committed by government to a new project or program without the specific prior approval of the Assembly; second, that the government should require all dividends taken from government corporations be provided to the Consolidated Fund or, alternatively, that the government should present to the Assembly the financial plans of corporations during the estimates approval process and request approval for the planned use of earnings; third, that the government should use the accounting policies recommended by the CICA as the basis for preparing the annual financial plan presented to the Assembly — you've just discussed this matter; fourth, that the government should provide mandate statements to the Assembly for each government organization and those statements should be referred to a standing committee of the Assembly for regular review; fifth, that for each significant transaction or commitment, the government should report to the Assembly in a timely manner the framework of information recommended by the commission — and we note in the chapter that the government did adopt the spirit of this recommendation when it set out the terms of reference for an inquiry into the NewGrade upgrader; and sixth and finally, that The Provincial Auditor Act should be changed to confirm the principle that the Provincial Auditor is responsible for reporting to the Assembly on all government organizations, and of course you discussed this at some length yesterday and the steps now being taken in cooperation with CIC to help resolve some of the problems which led to that last recommendation.

In our estimation, the recommendations of the commission which we support in this chapter are workable. The Public Accounts Committee is charged with the responsibility for examining just such issues on behalf of the Assembly as a whole, and we urge committee members to carefully consider the important matters raised in the chapter. And if members agree with the reasoning put forward by the commission, in this office, we respectfully seek the committee's endorsement of the recommendations so that the impetus for further progress is continued. Thank you.

Mr. Strelioff: — Just to note that in appendix 5 we have a more detailed description of every recommendation of the Financial Management Review Commission and our assessment of what had happened when we prepared this report back in February or March, and that summary or that appendix starts on page 283. Thank you.

The Chairperson: — What I'd like to do is deal with it in an overall basis briefly and then go into specifics as we go along. Mr. Van Mulligen is on the first order of the business of the day.

Mr. Van Mulligen: — I just wanted us to deal with the first recommendation, so . . .

The Chairperson: — Is there any discussion as an overview? Okay, then we'll deal immediately with the first recommendation, and the recommendation states that the government should report annually on its progress in implementing the recommendations, guidance, of the Financial Management Review Commission. I ask the auditor whether he would go through appendix V briefly to give us an overview of what that is. It's on page 283 in the back of your book. And, Wayne, if you would like to do that.

Mr. Strelioff: — Okay, just briefly. Each of the recommendations, each of the 42 recommendations are listed on the left-hand column, And then what we did was when we prepared this report we tried to find out through various discussions and public announcements what had taken place as of February. And in the middle column indicates that the government is proposing actions on the recommendation. And sometimes it's studying them, sometimes it's concluding that further work needs to be done.

The third column indicates that something has more definitively happened, whether the recommendation has been fully adopted or partially adopted or perhaps that the recommendation has not been supported. And we just have used this appendix to ensure that all the recommendations are in one spot so you have an easy record of them.

The Chairperson: — Thank you. Okay, Mr. Van Mulligen.

Mr. Van Mulligen: — My question is, how long do you see this going on? I mean we can make a recommendation to the legislature. In 25 years, you know, I mean the Provincial Auditor is going to be going that well the government last year didn't provide an analysis of how it's keeping, adhering, to the Financial Management Review Commission and legislators of that day might well ask financial management about the commission.

And I have no problem in the government sort of, you know, reporting from time to time on how its doing with respect to that commission, but do you see this going on for the next two or three years or the next 20, 30, 40 years? That's the question.

Mr. Strelioff: — Mr. Chair, members, when we prepared this version there were a lot of studies in progress, actions being thought about, and therefore we weren't able to conclude whether each . . . how each of the recommendations or most of the recommendations were going to be addressed. So we believe that certainly we need to do this again next year and then assess how many of the actions or how many decisions have been made.

Perhaps most of the decisions will have been made. Some of the decisions will be to adopt and others will be to not adopt for various reasons. So certainly we plan to do this next year, and whether we do it the year after will depend on what actions have been taken. Is there something definitive . . . has something definitive happened on most of these recommendations? So certainly for the next year and then we reassess.

The Chairperson: — Is that it?

Mr. Van Mulligen: — Yes.

The Chairperson: — Okay. Ms. Haverstock?

Ms. Haverstock: — Thank you. I know the Gass report was submitted to the Minister of Finance in — what was it — February of 1992. And the government issued a progress report then on the implementation of the recommendations in November of 1992. And there hasn't been any further updating of that particular report, I understand.

Mr. Hunt: — Not that I'm aware.

Mr. Strelioff: — Not that we're aware of.

Ms. Haverstock: — I'm just wondering . . . I do know that it's the nature of special commissions to sort of do their job and then it's considered completed and therefore they leave. But I'm wondering if the members of the Gass Commission, if their expertise was being considered in being utilized in the preparation of any of the subsequent updatings. I was most interested in knowing that the progress report of November 10 was the production of the government; it wasn't the production of the commission. And I wonder if you would comment on that.

Mr. Strelioff: — Mr. Chair, members, the question is, have the members of the commission been involved in preparing the November 10, '92 update? As far as I know, no. It's the government's position on what they're doing.

Ms. Haverstock: — So there has not been any consultation, I understand. And I'm wondering if you would see it of some value to include the members of that commission in some of the updating, the progress reports of their initial findings.

Mr. Strelioff: — Mr. Chair, and Ms. Haverstock, I don't know if the commission members have been consulted on when the government developed its November 10, 1992 action report. I don't know that. My impression is quite similar to yours in terms of the commission felt that it had done its job, issued its report, and now the report speaks for itself.

And as a member of . . . I assume the members of the commission are taking that position. That if you want to know what we think, the report speaks for itself. But you would have to ask the members of the commission that question more directly.

Ms. Haverstock: **—** I did. Their response was that they found it somewhat odd that their expertise was not further utilized in preparation of the update.

The Chairperson: — I wonder . . . Was there a question?

Mr. Van Mulligen: — The Speaker reported on what it had done. I mean I'm not sure what the role of the . . . I mean it's either done it or it hasn't done it. And it's simply reporting; it's the action that we have taken. What are you saying — that we should get the Gass Commission to come in now to provide editorial or do a further analysis of the what the government did is right or wrong or . . .

Ms. Haverstock: — I'm not suggesting anything. I was putting the question: did the government in fact include them in any kind of way? The answer was no, they have not. What was the perception of this? And they said even though special commissions are struck to do their job and it's primarily over, since this in some ways has ongoing ramifications because of recommendations that were made, that in the preparation of updates of which there is one, the government prepared that report and the commission has not been involved. And the word that was used was "odd."

Mr. Cline: — In what way would the commission be involved? What is it that the commissioners felt that they should be doing that they were not asked to do?

Ms. Haverstock: — I can't comment on that. I don't know what they would like to do.

Mr. Cline: — So you have no specific idea on what it is exactly that they should be doing but they should have done something.

Ms. Haverstock: — I'm just wondering if there was any consideration given to having their involvement in any way. If they were considered to have expertise to evaluate the circumstances, the financial circumstances of where the government was at, perhaps their expertise would want to be further utilized. I guess the answer is no. But I just raise it because the . . .

The Chairperson: — I'm going to interject here. I will allow debate to go on across the table but I will only allow it as long as it's measured in . . . and then you're going to have to either direct your assessments through me. I will allow this to go on but I don't want it to become disjointed or whatever. And so keep that in mind. We can operate this way and that's good. When we get to the pressure stages, I guess, then you're going to have to realize that this is going to have to come through me to the rest of the committee as well

I'm going to make one more point, and that is that the Department of Finance is going to be on the witness stand here when they do their review of their department. And I'm not going to suggest that you ask the question at that time but that would be, in my view, the time to ask the Minister of Finance or the Department of Finance whether in fact they have gone beyond what has been reported in appendix V by the auditor's department. just an observation I could make that would identify where they're at. If you don't ask, I will.

Mr. Cline: — Well I mean the issue here is simply one of reporting the progress of the government in implementing the recommendations. The Provincial Auditor in appendix V says what the recommendations were and what is being done. Now he's also recommending the government should report annually on its progress, which I don't have any problem with. But I do suggest that it is not necessary to set up a commission or to have a commission continue at taxpayers' expense to talk about whether the recommendations have been implemented. I mean either they have been or they haven't been, you know, and we can all be the judge of that.

The Chairperson: — I haven't got anybody on the speaker's list. Do we want to deal with the recommendation?

Mr. Van Mulligen: — The only other comment is that, you know, there may be some value in having the commission go overall the recommendations again, if that's the only way the media can take any interest in these issues. But they don't show a lot of interest, you know, in the auditor's analysis of this.

The Chairperson: — The commission set the standard. It's the responsibility of the Department of Finance to administer how much they're going to or change or adopt whatever they're going to from the commission's report. And then that standard then is what becomes our responsibility to see whether the government has measured up to that. And we can ask that in meeting with the Department of Finance, I believe. But I clearly will do that.

And then the question is will we want to accept the recommendation of the Provincial Auditor in dealing with recommendation number .09 that there should be an annual report on its progress in implementing the recommendations, which is slightly different than the discussion that was taking place in relation to whether the Gass Commission should tell us whether they're being implemented or not.

Ms. Crofford: — Yes, I didn't think I had a question but the longer this conversation goes on I do have one now.

Now that the report is in the government realm, I note here that it says in point .10 under the recommendation:

> The following sets out our views on the Government's progress in implementing the recommendations and advice of the Commission.

How do you determine the government's progress? Do you work together with the individual managers who would be responsible for implementing those recommendations to see how far they've gotten? And do you consider that part of your ongoing task as auditor to report in the way you have here on the progress of this work?

Mr. Strelioff: — Mr. Chair, Ms. Crofford, in developing our assessment on how far the government had moved forward, we started off with the November 10, 1992 report which set out what was planned and what was accomplished. And then to supplement that we would go through each of the recommendations and try to find out through the events that we're aware of whether progress has . . . what progress has happened; and then present this and find out if we're right, and also then look to the next progress report so that we can further assess what's happening.

Ms. Crofford: -I guess what I'm not sure about in this whole thing is who's the initiator. Is it the auditor's office that initiates the review of progress or is it the management within the government that initiates the review of progress? Who's sort of the person who makes sure that the progress is monitored and reported? Is it your office or is it the . . .

Mr. Strelioff: — Mr. Chair, and Ms. Crofford, by asking for an annual report, that moves it to management, saying here were the recommendations; here's what we're doing on them. Here's the ones we've accepted, here's the ones we've rejected, and here's the ones that we've perhaps accepted in this way.

So what I'm trying to do is move it to management to set out what they plan to do. And then we just provide a score card or a summary of it.

Ms. Crofford: — Yes, that's clear now. Thanks.

Mr. Sonntag: — I want to speak to the recommendation. Is that okay?

The Chairperson: — Yes. Go right ahead.

Mr. Sonntag: — Just looking at it, I have the same concerns as Mr. Van Mulligen does. The recommendation now implies that this would go on in perpetuity. And I guess that part of it concerns me a bit.

I would just suggest something reasonable, just an amendment on the end, something reasonable that would say, for at least the next three years or four years, or something like that. And I just pull that number out of the air, something that would be reasonable and cover off sort of the general public's concern.

The Chairperson: — Where do you want me to go from here? I'm at the committee's discretion here.

Mr. Serby: — Could I just further get some clarification on that. My understanding is that if the government were to have met all of the conditions of the recommendations that were proposed, the 42, then we might not see that particular recommendation that you have, that the Provincial Auditor has there, in .09. Would that be fair to assume that?

Mr. Strelioff: — That's right. Or have taken specific actions. Here's the actions that we're taking.

Mr. Serby: — So in my opinion anyway, if it was recognized or it's been recognized by the government that the 42 recommendations are ones that should be addressed through the course of if it is in perpetuity that we're talking about, it's feasible then for us to say .09 appearing every year. If the government of the day or the government can achieve the results that are necessary to be achieved of those 42 points that were made, then this would disappear next year.

So I mean personally I don't have a problem with the way it reads, because all it says is that when the recommendations have been achieved it's gone.

The Chairperson: — I could raise this question to the committee. Would it be your expectation that the auditor report on the progress of the Gass Commission's report on a regular basis? Would that be defining it in a way that would suit the committee?

Mr. **Van Mulligen**: — What did you say?

The Chairperson: — Just a moment. Would it be in place to have the suggestion made that the auditor report to the committee on an annual basis in his report on the progress of the government, which he likely would do anyway, on how many of the recommendations are concluded and how many are completed?

Mr. Van Mulligen: — Yes, but I think Wayne is saying that he would also like the government to sort of clearly state what it is that they've done in pursuit of those recommendations.

The Chairperson: — Right.

Mr. Van Mulligen: — That's a slightly different issue and, you know, after listening I agree with him. And the question is like at what point does the recommendation kind of lose currency?

Ms. Crofford: — I guess I'm looking at it a little bit like Mr. Chair. When an auditor submits the management letter to a group of people that get an audit done, you normally carry out as much of that management letter as you can. But there could be instances where some of that hangs over into the next year for various reasons. And I would think then the auditor would pick that up again because it would still be sort of hanging on the books.

And that's my view of how this would happen, because you have the access to the information you would require to be able to answer that question, right? Whatever the recommendation was, to be able to answer whether in fact progress had been made or whether in fact there's a good reason why progress hasn't been made. But you would have that within your ability to answer that.

Mr. Strelioff: — Mr. Chair, Ms. Crofford, in most cases we would. In some cases, the government, if they haven't done something specific, you would have to make a specific statement: here's our position on this policy recommendation. And then it becomes clear to me that okay, that's the position, that's the action that they're going to take, and they've decided not to take action. And by asking management or the government to report that, it makes it clear exactly what the position is, and then I can report it to you and then that's it.

Ms. Crofford: — So really this is just a recommendation clarifying your desire to have that information upfront and not necessarily have to go digging for it — is really all it is. To me that would just be a normal part of the audit process, with the fact that we've integrated the recommendations of an independent commission into the auditor's evaluation and you've accepted it, I guess. Accepted it in the sense that you've accepted responsibility that these are good and legitimate recommendations that you're monitoring.

Mr. Strelioff: — But would report to you, here's the actions taken based on this recommendation, and that's it.

Ms. Crofford: — Okay. Well for myself I know that I would want to know the answer to these questions, whether it's yes or no. So I mean I don't have a problem with that.

Mr. Van Mulligen: — Mr. Chairman, from my point of view we should go with the recommendation, and I think that any reasonable person in the future can infer from that that if the government has in fact reported on all of the recommendations and the guidance of the commission, that at that point it may be appropriate to see that the recommendation no longer has any currency.

The Chairperson: — Okay. I don't think that I did this earlier. Maybe I was remiss in doing it. Should we have a motion regarding these . . .

Mr. Vaive: — These will appear in the minutes, in the minutes that I draft at the start of the verbatim, to reflect the committee's will in adopting each recommendation. When there is general agreement, I will inscribe in the minute that the committee agreed to adopt recommendation 3.09 and so forth.

The Chairperson: — Okay. Do we have agreement on recommendation no. 09 from everyone? Agreed. Thank you very much.

Moving on to item no. .15 and that says that:

> The Government should adopt, through legislation, the recommendation of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants.

Would you enlighten us a little further on the details of that, Mr. Auditor.

Mr. Strelioff: — Mr. Chair, members, this is a recommendation that my office has had in the past, and it's a recommendation of the commission. And I think over time we'll see that this recommendation will be more and more important. And we're still recommending that the government adopt the recommendations of the Public Sector Accounting and Auditing Board and put that in legislation so that in the future when debt and deficit measures are reported by the government that they're following the same standards that are being followed largely now. Thank you.

The Chairperson: — Point no. .14 says the Commission recommends the law be changed to require future governments to follow the CICA's standards." This is legislative change that would have to occur probably in the auditor's Act.

Mr. Strelioff: — No, The Financial Administration Act.

The Chairperson: — Okay, The Financial Administration Act.

Ms. Crofford: — How does this fit in with, Mr. Chair, what we heard earlier about wanting to get some uniformity across Canada of the accounting methods used by different governments for the sake of comparison? Would this be in keeping with that or . . .

Mr. Strelioff: — Mr. Chair, Ms. Crofford, this is . . . the objective of the Public Sector Accounting and Auditing Board of the CICA is to do that precise step forward so that when you look at the financial statements of each government, each province, and each local government now, that you can rely on their comparability and completeness.

Ms. Crofford: — Thank you.

Mr. Cline: — We actually dealt with this issue last year in the third report where we said, in response to I think a similar recommendation from the Provincial Auditor to what's being recommended now, we adopted recommendation no. .10 that said:

> Your Committee recommends that the Government adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants and encourages the Government to move towards the use of these principles for the preparation of financial plans in budgets.

And I think what we decided last year after quite a bit of discussion is that the government should adopt those accounting principles but that they should not be carved in stone in the legislation. That's my recollection, and I believe the Provincial Comptroller may have made some comments about that at the time, although I'm not sure I have the transcript with me. But for my part, I mean we're revisiting something that we spent a considerable bit of time on last year. And for my part I'm quite content with what the committee recommended last year and I think we should note that in the minutes because we have dealt with it.

The Chairperson: — There's a noted difference between what your recommendation was and what the point on the recommendation of the Provincial Auditor is, and that is, one is move towards practices and the other one is legislating practices.

Mr. Cline: — Right. Yes, that's the difference. But I guess what I'm suggesting is that we dealt with the same debate last year and made a resolution. And I suppose, I mean there's nothing stopping us from revisiting it. But I'm wondering if we make . . . actually last year, I guess it was this year, this same calendar year, and I'm wondering if we arrived at a resolution.

Now the Provincial Auditor may not be in complete agreement with the resolution that the committee arrived at, and that of course is his prerogative, but it's our prerogative also to say that we have dealt with the issue, we've arrived at a position, we've stated a position earlier in the year — and I'm not suggesting we can't revisit the question and debate it fully — but I'm just saying that if we have dealt with the question in one calendar year, I'm not sure that it would be fruitful to spend a lot of time dealing with the same question in the same calendar year.

The Chairperson: — I'd like to ask the question of the Provincial Auditor: in what way would things have to change in order to meet the requirements by the Canadian Institute of Chartered Accountants, the auditing board? And have you got some . . . Have you got these ideas where you could present them to . . . some of them to us today to give us an example of where their requirements are not being met?

Mr. Strelioff: — Mr. Chair, members, the main requirement that is not being met right now is dealt with in paragraph 18, that the Canadian Institute of Chartered Accountants recommends that the government record its liability for pension obligations. And that hasn't been done. And if the requirement was put into legislation, perhaps that would be done. So that's the main variation right now.

As over time the institute issues recommendations on other issues as they surface, for example we discussed this morning on reporting on infrastructure and capital assets. They're working on that project right now and will provide some recommendations on what they think best practices are, and then if the government . . . or if we put into legislation that the recommendations of the institute be followed when those recommendations were put forward, then there would be a need to implement them.

Mr. Van Mulligen: — I have no problem whatsoever with the government adopting the principles of the . . . Was it now the board . . . the Public Sector Accounting and Auditing Board of the CICA, and uses those standards in its financial reporting. I guess it's a different question whether you do that through legislation and then as a government say, well . . . I mean then you're . . . as a government you're taking the position that someone else set standards for you as opposed to the government setting standards.

I've always believed that as a government you make your own decisions and you're accountable for them, as opposed to saying well these are the rules set by someone else and so we're going to lock into them and we have to follow what they do. Even if at some point we see a need to improve on what they do, or that the circumstances here in Saskatchewan are such that we should not be following them, and explain that and account for that, as opposed to saying no, that all the wisdom in Canada or in the world when it comes to accounting rests with the Canadian Institute of Chartered Accountants.

I don't know of anywhere else where you say the government's going to do what the Canadian Bar Association wants or that we're going to do what the social workers say in their Act. I just don't know. But I've got no problem saying the government should adopt that and the government should explain where they don't. I mean it was very frustrating for a number of years to look at the accounting standards that, you know, that had been enunciated by the Canadian Institute of Chartered Accountants and on the other hand see a government that says, well we don't want to recognize any of that or we don't want to go along with them or take exception to this and exception to that. And so I think that they should. But by the same token, I don't think that you should do it through legislation. And, you know, I continue to hold that view.

Ms. Borland: — I would just say that I think it's a position as well that it makes sense to agree in principle with recommendations of the Public Sector Accounting and Auditing Committee but it's not necessary to legislate them being followed, to again be able to evaluate the recommendations that they come up with and see whether they make sense for applicability. And as was noted, it's only the pension liability that isn't being recorded right now as far as the recommendations do go.

Mr. Kujawa: — I just want to add a word. I hope it's in addition to what Mr. Van Mulligen has just said. Agreeing with what he said, I think it's important to remember that we're not dealing with an exact science when it comes to accounting. And I've heard accountants tell me under oath that we follow the generally accepted accounting principles and then point out that there's more than one set of generally accepted accounting principles. We certainly can't and shouldn't incorporate that but it's the best expertise we have. Until there's reason to do otherwise, I think it's reasonable to follow it, but not into legislation at this point.

The Chairperson: — I have a couple of observations I guess I would make in relation to the standards, and we have a number of places where we have standards that are Canadian standards, and I'll just point out the Canadian building code is one where a standard is met. I think we're in excess of the building code standards in Saskatchewan. When it comes to items like maintenance orders, there is a flow in direction where that is coming to the place where you're going to have a unified system across Canada to deal with how these maintenance orders are maintained, you might say. And I know that in the Department of Highways and Transportation in roadworthiness of implements that move interprovincially, there is a Canadian standard that is met.

And I'm not sure that we shouldn't be wanting to meet the minimum standard of the Institute of Chartered Accountants across Canada in defining where we should go, and that's my perspective of this kind of a function. And I know we've . . . on numerous occasions we have agreed as Saskatchewan in general about the value of maintaining that standard.

If you want to be in excess of it, that is a whole dynamic that you have in your favour. But if you want to go down, this is the minimum standard requirement, then there's a lot of those kind of standards across Canada and the more we have the better off we are, I think, in the long run. That will reduce the jeopardy in relation to items occurring . . . For example, I'll use NovAtel in Alberta, where if they would have been up to speed where they are today, they might have avoided that. And that's the context that I place this resolution for this recommendation in. And I would be in agreement with it if that was in the context of the minimum standard, and I think that that's what we should be aiming for.

Ms. Borland: — This might be viewed as something slightly different just in terms that this is a recommendation that's being made by the Public Sector Accounting and Auditing Committee, which there is no requirement to follow. What's looked at is general acceptance across the provinces. And I believe there is one province recording their pension liability, so in that instance, if it were legislated that recommendations of the Public Sector Accounting and Auditing Committee were to be followed, that would require Saskatchewan to record the pension liability — something that isn't being done across Canada right now. It isn't generally accepted across Canada right now.

Mr. Strelioff: — Mr. Chair, members, just one comment on that. B.C. (British Columbia), Alberta, Manitoba, Canada and, I think, Newfoundland, record their pension liabilities, unfunded pension liabilities. The other jurisdictions report varying degrees of their pension liabilities.

Ms. Crofford: — Well this is a tricky one because I understand all the nuances about accepting the recommendations of a professional association. But then when I think to other professional associations like doctors, social workers, a range of other professional associations — building, trades associations, professional unions — we don't always accept holus-bolus what professional organizations tell us we should do. We look at it and decide whether in fact that's something we want to do. And I'm just wondering whether there's something in this area that makes it different than the way we view the recommendations of other professional associations,

Mr. Strelioff: — Mr. Chair, Ms. Crofford, a couple of comments. One is that governments have viewed the recommendations of the Canadian Institute of Chartered Accountants as an important legislative requirement for the private sector. So the private sector must follow those recommendations.

And now the Canadian Institute of Chartered Accountants is developing similar recommendations for the public sector and with the view of improving practices, improving understandability of the state of finances of governments, and to ensure that when you compare one set of financial statements to another, that they're measuring the same . . . they're using the same yardsticks.

And without that, I don't know how people assess the finances of the country. And that's the genesis of the move to recommend better practices for governments. Whether the government chooses to put it in law, obviously that's the government's decision.

Ms. Crofford: — Yes. I think again I have no problem with the principle. I think where I'm just stuck a bit is on the legislating, and probably that comes from just some unfamiliarity with the whole area. But I have no problem with the principle behind the recommendation.

The Chairperson: — A question on this issue as it relates to the private sector. When an audit is done for Canada Packers in Canada and I'll just pick ABC company in Saskatchewan, are those accounting practices and principles outlined by the Canadian Institute of Chartered Accountants? And would the individual looking at the statement of these two companies be able to compare the two companies on the same basis that you're looking for provincial governments to be accounted for on the same basis?

Mr. Strelioff: — Mr. Chair, members, the corporations would be using the same accounting principles, benchmarks, rules, and the readers would be able to rely on that those rules are being followed.

The comparability among corporations in different industries, it might be difficult to compare the finances of a meat-packing plant compared to a steel-making plant because they're different operations, but at least readers will know that the same yardstick is being used. And that if there are significant differences, the differences therefore should surface, and the differences should not be because they're using different yardsticks.

And that's the key issue across Canada, is that you can't determine real differences between or among provinces because you don't know if the differences are due to real economic circumstances or due to using a different benchmark.

And that's what the Canadian Institute of Chartered Accountants is all about, trying to bring people together to agree on the yardsticks and help decision making across Canada.

Mr. Kujawa: — Just going back to my previous point, as I — and I think the voters of Canada would agree with me — if I make a dollar out of raising cattle, that dollar buys exactly as much as it does if I make a dollar out of mining gold. And it is because of that, that I say that accounting is not exact enough a science to be put into legislation unless you want to revise it every year as you go along.

I think the principles that are suggested here at this point are the best we have and we should follow them, but not by putting them into law for the whole of the nation or the whole of the province.

The Chairperson: — I have a question as it relates to private sector auditors and the relationship they have to the Provincial Auditor and doing audits for government agency and Crown corporations within the framework of government.

The rules that apply in, for example, in SaskPower . . . or no, I'll use SaskTel because I know they have a pension plan. Is the pension plan in SaskTel complying with the standards of the Canadian Institute of Chartered Accountants in dealing with their pensions? And then is the Government of Saskatchewan applying the same rules in pension plans that are funded by the Consolidated Fund, delivering the same kind of accounting practice or accounting principles?

Mr. Strelioff: — Mr. Chair, members, there were a few questions in there. One is that the accounting rules that SaskPower follow are those recommended by the Canadian Institute of Chartered Accountants. The Canadian Institute of Chartered Accountants in general provides . . . has two standard sitting boards. One is for organizations that are raising revenues in a, let's see, in a business way. Perhaps . . .

A Member: — User fees.

Mr. Strelioff: — User fees. Two sets of rules: one that they can . . . that organizations can follow the recommendations of the Public Sector Accounting and Auditing Board or the organizations can follow the recommendations of the Accounting Standards Board within the Canadian Institute of Chartered Accountants.

The Accounting Standards Board sets rules for business organizations; the public sector board sets rules for public sector organizations. SaskPower follows the accounting recommendations for business organizations. And the auditors in our office who evaluate the financial statements of SaskPower do it in the context of those recommendations of the institute.

Where they believe that those recommendations are not being followed in the preparation of those financial statements, their audit report should state that.

And if the audit report has stated that, there probably was a disagreement with management on what accounting principles should be followed, and management decided that they weren't going to take the recommendation of the institute and they were going to follow something different for a very specific reason and they're willing to explain that in public. And the auditor is warning the reader that that's happened. But the standards that are being assessed are those of the Canadian Institute of Chartered Accountants.

Now you asked a question about the SaskPower, SaskTel pension fund?

The Chairperson: — SaskTel. Is that being reported on the same basis in SaskTel's annual statement as the government's and the departments are reporting the payments required in the pension plan for the teachers and all of the other pension plans? Is that reported on a similar basis in the context of one following the business practice and the other following the public sector practice?

Mr. Strelioff: — In general, the accounting rules for pensions are almost exactly the same in the private sector and the public sector — almost. SaskTel, when they prepare their pension plan statements, follow the recommendations of the institute. When the government prepares the financial statements for the province and reflects the teachers' pension obligation in those financial statements, they do not follow the recommendations of the institute. And that's why the recommendation .18 is there, that we recommend the government should record its liability for pension obligations. And a lot of that liability relates to the teachers' pensions.

The Chairperson: — Okay, so we have basically two standards being followed by the government: one is a requirement under the procedures of the accounting principles under Crown corporations, and another one under the Consolidated Fund.

Mr. Strelioff: — Yes. Both sets of standards being issued by the Canadian Institute of Chartered Accountants.

The Chairperson: — Okay, one is being followed, one is not.

Mr. Serby: — I'm interested in knowing of the Provincial Auditor, in the reports that I've reviewed over the last couple of years . . . and I expect that unfunded pension liabilities have never been reported in the financial statements.

Mr. Strelioff: — In Saskatchewan?

Mr. Serby: — In Saskatchewan.

Mr. Strelioff: — They are disclosed in the notes to the financial statements. Somewhere in the notes they'll say there is an unrecorded, unfunded pension liability of approximately $3 billion. But when you look at the statement of assets and liabilities, it's not there and has never been there.

Mr. Serby: — And I guess I would ask the question, why in your opinion you think it hasn't been there. And then I'd like to make a comment in regards to .19 because I think maybe some of that clarifies that where it says that there seems to be no clarity of what that pension fund should really look like in terms of what obligations need to be made to, is how you've written that.

And I guess I also see in there that there was an attempt last year to put together a commission to study what sorts of obligations are left to that plan. And I don't know where that's at either. And maybe you might be able to explain or identify, you know, what work that commission has done in terms of meeting those obligations.

Mr. Strelioff: — Mr. Chair, Mr. Serby, I think your first question related to what is the pension liability and whether it's measured in an accurate way. You'll see in the financial statements there will be an explanation in the notes to the financial statements on page 70 of what is the unfunded and unrecorded liability. And it's 2.9 billion, and I said approximately 3 billion. And there's consensus that that's an accurate measure.

Now the second question you asked was why do I think that it hasn't ever been recorded; it's a big dollar amount. In general the historical practices or conventions of government accounting has been to follow the cash basis of accounting so that pensions, when they are paid to a pensioner, that's when you record the expenditure. And that's been the practice.

And over time the amount that was earned by existing employees began to grow and grow and grow. And it was unfunded. And eventually the community got together and said, or the accounting community got together and said, that's an important liability that needs to be shown very clearly in the financial statements. And also the community worried that the employee costs, the cost of employing a person, were being understated for many years because the cost of the pension portion of a person's salary package is significant and can range from, in Saskatchewan, about 10 to 24 per cent of the annual salary costs. And if that's not being reported as an annual cost of employing that person, perhaps decisions aren't being made with the best information at the table.

So there was a growing consensus that governments should move away from the cash basis of accounting to what some people called an accrual basis of accounting which records the full cost of the employee pension, or the employee pensions and the employee costs. And also that was the practice being followed in the private sector. And so that was helping to pull the practice along.

Another perspective on this which still rather baffles me is that in the '92-93 financial statements of the province, in the Consolidated Fund financial statements, the pension contributions of employees for the defined benefit plan are treated as revenue for the province. And that's required by law. But it doesn't quite make sense, at least from what I can see.

And your last question talked about the commission. The last paragraph said that the government said it plans to form a pension commission to study its pension obligations. I haven't heard any developments on this.

Does that answer the questions?

Mr. Serby: — That's good, thanks.

Mr. Van Mulligen: — Mr. Chairman, just with respect to the recommendation in paragraph .15, I'd like to suggest that the committee notes in this report that this matter of the accounting and auditing or the recommendations of the Public Sector Accounting and Auditing Board of the CICA (Canadian Institute of Chartered Accountants) was discussed in the committee's previous report; and the committee continues to recommend that the government adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants, and encourages the government to move towards the use of these principles for the preparation of financial plans and budgets.

My guess is that, having said that, the auditor will bring this one up again every year because it's not in legislation and he thinks it should be. And we take the point, of view that well maybe they should follow up that it ought not to be in legislation. Maybe there'll come some time where we're more convinced of that point of view, but at this point I think for reasons of principle, like there's the question of who you're accountable to, is it the people that elect you or is it . . . I mean the pension liability is just one example of where at this point we feel that we need to do it differently than CICA would do it and we're, you know, prepared to explain that and to discuss that and to be held accountable for that.

But you know, I don't know, there may come other occasions too or other instances of where the government says no, we need to do things just a little bit differently than the CICA does it in this particular case and be held accountable for that. And no doubt the auditor of the day will explain that the government is moving in variance with the CICA.

But I'd like to suggest that the report state that at this point. And if I can, just again, you know, now I'll just wait to deal with the pension obligations thing separately.

The Chairperson: — I hesitate to vote against it because of the policy of the principle of the thing, but I want to raise three points that have been raised here today that makes me say that it should be in legislation.

One is the government has said that they're going to go to accrual accounting which in just the observations that have been made in this discussion here, that in the pension plan as it relates to the government unfunded liabilities, it is not going to the accrual accounting method.

The second being that Crowns are required to deal with it on the basis of standards set out that are different than the pensions on the unfunded liability. And the third item that was raised here today, and I think it's important to consider, is the law requires people who make the investment in their own pensions to put that money into place in the Consolidated Fund.

Those three items, I think, would make me say that it should be a requirement, an absolute requirement that they meet that standard in dealing with how they measure up to the unfunded . . . how they record the unfunded liability of the pension plan.

Mr. Van Mulligen: — Mr. Chairman, I recognize that the pension liabilities, the unfunded pension liabilities, is a significant source of departure when it comes to the CICA standards and the government's practices. I think it's probably the significant . . . I wanted to deal with the pension separately, but I think here is a case, Mr. Chairman, where you could say that if that's the law, the PSAAC, the standards, and we're obliged to follow the law, you might think that there's some benign consequence for government to say, well okay, then we have to write off or account for the unfunded pension liabilities and go through all the machinations to do that.

Then there's an assumption that all these unfunded liabilities are solely the government's. And I guess if you were a participant in some plans — and I don't want to get too specific here — but if you're a participant in some plans, you'd say, well it's the government's unfunded liability and it's got nothing to do with me as an employee. Whereas one could look at the plan and say, well there's a requirement on you to contribute, there's a requirement on the government to contribute, and we've also defined, say, a benefit that should be there.

Well whose liability is that then? Is it all the government's? Or is it also employees'? I think that's an area that deserves some discussion. But to simply say, well we've got to follow the law, seems to me begins to close some of that off because then it's clear that it's the government's unfunded liability.

And I mean you look at this and you say, well it's a relatively simple and benign thing that we're doing here. Well it isn't. And I guess in this case it might cost the taxpayers some money to say, well we're going to just record the liabilities, when I think that perhaps there's more parties to the business of unfunded pension liabilities than simply the government. My limited understanding of this whole question of pensions suggests to me that the government is well advised, yes, to seek a solution to these issues, but that one solution is to move simplistically to say that, well we're going to accept all the liabilities because it's a matter of law, because it may end up costing the taxpayers some money to do that. And for me at this point that's one practical reason that one should not adopt the PSAAC standards in law.

And having said that, I think that the government should adopt the standards and the accounting principles. But if there's an exception to be made, then the government should be able to deal with that, or needs to deal with that. And some explanation of that should be given. But saying that it's got to be by law, kind of forecloses the taxpayers' opportunities to, shall we say, seek a better deal for the taxpayers.

The Chairperson: — I'm not sure that I have the same view of the cost to the taxpayer on this, but I suppose that what we need to do is deal with the issue. I know that I'm not in favour of leaving it only as a policy. And I think it should be adopted through legislation similar to other standards that have been set across Canada for various things that we take as a rule of thumb today, and I just mentioned a few of them earlier.

So I will vote in favour of the motion; however I will put the caveat on it that it's below the standard. And I really do it from the perspective of you are requiring or the government is requiring that SaskPower, SaskTel, SCI, or any of the others, are requiring in their pension plans that they meet that requirement, and yet not doing it themselves. That's an interesting scenario.

Mr. Sonntag: — Well I guess that was one question that I was going to ask. Are all the Crowns, which, by the way, we talked about last night, with the bit of concern about private sector auditors versus the Provincial Auditor, are all of the Crowns currently following the PSAAC standards?

Mr. Strelioff: — Mr. Chair, Mr. Sonntag, SaskPower and SaskTel and SGI and all the corporations would be following the recommendations of the Canadian institute of Chartered Accountants on how they account for their pension obligations. I've been signing a whole bunch of reports, so they'd better be.

Ms. Borland: — Different rules though, right?

Mr. Strelioff: — Pardon? Sorry, I missed . . . There are some concerns that we have within how the pension plans are being accounted for, but in general they do follow the recommendations of the Canadian Institute of Chartered Accountants. In fact there are a couple of pension plans that are in surplus positions.

The other point is just a comment on how . . . on Mr. Van Mulligen's point. If you followed the recommendations of the Canadian Institute of Chartered Accountants on pension obligations and you had the $3 billion sitting there and you decided to renegotiate the deal, the way the accounting would work was that if you significantly reduced the benefits promised, the cost or the gain, reduction in the liability that you negotiated, would be recorded in the year that you negotiated that change to ensure that decisions made in the period would be shown. And that if you, say, decided with the teachers that perhaps instead of 60 per cent of COLA (cost of living allowance), it seems reasonable that the pension agreement be 40 per cent of COLA, and that would be retroactive, that would reduce the unfunded pension liability by X hundreds of millions of dollars and that decision would be, in an accounting sense, reflected as part of the operating results of the government during the year because that was a decision that was made during that year.

And that's the benefit to readers trying to understand what's going on, of recording the pension liability in a full and complete way. So that when you do make different decisions in the future, people who are reading the financial statements can assess what the impact of those decisions are. Very important.

Ms. Borland: — I just wanted to clarify one point. You mentioned that SaskTel and SaskPower are following the rules of the CICA for reporting their pension costs. They're subject to a different set of rules than the Consolidated Fund or summary financial statements are, in that the two bodies that you talked about of the CICA have different rules for them.

There are also other different rules that apply. SaskTel and SaskPower record fixed assets on their balance sheets as opposed to expensing them in the year being required, which doesn't happen with the Consolidated Fund. So it is two different bases, two different rules of accounting that are applied to the two different entities. So there is a difference there.

Mr. Strelioff: — Correct, and that was the discussion this morning when we were talking about the importance of recording . . . or somehow dealing with the investment and infrastructure.

The Chairperson: — I'm at the committee's discretion. We don't want an impasse here nor do we want to delay discussion on other issues.

Mr. Van Mulligen: — To me it's . . . you know, I'm simply saying that the position that we took last year suffices at this point. The alternative to that is that you say that, well it's got to be done through legislation, so take your choice.

Ms. Haverstock: — I just have one more question as clarification. There seems to be a difference in understanding of other provinces having adopted this particular way of doing things, between the Department of Finance and the Provincial Auditor's office. Is there anywhere in Canada that has adopted these principles through legislation?

Mr. Strelioff: — Mr. Chair, Ms. Haverstock, my first reaction would be no. Maybe Alberta, but I don't think so. I think it was more of a general policy statement; we're going to do that.

Ms. Haverstock: — So there is the trend but this would be an exception to the rule up to this point. I mean it seems as though we've had many discussions about there being a movement toward generalized acceptance of certain accounting principles in the country, and that's been received by all of us as being very, very positive.

And I think your comment about having to ensure that we don't have problems in the future so that there are independently set rules — governments can't do what perhaps has been done in the past — I think that's important. But I also think that it's important to be measured in what it is we're doing. I wouldn't want to put us . . . to set ourselves apart so much that perhaps we would be suffering in some way, in ways that we can't anticipate at this time.

I very much support, as you know, what it is that's transpiring here across the nation and what you're trying to accomplish. But I do think that since this will be able to be brought forward by you again, that as we're going through these changes, perhaps we can learn a lot more before we put this into law.

I do want one further clarification. And that is I see recommendation .15 and .18 as separate, and yet they seem to be being discussed in one breath. So I really would like for us to bring to some closure to .15 so that we could deal with .18, because I have very strong feelings about .18. I have similar strong feelings, but if it's simply about the point on legislation, then I would very much support the motion by Harry that we not adopt these recommendations through legislation at this time.

The Chairperson: — I will ask for the committee to vote on the alteration that Mr. Van Mulligen made to the item no. .15 recommendation, and it will be similar to what is in the financial management review section of the report that was issued last time.

And the question is: how many are in favour of the recommendation that it lean itself towards the standards set out by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants, as was recommended the last time that the committee met and dealt with this issue?

All those in favour of Harry's — to put it simply Harry's recommendation? Opposed? Carried.

So that's what it will be. I think that we probably should have a pause and be back in 10 minutes, and comeback dealing with item no. .18 as the next item of business.

The committee recessed for a period of time.

The Chairperson: — And Ms. Haverstock was first on the list here.

Item number . . . oh just before we begin on no. .18,1 think what we should do is ask the auditor for his observations and then we will open the discussion.

Mr. Strelioff: — Mr. Chair, members, requesting my observations and recommendation . . . or paragraph .18?

The Chairperson: — Paragraph .18, yes, please.

Mr. Strelioff: — That our office, and certainly the Financial Management Review Commission as well, recommends that the government should record its liability for pension obligations. The amount is close to $3 billion, and that amount needs to be clearly reported so that readers have a clear picture of the accumulated and annual deficits as well as the total debt of the province.

Ms. Haverstock: — Thank you. I am going to be speaking in favour of this recommendation. And what I would like to do is to just take out a moment or two to let you know that I did contact people on the Financial Management Review Commission, and the comment from the chair was that this was considered the largest outstanding concern that they had, and that the concerns were not just about the amount of this liability but how it would be managed. And I think that that's one of the things that doesn't come up in your comments, Mr. Auditor, is how . . . is something about the management side. So I'd like your comment on that at some point.

But what I wish to do is just to lay the groundwork from the Gass report for our recording the liability for pension liabilities.

On page 22, and I quote:

> Most governments do not record their total unfunded pension liabilities; however, this does not absolve them from their contractual obligations to pay, in the future, the deferred compensation which is owed to their employees. By clearly recognizing an unfunded pension liability, the responsibility is placed on the current administration to implement a financing strategy to address the liability (e.g. putting more funds into a reserve on an annual basis, reviewing the investment strategy for this reserve). It is important that the financial statements account for the government's total pension liabilities in order to show the extent to which pension obligations exist and are to be paid from cash which is raised from future tax and other revenue sources.

And again on page 42, quote:

> . . . the Province's unfunded pension liability is now estimated to be $3.084 billion. This amount is recognized in the Government's financial statements because it represents a contractual obligation to certain public-sector employees. The Government must address how this deficiency will be dealt with.

And a further quotation:

> The Commission notes that almost all of the unfunded pension liability can be attributed to two plans — the Teacher's Superannuation Fund and the Public Sector Superannuation Fund. The deficiencies have been known for many years, but have not been recorded in the Saskatchewan Government's financial statements. By not recognizing their existence as affecting the financial position of the Province, we believe that succeeding governments have been able to avoid addressing these liabilities. By deferring actions such as making regular budgetary contributions to finance these deficiencies, a greater burden is placed on future generations and the expenditure flexibility of subsequent governments is reduced.

I, of course, see the demands on the Consolidated Fund to meet these expenditures as rapidly accelerating, and I think that it really would be a very responsible action for the government to begin to take this on in a very forthright way. So I completely concur with your recommendation and would very much like your comment on my earlier statement regarding not just simply talking about the amount of the liability and recording that, but some management statement.

Mr. Strelioff: — Mr. Chair, Ms. Haverstock, the reason that I believe the liability needs to be recorded is so that MLAs and the public know what the full financial picture of the province is as they make resource-allocation decisions and assess alternatives. If we start off with an incomplete picture of debt as well as an incomplete picture of annual costs, the decisions that we make and have made in the past might have been made differently.

And the accumulated deficit, if the pension liability is recorded, increases by almost $3 billion. And what that accumulated deficit message is, that as of the accounting date, future taxpayers owe $3 billion plus six or seven, so close to $10 billion. That somewhere down the line, future taxpayers are going to have to come up with that money or continue to finance that. . . (inaudible) . . . And having the amounts recorded in the financial statements, I think, would have a significant effect on management, and an important effect.

Ms. Haverstock: — Well in earlier conversations today I think a thoughtful comment was made, and that is that in negotiations with, let's say, the Saskatchewan Teachers' Federation, often a decision is made rather than getting such and such a pay increase, we will give you this extra benefit as far as your pension is concerned.

And I think that if people had full information in the teaching profession, they would make different decisions because ultimately the entire pension plan is at risk. And I think we really have to be much more on the table with all of this information so that we can make better decisions today. So I appreciate your comments.

Mr. Cline: — Well I don't want to take issue with what Ms. Haverstock or the Provincial Auditor said in terms of needing to get a handle on the issue and dealing with the issue, and not simply deferring it. But the problem I have with the recommendation is the lack of consistency as between the provinces.

And the reason is this: that if we . . . I believe British Columbia records their unfunded pension liability, but not the teachers' because they may not be liable for it. I'm not sure. But the other provinces do not. And it seems to me that what we want to do, in terms of the books of the province and the assets and the liabilities, is have some kind of consistency province to province.

The reason being that we should be able to look at the statements for Saskatchewan and line them up with the statements for other provinces and, you know, sort of be reading from a similar script, it seems to me, so that you can compare apples and apples and oranges and oranges. And so that the investment community outside the province can do likewise and the bond-rating agencies can also do likewise.

And I, you know, I have no problem at all with recording unfunded pension liabilities as a liability. My problem is I would sooner do it consistent with the other provinces. That is, if they're doing it, that we do it, and if they're not doing it in the main, that we don't do it. But if we get to a point where they're doing it, or where they agree do to it along with us, I think we should all do it. My argument isn't with the principle of doing it. But I don't think that we should put ourselves at any kind of a disadvantage by recording a liability that others don't record.

And that is my problem with the recommendation as it stands. I would sooner see the government take the position that they would do this, that they would work toward doing this in a uniform fashion. And I wonder if the recommendation couldn't be amended in some way to say that, that in principle probably not a bad idea, but we think there should be some kind of uniformity before we proceed with it.

Mr. Strelioff: — Mr. Chair, members, two comments. One: the investment community knows the unfunded pension liability. When they assess the finances of each of the jurisdictions and compare them, they factor it in. No question. It's the public that's not quite aware of this.

Two, the consistency part. The only way we're going to get consistency is for every province to record it and the federal government, because every province has a different kind of pension plan. And right now they are recording it to varying extents but their base is different. just because Ontario doesn't record their full teachers' pension liability and Saskatchewan doesn't, they don't record the same amounts right now. So even though they don't record the full liability, you still can't compare them because the amounts that they do record are . . . vary significantly.

For example, Ontario. I'm just pausing. I'm going back into my memory. Saskatchewan, in their teachers' plan, records the amount that the government contributes each year and the amount that the teachers contribute each year and they fund that. The unfunded amount relates to the fact that those two funding amounts each year are insufficient. And that's where the unfunded liability grows and that's where it's derived from.

Ontario doesn't . . . until recently did not fund their teachers' pension liability. What they did was say that we will move our pension, our teachers' pension, we will . . . gee, this is hard to explain because it's so . . . They will recognize what the teachers contribute each year and what the government contributes each year and will record a bond payable to the teachers' pension plan. So on their statement of financial position you'll see a borrowing, a bond payable to the teachers' plan of $14 billion, but it's not funded. It's just, we owe this amount. Instead of calling it a pension liability, we call it a bond payable to the teachers' plan. They moved it up.

So when you compare the financial position of Ontario to the financial position of Saskatchewan, the current practice is so different, you can't compare it. As well, in Saskatchewan, Saskatchewan has moved to a money purchase plan, to a large extent. Other jurisdictions have not moved to that pension plan.

As a result, when you compare one jurisdiction to another jurisdiction, that doesn't come out. So the only way of moving it forward is for all to adopt . . . to all provinces, all jurisdictions, to record the full amount. Otherwise you can't understand . . . you can't compare among jurisdictions because the practices vary so much. And so your recommendation doesn't move us anywhere. The recommendation has to end up saying the full pension liability should be recorded.

Mr. Cline: — But the best scenario, as I understand what you're saying, would be if every province did likewise in the same fashion.

Mr. Strelioff: — If everybody recorded their pension . . . accounted for their pension obligations and costs in the same manner, you would be able to compare.

Mr. Cline: — Okay. Is there one manner in which that could be done? Or would there be more than one manner in which that could be done?

Mr. Strelioff: — Well, the one manner that I am advocating, and the Financial Management Review Commission is advocating and the Canadian Institute of Chartered Accountants is advocating, is to follow the recommendations of the Public Sector Accounting and Auditing Board for recording pension costs and obligations. That is one way that people have come to agreement on.

Mr. Cline: — No, that's what I'm asking. I'm asking a question, not making a statement, that there is one way for this to be done. There are not options, you're saying.

Mr. Strelioff: — The Canadian Institute of Chartered Accountants is recommending what they think is the best approach. I mean, an alternative is not to record anything. That's an alternative.

Mr. Cline: — But if you do record it, I mean, is there only one reasonable way of recording it?

You said a few minutes ago that Ontario is reporting it in one way, okay? And that others are doing something else and it's very difficult to compare. My question, Mr. Strelioff, is: is there one recommended way in which they should all report it, or are there a few different options which they could adopt but they could all adopt it?

Mr. Strelioff: — There is one general method for determining your annual pension costs and determining the amount: the total liability that you owe minus the assets that you've set aside to fund, and that ends up being the total pension liability and the total pension cost. And there's a general agreement on how that should be measured and then booked.

Mr. Cline: — Well that was my question, whether there was an agreement on how it should be reported.

Mr. Strelioff: — Yes.

Mr. Cline: — Okay.

Mr. Kujawa: — It seems to me that this is really, in a way, very simple but a very basic and important issue. Number one, if we owe someone $3 billion, as we do on the pension business, that's a contract. We owe it. It is something that should be disclosed if we're disclosing our financial position. If we don't, we're being dishonest. That's number one.

So far as the credit-rating people that check us out and compare us to others is concerned, surely to God they know that there is a difference between one and another. And if we pass a law here tomorrow saying we're going to disclose this, then we can use that and surely they'll notice it in rating us against the next person.

The other thing that I think we have a chance to even improve our credit rating and our status in the universe, is by coming up with a bit of leadership. Do something that's right; never mind if it's popular; and you'll find it usually turns out to be popular.

When I first got into government many, many years ago and would get out to places like Toronto, I felt like: what am I doing here? And then I discovered that everyone wanted to hear from the Saskatchewan people because Saskatchewan is looked upon as a leader. And it was a leader in a hell of a lot of areas in government across this land. And one of the reasons it was is because we were doing what's right instead of what's popular.

Here is a chance to increase our credit rating and our status as human beings by coming up with some leadership legislation and being honest about it instead of what we call practical. End of statement.

Mr. Van Mulligen: — Mr. Chairman, Saskatchewan is a leader in many ways and unfortunately in some ways that hamper us.

For example, we have the highest taxpayer-supported debt as a percentage of the provincial economy of any jurisdiction in Canada. Our credit rating has sunk faster than that of any provincial jurisdiction in the last number of years all because we've accumulated a debt — a taxpayer-supported debt — unlike any other jurisdiction in Canada.

This leadership position puts us in a precarious position. And recognizing that the credit-rating agencies certainly know about our unfunded pension liabilities . . . I mean, even if they're not recorded, nevertheless there is mention made of these in the financial statements and they know what they are.

Nevertheless the auditor indicates that the different practices among the various jurisdictions in Canada mean that you — in his words — can't compare among jurisdictions. My own guess is that if we were to further strengthen our leadership position in terms of making clear what our pension liabilities are, in the absence of any such action by the other provinces, may lead to . . . for them to make judgements about our financial positions that they may not do in other jurisdictions. Because, in the words of the auditor, they can't compare among jurisdictions given the practices — the very many practices — that prevail among them now.

So, therefore, I would have some real concerns about us reporting the liabilities as he suggests unless that's done in concert with the other provinces.

I think that there's a danger here in being attracted to the simplicity of recording these liabilities and making a leadership statement without analysing the consequences that these may have. And these may be significant and run into some millions of dollars.

If, for example, that action causes our credit ratings, in terms of some agencies, to drop again or not to improve the way that we hoped that they would improve, what are additional costs to the Saskatchewan taxpayers of that? How many millions of dollars will it cost us because our credit rating has dropped again, which means that we pay an extra point or whatever it is, or part of a point, to borrow money? Or find it that much more difficult to borrow because we've moved, probably in some cases from BBB status — which some financial institutions and institutional investors aren't prepared to purchase those kinds of bonds — move beyond that and they're not prepared to purchase.

I don't know and I couldn't state with any degree of certainty what all those implications are. But I would not, in the absence of that, say: well, we should move forward boldly. I would want to know the implications of that. And if you're asking me: well, what should our position be at this point on that particular recommendation? I would say: well, we should do it in concert with other provinces because I wouldn't want to do something that would impair our ability to meet our financial obligations.

I guess I'm even more attracted to the notion that we should table this until such a time as the Department of Finance comes before us. And at that point get some feedback from the Finance officials just exactly how it is that this particular recommendation, as it's stated now, will affect the province. And on that basis then come to some conclusion as to what it is that we should do.

I have no doubt that Mr. Wright and his officials will have some comments to make on this recommendation. It's not something that the Provincial Comptroller's office would necessarily be familiar with or have, you know, day-to-day working knowledge of. But I think it's appropriate to ask Mr. Wright as to what he thinks. You know, in his opinion how he thinks that that recommendation will affect the province.

I'm somewhat reluctant to take all of the assurances of the Provincial Auditor that it will have no financial impact whatsoever on the taxpayers of Saskatchewan, and on that basis accept his recommendation and record those liabilities in the way that he suggests. I guess I would like to ask Mr. Wright, too, if it comes to that, to ask his opinion.

So my recommendation would be, at this point, is that we table that particular item until Department of Finance meets with us, whenever we meet with them.

Mr. Strelioff: — Mr. Chair, members, if you want to move in concert, well Alberta just moved and recorded their full pension liability, so we could move in concert with them. The consistency across and comparability across Canada is aside benefit. The key benefit is having a full accounting of the state of finances of the province in a understandable summary way so that resource-allocation choices can be understood and assessed in the context of full information. Whatever impact that has on decisions and financial management in the province would have to evolve with that full information.

As I said before, the investment community does know. The credit-rating agencies do know about the unfunded pension liabilities across Canada. And when they calculate the debts owed by each of the jurisdictions, they add that onto it so that they come with a common starting base and then make their credit rating and investment choices.

Mr. Van Mulligen: — Can I then ask the auditor: is his knowledge of the way in which the credit-rating agencies operate and his experience with the way in which the credit-rating agencies assess these things, is it such that he will unequivocally state that, by the province of Saskatchewan doing as he suggests in this recommendation, if we were to do so, that it would have no negative impact whatsoever — none whatsoever unequivocally — on our credit rating and our ability to sell our debt instruments?

Mr. Strelioff: — Never say never.

Mr. Van Mulligen: — In that case then, Mr. Chairman, I suggest that we table this until we hear from the Department of Finance.

The Chairperson: — I haven't had a tabling motion yet, so I'm going to . . .

Mr. Van Mulligen: — I'll move it.

The Chairperson: — Then by doing that you're curtailing any further discussion and other members have a certain degree of . . .

Mr. Van Mulligen: — No, if other people want to get into it at this point . . .

The Chairperson: — No, you can't . . . if you move a motion to table it you're curtailing all of the discussion until such time as you want to bring it back on the table.

Mr. Van Mulligen: — Until the Department of Finance comes before us.

The Chairperson: — That's right. Then we take it off the table.

Mr. Van Mulligen: — Yes. But I'll hold that in abeyance if there's others that want to discuss or get in a discussion on that.

The Chairperson: — Well I did have some points that I was going to make and I cut you in and you were going to be after me again. So you can . . .

Mr. Van Mulligen: — No, I'll hold off. I'll hold off for a while. No problem there.

The Chairperson: — Okay. All right, I'm going to raise it from a couple of perspectives that I think are significant.

It was raised as outlined by the Gass Commission and Ms. Haverstock read from their report on how they viewed the world of pension liabilities. And I agree with that. I have agreed with that from the very first time it was ever mentioned in this Public Accounts Committee. And you can go back in the verbatim and you'll find that unfunded liabilities was first brought to the attention of this committee sometime in 1983 by the member from Rosthern, I believe, at that time. And that was the first time any mention was made of any unfunded liabilities. And I think that during the period of time that evolved since that time, we have to take serious some of the things that have come about. I raise it from that perspective.

I raise it from the second perspective, is this: many people in the teaching profession have raised it with me because of their concern and their fear of changes being made to the contract that would reduce the volume of benefits accruing to the teachers' pension plan. And they have raised it with me on a number of occasions when it is not dealt with upfront and in the open on a consistent basis.

The past two years have shown me one thing: that the government has determined that there are certain actions that can be taken in lieu of consequences made by contract, that they will not abide by that contract. And the teacher's have a contract with an unfunded pension. The employees of the government have a contract with an unfunded pension. And if the liability of that is 3 billion, and it's expected to go to 3.8, what easier way for the government of the day to say: we will just draw a big X through the fund and we will have reduced our volume of indebtedness to the people. Just put a retroactive voiding contract or piece of legislation in this legislature and you've voided the contract of all of the teachers in the province of Saskatchewan.

And I recall that happening to a group of 60,000 farmers or 50,000 contracts in agriculture and the government decided it was in the best interests because of financial restraint to do that. I see that as a threat. And other people who are people who have raised this with me, who are teachers, have also raised it from that perspective.

This is a contract and by the determination of the legislation that has been made available on three occasions in this Assembly in the past three years I would say that it is a concern to those people because of that. And I raise that as a very strong point in dealing with this because this is a contract with those people. It is just as easy to say we'll draw a X through this contract as it was through any of the others.

The significant concern that I have is that you would probably have the capacity within the framework, if that was done by the government, to have legislation go to the Supreme Court saying that you couldn't do that because a contract is a basis of law. And I'm not a legal counsel, but I have gathered that in the discussions that I've had in reflecting on those instances that have occurred earlier. The part that deals with whether in fact the pension liability, as outlined and identified in a summary statement for the government as its liability, would not in my view change the credit rating at all.

And I'm not going to be a . . . because I don't have to hang my professionalism on the basis of that observation, I will say this: that the discussions that we had with at least one of the agencies earlier this summer indicated that they reviewed all of that. Even if you have decided you won't put it into the information that you give them, they will go and look for it, because they have a credit rating of their own that they have to substantiate.

And that is: how do I value the capacity of that agency to administer and deliver on what it would go to the money markets for in view of the rate of interest, in the bonds and whatever?

Those are the kinds of things that I think lead me to believe that there would be no change in the credit rating because it's already there. It's already identified. If we think that the bond-rating agencies haven't seen it, we're clearly mistaken.

So my view is that it should be there. I think it's necessary to be there. And I think that we're looking the wrong way when we're not allowing the recommendation of the auditor to come forward in a way that he has indicated here. And I rest my case on that.

And my observations to you are this. If you want to table it to the point when the Department of Finance are here, I have no problem doing that. However, it will be on this table for discussion. It will be on the table for discussion.

Mr. Van Mulligen: — Yes. I sure hope you're right, Mr. Chairman. But I'd like to just get some opinions of those that may have something to say on that, in addition to yours and the auditor's, before I come to some conclusion on this. And therefore I would move that this particular item be tabled until the Department of Finance appears before us and that . . . Well just leave it at that.

The Chairperson: — No discussion. All those in favour of tabling until the Department of Finance is here? All those opposed? It's carried.

So in due course we will deal with that in relation to the Department of Finance.

We then have a recommendation on item no. .24 that deals with . . . or it states this:

> The interim report issued by the Government should reflect the financial results of the Government as a whole, should show the financial results to the interim date compared to what was planned and should show the forecast to the end of the year.

Mr. Auditor, would you outline in broad principles the overview of the recommendation and then we'll open it for discussion.

Mr. Strelioff: — Thank you, Mr. Chair, members, in the Report of the *Financial Management Review Commission*, they expressed concern that significant transactions and commitments that have an ongoing and significant effect on the financial position of the government were decided, entered into, without being specifically approved by the Assembly. And because some of those transactions involved huge dollar amounts, they believe that the Assembly, when a significant amount of money is being committed through a new project or program, that it be given very specific prior approval of the Assembly. And so they recommended that the government propose legislation to limit the amount of public money that can be committed by a government to a project or program without the specific prior approval of the Assembly.

Their general thrust in their report was to move towards more opportunity for the Legislative Assembly to understand, assess, and make decisions. And this is consistent with that recommendation.

The Chairperson: Any discussion on this matter, item no. .24?

Mr. Van Mulligen: I'd just like to ask Terry Paton and Jane if they have any comments on this.

The Chairperson: — Okay.

Mr. Paton: — Could I, just for clarification . . . Mr. Strelioff, did you comment on no. .24?

Mr. Strelioff: — No, I didn't. Sorry. I commented on 34. Been a long day, I think, I apologize. Paragraph .24. This has more words in it.

In this recommendation the commission believes it was important that the government provide a periodic update on the state of the finances of the province during the year, so that if the budget during the year begins on April 1, that at least halfway through the year there is an interim financial statement that shows what the financial results to that interim date were compared to, what was planned for the first, say six months, and then show the forecast to the end of the year.

And so that if there is a change in what was anticipated at the beginning of the year, that legislators and the public would be able to assess what alternative courses of action are required on a more timely basis.

Now in paragraph .22 we note that in November '92, the government released an interim financial report forecasting the financial results to the end of the year, but did not provide an accounting of the financial results at that date compared to what was planned. And we're pleased that the interim report was provided, but that it in the future should focus . . . or should provide an accounting of what the financial results are to the interim date compared to what was planned, and also show the forecast.

The Chairperson: — Mr. Cline, were you interested in speaking to this one?

Mr. Cline: — Yes. I just wanted to know . . . I agree with the idea of having these interim statements. I think it's a good move. What I wanted to know is whether when the recommendation says the government as a whole, which I guess is the government departments themselves, and the Crown corporation sector and so on.

Mr. Strelioff: — Yes, it would be in the context of the summary financial statement compared to the General Revenue Fund financial statement.

Mr. Cline: — Yes, right.

Mr. Strelioff: — So it's the whole.

Mr. Cline: — What I wanted to know was whether the Crown corporation information would be available in a timely fashion such as would enable them to put all the information together. Or does it create any problem in terms of being able to get the six-months statement out?

Mr. Strelioff: — Mr. Chair, members, I would be concerned if the Crown corporation community could not provide an interim, a quarterly financial report, let alone a semi-annual financial report, and they should then come together.

Mr. Cline: — Yes, okay. Well, that's fine. I'm just asking the question. I'm not arguing the converse, I'm asking for information. Thank you.

Mr. **Paton**: — Mr. Chairman, if I could add some comments. I think this issue is very similar to the issue we were discussing yesterday in regards to the quarterly financial statements. This is, I guess, not going as far as preparing quarterly financial statements, but it's asking for the preparation of semi-annual financial statements. A very similar issue. I think it's something that we're currently looking at.

As the Auditor pointed out, we did prepare a statement last year in November and it was a forecast. I think the items that are important to note though is that that statement did report or did forecast the numbers on the same basis as what we plan and budget currently. That's on the General Revenue Fund.

We're currently not budgeting on a government-wide basis and that's another issue that I'm sure we're discussing during this week. But we do plan a budget for just the General Revenue Fund and that's the statement that we're reporting against.

The other thing is that we don't plan on a semi-annual basis or a quarterly basis either and I think that's one of the main reasons why it's a forecast to the end of the year. It's an ability for the government to look at how they've done for the first half of the year, adjust that forecast, and in a way project how they're going to do at the end of the year. That's what happened last year.

In November of last year, the statement was issued with a forecasted deficit of 592 million. And the statements that were just tabled this afternoon, the actual deficit . . . pardon me, the forecast was 593 million, and the actual deficit was 592 million. So it gives the government a chance to adjust their plans and their spending.

It doesn't report the actuals, I agree with that, but I think it's important to note that we don't budget on a semi-annual basis or a quarterly basis. And until that step is taken it could give some, I guess, different messages to the public.

We have different flows of revenues and expenditures and halfway through the year we can't simply take the numbers and double them and get the numbers at the end of the year. And there's a long process of educating the public, and probably the legislative members as well, as to how those flows happen within the province.

I would say it's something that the government may do at some time, but there's a lot of work to be done before we move to that.

The Chairperson: — If I could ask you a question then. How do you process what you're going to . . . I was a minister and what we did is I got a statement of the expenditures — particularly in the Crown corporations — we got statements of expenditures on a quarterly basis from within the framework of the corporation.

I think those would be available because you have to have some degree of accountability within departments, within the framework of Crown corporations. So I don't see where the difficulty is, unless systems aren't available for you to provide how much you pay on a regular basis to deliver programs.

And you may have some problem in certain areas like Social Services where there are payments made at different times of the year because of increase or decrease in the flow of clients. But programming it should run on a pretty consistent basis all the way through the year.

And so, can you describe where you would have the problem in putting together something like this, as you've discussed.

Mr. Paton: — From a process perspective, from the General Revenue Fund, it wouldn't be difficult. We have the computerized systems where we could report semi-annually or quarterly or monthly as far as that goes, and for internal purposes we do prepare monthly statements that show cash flow quarter-month and year to date.

The difficulty comes into when you do this on a government-as- a-whole basis. We have approximately 100 or 120 entities that come into the summary financial statements and not all of those entities do the quarterly or monthly financial statements, so it would require a lot of estimates. And that's possible. I'm not saying it isn't possible, but a number of the smaller entities don't produce those types of statements. The major Crown corporations do, and so it would be possible to take some of that information and modify it.

I think what we have here though is the comparison that's difficult to make. As I stated earlier, we're not budgeting on that basis and we don't have a comparable basis. You're not budgeting on a government-as-a-whole and you're not budgeting on a quarterly or semi-annual basis.

I think those are two important moves to deal with prior to reporting on that basis. I think the reporting mechanism has to be against the budgeted form.

The Chairperson: — Okay. Another question I have.

What would be the biggest constraint to doing that? If you have a normal program, would construction be a . . . let's say the Department of Highways in the middle of summer would probably get more money than in the fall or the wintertime. You'd have construction for schools and health care facilities would be basically given during the summertime period or tenders would be let during that; and so are there other things that have the same capacity? And is that wrong then to have the people of the province understand what's happening in an accounting basis and providing them with the information as it transpires?

Mr. Paton: — I'm not saying it's wrong, I'm saying that it's something that definitely in the long term I think all governments may move to that. I think it could be very useful. I think there's a lack of understanding of the flows of finances in government, and you gave one example with construction. Another one is a lot of the operating grants that are provided out of government are provided near the beginning of the term. And if you look at it, a lot of the revenue flows are near the end of the term. And it's partly an education process where the public are aware of what that is all about. So it's not something we can't move to, but understanding those flows is just part of the issue.

The other thing is, as I said earlier, preparing a budget on that basis. And I think that's a very important step and something that is going to be looked at, I'm sure, over the next year or so.

The Chairperson: — Okay. Mr. Van Mulligen.

Mr. Van Mulligen: — I have a question. I mean it's one thing for the government, for the comptroller's department to say, you know, here is our results as we estimated for the first six months, and here is our projection to the end of the year. And I mean, we now do a summary financial statement, so I guess you could throw in there, here's our summary of what the government's position is for the first six months and here is our estimate towards the end of the year, without sort of dealing necessarily with the question of a financial plan for the government . . . (inaudible) . . . the budget and so on. I mean we do do a summary financial statement that allows people to see at the end of the year, you know, where the government is at, right? So conceivably at the end of six months we could say, well here is where we're at, or in our opinion where we think we're at at the end of six months.

It's one thing for the comptroller's office to say, well you know . . . to prepare that and say here it is, and its controllers in CIC to prepare that and say here it is. It's another one to provide an accounting of that. And are you suggesting that in the recommendation that you would do an accounting then at the end of six months with those figures?

Mr. Strelioff: — Well, the comptroller and CIC would do an accounting, say here's the . . .

Mr. Van Mulligen: — They would do it or you would do . . .

Mr. Strelioff: -They would do an accounting, saying here is the status of the revenues and expenditures for the Government of Saskatchewan as a whole as of six months.

Mr. **Van Mulligen**: — Yes.

Mr. Strelioff: — And here's our forecast to the end of the year, and present that to the Assembly, saying here is where we're going. And perhaps because of that forecast they're saying . . . they're thinking we're going to make the following changes to our strategy, period.

Mr. Van Mulligen: — Which is kind of what we do now. So I'm not sure what will change except that I guess you would have a greater degree of detail on the Crowns or the change of entities that are now included in the . . .

Mr. Strelioff: — You'd get the government as a whole instead of the activities through the one fund. And you'd get . . . the current interim financial report doesn't give you the accounting as of the six months, it only gives you what the forecast to the end of the year is. So it doesn't say that as of September 30 here is our results of revenues and expenditures. What it does is . . .

Mr. Van Mulligen: — Well that's my question. It's one thing for the government to say here's our estimate in terms of what's happened and what we project to happen. It's another one to say, to use the word accounting. Because when you say accounting, then that suggests tome the provincial auditors also sign off that; and then I have a question of, well you know, given the sort of resources and so on, what additional resources would you need to do that?

Mr. Strelioff: — We're not suggesting that the accounting be audited. We're just saying that it would be a good piece of management information to have a six-month financial statement with a forecast of what the government believes is going to happen to the end of the year, and then probably with some change in strategies that they want people to know.

Mr. Van Mulligen: — I'm still not quite clear on how that would significantly differ then from what we're doing now in terms of a mid-year financial report.

Mr. **Strelioff**: — Okay. Right now the accounting that is provided is based only on the Consolidated Fund, so it's more limited.

Mr. Van Mulligen: — Not quite. It also would sort of have an estimate in terms of projected dividends that come from the Crown Investments Corporation to the Consolidated Fund, or in the last few years vice versa — that figure would also be in there.

Mr. Strelioff: — Yes, to the extent that that was planned.

Mr. Van Mulligen: — Yes. So what . . .

Mr. Strelioff: — What's the difference between deciding whether to pull dividends in and reporting how much income a specific corporation is making? They don't have to be significantly related. How much SaskPower has at the six-month date. The accounting would show that SaskPower has earned say $50 million, and the forecast to the end of the year is for it to earn another $50 million. And that would be part of the accounting that you would get.

And right now we don't get the accounting as of the six-month date. What we get is what the forecast to the end of the year is going to be. The accounting must be there to provide that forecast, but it isn't disclosed in the interim report. And so . . .

Mr. Van Mulligen: — If you're saying that the government should be providing at the end of six months in addition to what it's doing now also a summary financial statement . . .

Mr. Strelioff: — A six-month summary financial statement with the recommendations. That's just an important management tool. That even if it wasn't being provided publicly, one would expect 'it certainly to be there internally.

Mr. Van Mulligen: — I agree.

Mr. Strelioff: — That's how it would be, just a logical step to make the Assembly aware of the state of finances.

Mr. Sonntag: — just a question I guess, Mr. Chair, I think probably directed to Terry. just following up on what Harry's been talking about, as much as I like all this and I think it's a good idea, what . . . I don't expect you to be accurate on this because I'm sure you can't be, but in terms of additional resources required to provide these statements, is the additional cost going to be significant or is this not likely to be at all?

Mr. Paton: — Well first of all the comment that these statements are available internally, the summary financial statements are not prepared internally on an interim basis in any way, so it's an entirely new activity. And it would take substantial resources. And we see that through our preparing the financial statements at the year end. We go through a very similar type of process, but without the assurance of the auditor. So it would be a new activity and I think would take on significant resources.

Mr. Van Mulligen: — Can I just ask somebody, as part of your six-month, mid-year report you have to be able to . . . one of the revenue items hopefully now is dividends from CIC. And if those are off, then somebody is going to tell you, well that's off. And they must be able to do that on the basis of some analysis of how the Crowns are doing up to that point of the year.

Mr. **Paton**: — Yes, we do include the projected dividends from the CIC Crowns. But there's a number of other entities that come into the picture that are completely ignored. And what usually happens is those financial statements have minimal impact on the numbers. Whether we pay a grant to a certain entity or we record that entity as having salaries and expenses, which is what happens when you consolidate it, it has minimal impact if we fund them almost entirely.

So if you're looking at an interim financial statement, this is one area where we would have to rely on estimates and we'd probably not include a lot of that detail.

Mr. Sonntag: — I guess the only point I would want to make is this interim report is an unaudited estimate, and the intent of this is that — I mean I certainly agree with this — the intent of this is to provide as an accurate picture of the financial status of the province to six months. But I wouldn't want to get so caught up in specific detail that it's going to be at a cost that doesn't make sense. And I'm not in a position to analyse it any further than that though.

Mr. Strelioff: — Mr. Chair, members, estimates would be made of the smaller organizations, and the main focus would be on the significant dollar amounts. So they wouldn't get right into the very smaller organizations. So the estimate would be a reasonable guess, reasonable estimate.

The Chairperson: — I was on the next . . . were you finished?

Mr. Sonntag: — Yes, I'm finished.

The Chairperson: — I was next on the speaking list, and then Mr. Cline.

And I was going to make this observation and I was going to use the example of when the budget came down for Ontario in this last budget. Did that have . . . did that or could it have had a significant impact on how the dollar traded and the interest rates in the province of Saskatchewan in relation to what it's impact would be on the borrowings and the capacity of the money markets to manage that additional whatever it was going to be?

And I clearly remember it and there was a large or a great deal of discussion on the impact that a runaway deficit would have in Ontario. And that would impact into Saskatchewan; it would impact into the Department of Finance; it would impact into my own personal life on a very real basis. I think that governments which are large lenders, or large borrowers, they need to be, have the public aware of . . . and the more they become aware of it the more the trend is to have a steady market in the borrowing and the lending field.

And I think that the more information that is available, the better people are able to determine within their framework how they should manage their own monies. And the province of Saskatchewan's borrowings are not as significant as Ontario's, but they are significant in any case. And I think that that is the more awareness you have of what that impact is throughout the year, and if you have quarterly statements or semi-annual statements versus annual statements, I think that has . . . over a long period of time, will have a positive impact on how the flow of money is, because there will be an understanding in the money markets; and in the people who borrow for investment purposes, there will be an understanding of their drain on the available capital at certain periods of time.

And people who are in the money markets for other reasons will also be able to understand why there is a drain and certain periods of time when they wouldn't be able to have money available to them. And so I think the more information that is available from large borrowers and suppliers of capital, the more we are able to manage the economy and do it better.

And I think that's why I would be in favour of having this information made . . . well I'm not saying monthly, but it has to be made more often than it is. And I think that if for example, Ontario would have had a quarterly statement about what their expectation and their budget was going to be, there would have been less anxiety in the money market in relation to when their budget did come down. And I think that that is a positive side to where we have to get in dealing with our finances in this province.

I will entertain Mr. Cline's observations and then we will conclude our discussion here until tomorrow morning at 9 o'clock, and we'll deal with item no. .24 tomorrow then.

But we'd like to hear what you have to say, unless you want to start tomorrow.

Mr. Cline: — No, I'll start now because I think this is fresh in everybody's mind. I mean it's like we were talking about yesterday in terms of a mid-year . . . we were talking about mid-year reporting and the fact that that would have a tendency to not only alert the government to problems, but to prevent politicians from misrepresenting the situation as to the size of the provincial deficit, particularly in election years. So there's no doubt that it's a very good process and it's a very good idea, and I agree with it.

My question that I was asking the Provincial Auditor about is as to the logistics and whether a very rigid rule would in fact prevent some reporting. And I'm hearing mixed messages from the auditor and Mr. Paton, because the auditor is saying, well every government organization should have quarterly and certainly semi-annually information and it shouldn't be a problem to put it into a consolidated statement for the government as a whole, okay?

Now that was my question, because what I wanted to ask was, is there some little organization that's part of the government that isn't going to have their information ready, which is going to hold everybody else up in terms of getting this statement. So that instead of getting half of a loaf or 90 per cent of a loaf, you get no loaf at all because somebody hasn't got their information prepared. That's what I was getting at.

Then I hear Mr. Paton saying that, you know, there may be — not the CIC Crowns I guess — but there may be some little organizations that are part of the government as a whole which the resolution addresses that may, as I hear him saying, may hold the thing up. And that's what I want to know. It has nothing to do with . . . I'm in favour of the concept which is why I'm asking the question. I want to know: is there some logistical problem that is going to prevent you from getting the interim report out because the information isn't available from some part of what is the government as a whole, using the words of recommendation .24. That's what I want to know.

Mr. Paton: — I think there's definitely a potential for that. Not all of these organizations would prepare quarterly financial statements or semi-annual financial statements. The auditor is correct in that some of them we could ignore or we could make estimates. There are other ones, other and larger corporations, that even now we had some difficulty in getting their financial statements, their annual financial statements, seven months after the end of the year.

Our Consolidated Fund or General Revenue Fund we had generally finalized by the summer. And we spent from the summer until today basically getting the information on the rest of these entities. And some of them are fairly large. The Saskatchewan Crop Insurance was one of the last ones that we received and it definitely has a major impact on the results. And there's other ones that I know have difficulty preparing their financial statements. Whether or not they could do it on an annual or a semi-annual basis and provide estimates, that's possible but . . . I see we haven't experienced it and I know we have had difficulty giving statements even to today.

And one of the things that was missing in today's *Public Accounts* is we didn't table our compendium of financial statements to . . . (inaudible) . . . second to include all of the financial statements of the province, of the entities in the province. And there's a number of those that are still incomplete. Now they're not the major ones, but they're not done as of today.

Mr. Cline: — Yes. And I want the government to come out with the interim report. That's what I want. But I want the government to have the flexibility to have some explanation of things that are part of the government as a whole that aren't, aren't there. So that you don't do nothing because there's some information you don't have.

Mr. Strelioff: — Mr. Chair, members. That's reasonable. And the experience that Mr. Paton related — and we were in the middle of it as well because we're trying to get the audit done and the financial statements weren't finished by management — but you have to worry about that. Why would a big organization like the one that he mentioned not be able to prepare a financial statement within six months of the year end. Or why wouldn't they be able to prepare a six-month statement. Or for the government as a whole, I mean you're accountable for a $9 billion enterprise, 9 billion revenue going out, coming in, and 9 billion going out in general. Surely a $9 billion enterprise should have a quarterly financial statement or certainly a semi-annual financial statement because you need that to be able to manage such an enterprise.

Mr. Van Mulligen: — Just in answer to that. It was about five, six years ago that there was a number of lay-offs or people were let go in the Public Employees Benefits Agency and it took years to straighten out that mess because as these people were pushed out the door all kinds of corporate knowledge about how the place operated and what to do went with it. And the place was . . . it just couldn't produce.

Mr. Strelioff: — Well that's something you should be concerned about and looking forward.

Mr. Van Mulligen: — Yes I agree. But nevertheless that happened. And so I'm saying that sometimes there are reasons why these things happen. I don't condone that that should have happened in that case and I think people should have been . . . should have planned better. But nevertheless that's what happened. So I mean there are instances where the government should be able to say that, look we don't want, you know . . . here's our report, but we weren't able to get a report from such and such an agency for such and such reasons.

The Chairperson: — We'll defer this discussion to tomorrow and we'll deal with the item no. .24.

Mr. Van Mulligen: — If we agree with the recommendation, why don't we just agree to it now.

The Chairperson: — Okay. Does the committee agree with the recommendation? Agreed. Okay, it's carried. Thank you very much.

The committee adjourned at 4:38 p.m.