

STANDING COMMITTEE ON PUBLIC ACCOUNTS
January 17, 1994

Public Hearing: Department of Finance

The Chairperson: — We will begin our Public Accounts. I want to welcome you all here. There are a number of items that I think we need to deal with first of all, and then we will go on to the business.

We have an outline of the agenda. Today will be Department of Finance, Department of Executive Council, and Department of Justice. And what we will be doing, if any of the departments do not conclude their discussion we will attempt to do that on Friday and go through those items on Friday. And we'll notify those at the conclusion of our discussion, which ones we will call back for Friday. That's one item.

The second item deals with a report from, I believe, the Department of Finance that was sent to me in response to the third report. And I do not have a copy of that so if the Department of Finance would supply that to the Clerk, then the Clerk could make it available to the members of the committee and that would help us out considerably.

The item that I have to do on a regular basis is to remind each of you that you are recorded, and also that you are protected under section 13 of the Canadian Charter of Rights and Freedoms which provides:

a witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

And so we just want to remind members that you have responsibility to answer the questions and all of the questions that are put to you, and we would like to remind you of that.

We have one item that needs to be identified by the auditor, and he supplied us with the information and you will be getting it. And would you give an explanation of that or do you want to comment on it at all?

Mr. Strelloff: — Sure. Mr. Chair, members, what the Clerk is handing out now is an update on items that have been corrected since our last report. This is an update from a report that we provided you November 10. And on the one that's being handed out there are two items related to the Department of Agriculture and the Department of Economic Diversification and Trade.

In an earlier hand-out we noted items that have been resolved with the Department of Finance and I'll review those when we get there.

The Chairperson: — What we will do at the conclusion of the time if we have more questions than the time allows, ask how much more time it is expected to take and then 15 minutes before we

conclude, or given a certain amount of time to call the next witnesses, we'll do that. And that was regarding an agreement we had with the members earlier on in order to make it so that the people don't have to sit and wait here while we're discussing issues of importance related to an agenda that doesn't always fit the circumstances.

Mr. Wright, would you introduce your officials and then we will ask the auditor to give some observations, and then we will proceed with the meeting.

Mr. Wright: — Thank you, Mr. Chairman. On my extreme left is Rae Haverstock, who is the director of the capital markets branch, treasury and debts management, with the Department of Finance. To my immediate left is Mr. Gerry Kraus, the Provincial Comptroller. To my right is Bill Van Sickle, executive director of administration for the Department of Finance. Behind me is Brian Smith, executive director of the Public Employees Benefits Agency.

The Chairperson: — Mr. Strelloff, would you like to make some observations about the Department of Finance?

Mr. Strelloff: — Thank you, Mr. Chairman. The chapter in our report of chapter 15, page 133. As you know, it deals with the year end March 31, '92. The first two pages deal with . . . reviews some of the management responsibilities the department has, which you can see are quite onerous and far-reaching in terms of expenditure management, revenue collection management, debt management, guarantees, and also numerous pension funds. Our chapter focuses primarily on the financial statements that are prepared by the department for the government that focus on the — remember this is the year ended March 31, '92 — which focus on the Consolidated Fund, the Heritage Fund, and then the combined funds, as well as the summary financial statements.

As you know, the Consolidated Fund and the Heritage Fund have been combined, and now we have a General Revenue Fund plus summary financial statements. The chapter focuses on concerns we had with the Consolidated Fund and the Heritage Fund and the combined fund financial statements, particularly on their basis of accounting, which in the past has been what's called a modified cash basis. At the beginning of '93-94 we understand they are . . . the government is moving to what is called an accrual type set of financial statements for the General Revenue Fund, which is a significant improvement.

The other issue that we focus on in the chapter is related to the summary financial statements and the unrecorded pension liability, which is estimated to be around \$3 billion. In our earlier sessions that we had in November, there was a recommendation in our chapter related to the Financial Management Review Commission where we said . . . where we supported the recommendation of the Financial Management

Review Commission that the government record their unrecorded pension liability. And at that time the committee decided to defer that recommendation to now, when the department is here to discuss it. So that's another focus of the chapter.

There's two other points that relate to the MLAs' (Member of the Legislative Assembly) pension plan, two concerns: one with the spousal allowance provisions, which have been around . . . Our concern has been around for a number of years. Our concern is that the law says that a spouse shall get 60 per cent of a benefit, and the practice has been 100 per cent. And also the second concern has to do with annuity underwriting, which we'll get to as we get to the MLAs' pension plan.

The last outstanding concern relates to the Workers' Compensation Board pension, which is administered through the Department of Finance, and it relates to the board clearly documenting their decisions. Now since our report was finalized or written, there have been a number of issues that have been resolved. They relate to paragraphs .40 to .43. So if you go to pages 40, 43, just to keep track of issues that have been resolved, the recommendation in 43 have been resolved.

Paragraphs .48 to .54, the actuarial valuations are now . . . there has been a recent one. Paragraphs .58 to .61 have been resolved. And paragraphs .62 to .66 has been resolved. Last year we reported we weren't finished our examination of the department. We are planning to try to complete two years in our upcoming next report.

The last comment that I have, you may want to ask how well the department's performance was during this year under review compared to what they had planned to do and some of the key issues they face. Are there any questions that you may have before asking the department questions?

Mr. Sonntag: — Which section was the second section that was resolved? .42, .43 and which of the others?

Mr. Strelieff: — Paragraphs .40 to .43 and .48 to .54.

Mr. Sonntag: — Okay, that's good. Thank you.

The Chairperson: — Any other questions?

Mr. Goohsen: — Yes, well you just alluded to the point that we should ask a comparison of how the departments performed in terms of target as compared to reality. And I thought maybe you should just as well do that right away.

Mr. Strelieff: — Mr. Chair, Mr. Goohsen, you'd like me to ask the department what its performance targets were during the year under review and how well did they do compared to those original performance targets. Is that the type of question that you want me to ask?

Mr. Goohsen: — If you aren't familiar with the information and can't answer it, then I'd appreciate it if you'd point that question to them and have them answer it.

Mr. Strelieff: — Well, Mr. Deputy, in your original plans for the year '91-92, no doubt your various groups within your department had various performance targets and indicators and goals. How well did your department do compared to those performance targets at the end of the year, and what kind of issues surfaced as a result that you have to manage better?

Mr. Wright: — With respect to your first question, outstanding. With respect to your second question on issues that we had to deal with over the course of the year, I'm sure you appreciate that '91-92 there were in essence — although I'll choose my words perhaps carefully — a budget that was presented to the Legislative Assembly and a financial report that was presented to the Legislative Assembly. In that context it was an onerous year, a very difficult year. There were numerous issues of revenues, expenditures, improving accountability over the course of the year. And to come back to your first question, the answer clearly is, outstanding.

Mr. Van Mulligen: — And was the budget approved?

Mr. Wright: — By the Legislative Assembly?

Mr. Van Mulligen: — Yes.

Mr. Wright: — I do not believe so.

The Chairperson: — Any other questions of the auditor?

Well then we'll go to questions asked by the members of the deputy minister of Finance and his officials. And it's a policy that you, Mr. Deputy, if you wish you can have your staff answer on your behalf.

And what I think I should also note and I didn't earlier and that is that if there is an answer that we are not provided with and you are going to provide, you need to do that in sufficient copies — and I think it's 15 for the committee — and then we'll circulate them. And they need to be sent to the Legislative Assembly Office. Any questions of the Department of Finance?

Ms. Haverstock: — Yes, thank you and welcome. Mine is just a general comment and it was a frustrating exercise for me to try to prepare in any way for today because we're dealing with the 1991-92 *Public Accounts* and obviously it's dealing with two separate governments.

I'm wondering if you can just help me to understand, if indeed you can and if you will be taking it upon yourself, to try to explain the previous administration's budget priorities and then how that perhaps is more confounded by the fact that another administration came in at the end.

I don't quite know how to even pose this as a question. I really did find it very difficult dealing with two separate administrations and what we may find today is a tendency for there to be an opportunity for both government and opposition members to try to pass the buck — I don't know. But if you could simply comment on how you see us best being able to address this with two separate administrations being examined in these Public Accounts.

Mr. Wright: — To be honest with you I'm not sure. It was a very difficult year.

Ms. Haverstock: — You were present so I'm just wondering ...

Mr. Wright: — I was, in fact, present for both administrations. I served as deputy minister under both administrations during the course of '91-92. You used the word frustrating, I'll use the word: very difficult to make the transition from one administration to another. I believe you posed the question, what would the previous administration's priorities in the '91-92 budget.

It is a few months back, and I recall they were clearly articulated in a document prepared by the Department of Finance at the time called *CHOICES* which articulated a plan dealing with the financial structure of the province, and the programmatic and tax policy priorities were articulated in that. We went through the course of the year — clearly a budget presented to the Legislative Assembly.

A number of situations arose over the course of the year: the House closed; before we knew it we were into a provincial election. During the course of a provincial election we prepare, regardless of administration, appropriate briefing notes, briefing material, and the material that we produce is in the event that I, or the department, receives a new Finance minister regardless of political stripe. We produced that material; the government changed, took office November 1.

We were then in the position whereby the new administration felt that it had to bring in a financial report to the Legislative Assembly, which in fact the Department of Finance produced, and was delivered to the Assembly by the government, by the new administration.

We then began immediately the process of insuring the targets were, in fact, met for '91-92 and dealing with the situation of the preparation of the budget for '92-93. There was an awful lot that went on during '91-92 for all of us. And it was quite busy in the Department of Finance but I think I'll try to leave it at that because that's the quickest answer I can give to your question, and it is a difficult question.

Ms. Haverstock: — Regardless, I do hope to be able to at least pose some questions along the way regarding the Provincial Auditor's comments. What I will do is see to this ... (inaudible) ... and see if there is a more general comment on people's part before we go on to

perhaps something specific like the Provincial Auditor's report.

All right. I'll just continue then, if I may. On pages 135, 136 regarding the ... it states the department did not properly account for a report to the government's pension liabilities. I understand from what we discussed in the previous Public Accounts Committee that this was something that would be raised in today's meeting, so I am sure you were made aware of that.

What I indicated in November was as follows, and these are direct quotations from the Gass report, the Gass Commission, and this is a recommendation 3.18 that "The Government should record its liability for pension obligations."

I don't see the benefit perhaps in restating all of the quotations from the Gass Commission but I will give you the page numbers and just make one comment in particular as a direct quote. Page 22 from the Gass Report is one to which you may wish to refer. Again on page 42, and that is a shorter quotation and therefore I will comment on it.

... 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 then they continue on talking about the public sector superannuation fund and the teachers' superannuation fund.

I'm just wondering if you could make comment, please, on this particular statement as well as the recommendation by the Provincial Auditor that this is something that must be addressed. What is the government's intentions regarding this issue? And I guess most of us as taxpayers in the province are concerned about how long we can continue to stall and refuse to address this particular kind of matter which is deemed so serious.

Mr. Wright: — With respect to the reporting of pension liabilities, I'm sure you appreciated in volume 1 of 1991-92, page 15, *Public Accounts*, in fact the estimated liabilities of the various pension funds unfunded liabilities are articulated. That is in the amount of approximately \$2.952 billion.

So in essence it is disclosed but in the opinion of the Provincial Auditor is not disclosed properly within the *Public Accounts*. To the best of my knowledge it is in every year and has been disclosed in the financial statements but not in accordance with the way in which the Provincial Auditor would like it disclosed. So that's issue number one.

Issue number two, it is in fact a very serious issue. There is no question about this. Several provinces ... We discussed this last February. Several provinces have moved, at least in part, to address this situation.

British Columbia, for example, records portions and I emphasize the word portions — of unfunded liabilities. They do not record fully the teachers' unfunded liability because, as I understand it, there is ongoing dispute as to who is responsible for that unfunded liability, although I do stand to be corrected on that if I am in fact in error.

I believe as well Alberta just recently has indicated that it will move to record unfunded pension liabilities and has taken steps.

And I believe the third province is . . . Nova Scotia is moving in that direction. There may be other provinces although I'm not aware of them at this point in time.

The provincial government has indicated to me and to the Legislative Assembly the seriousness of this issue. It is not only one, in my personal and professional opinion, of unfunded liabilities; it is much broader than that. It involves governance; it involves funding; it involves structure; it involves investment; and it involves administration. And one needs to approach this on a very broad basis as opposed to on an individual item by individual item.

This has formed, I can assure you, part of the Treasury Board review process for this year as to where we are going and what we are doing. Suffice to say it continues to be under consideration with respect to the various options available to the provincial government and to the various pension funds. At this point in time and as you've seen to date for '91-92 and I believe '92-93 — and it's not included in the budget estimates for '93-94 — the government has chosen in its wisdom not to record this along the lines that the Provincial Auditor has chosen or would prefer.

Ms. Haverstock: — Thank you, Mr. Wright. I think one of the things that would support your pointing out that this shouldn't simply be stated as an amount of the liability but rather how it is going to be managed is of particular importance. This isn't simply about putting down a number; this is about how are we going to deal with the fact that this is worsening each and every year as more and more people draw on pensions and fewer and fewer employees pay in to pensions. So I think it's extraordinarily important.

I will cease if other people have related questions to this. If not, I'll move on to another issue.

The Chairperson: — Ms. Haverstock, I have a number of questions. Are you going to go through the whole section of the . . .

Ms. Haverstock: — No, I have particular issues. There's just one final comment, if I may. I just had it come to memory.

When we were here in November, we did have a very, I think, interesting discussion about this issue. And one of the things that was brought forward was the idea that it simply isn't liabilities that should be placed on record but assets as well, if my memory serves me

correctly. And one of the things we had in discussion was how we can begin to register for the people of the province that we do have some things of value. And if I recall correctly, we were talking about such things as infrastructure in the province and that kind of thing. Is your department . . . is that something that is being examined as well?

Mr. Wright: — I would recommend to the members here, the good Provincial Auditor had the occasion to pass on to me recent comments of the chairperson of PSAAB (Public Sector Accounting and Auditing Board), who recently gave a speech I believe at a financial management meeting of a variety of people from across Canada. In that paper he indicates — the chairperson indicates — that they will be . . . PSAAB will be studying this whole issue of assets and infrastructure that is very complex. The clear guidelines, clear direction, need to be provided to the readers and to those who follow PSAAB's instructions.

We within the Department of Finance have exchanged views. We have read a variety of material on this. And certainly when the auditor passes along material of this nature to us, we stand up, take note, and hopefully both myself and the Provincial Comptroller hope to participate with the PSAAC (Public Sector Accounting and Auditing Committee) board, myself as an associate of the board, in providing recommendations that perhaps all governments can live with on this very important issue.

Ms. Haverstock: — Just a comment — actually a question. This is regarding the benefits paid to surviving spouses. It's page 147 of the Provincial Auditor's report. The auditor states that payments to surviving spouses in excess of 60 per cent are unlawful. Would you comment, please?

Mr. Smith: — The statute for surviving spouses under MLAs' pension plan, there's a formula in the Act which tells us how much the pension should increase. I guess we have a difference of opinion in terms of how to read the Act, and I think we both have legal opinions supporting our views that one is right and one isn't right.

We have agreed to pursue amendments to the legislation to clarify one way or the other exactly what should be in the statute. So I think we have a difference of opinion of what the statute says and we would like to clarify what the Act should say to accomplish a result.

Ms. Haverstock: — So I take it then that the comment that the auditor stated that the minister responsible for this fund, that Finance should seek a change to the law for this matter, that is not something that has been taken up because you are in fact challenging the fact that it is unlawful?

Mr. Smith: — Well no, I think we have two different opinions, and the way to resolve it is to make the legislation agree with what is being done or vice versa.

Ms. Haverstock: — What commitment then is there from the Minister of Finance to bring these changes before the legislature this session?

Mr. Wright: — I can't commit what my minister has said or not said with respect to the introduction of legislation. Clearly though the issue has been defined, that legislative change would be required to remove this as an irritant, and that's under a pact of consideration.

Ms. Haverstock: — Thank you. Mr. Chairman, that's all I have for the moment.

The Chairperson: — Okay. There's a couple of questions that I have, Mr. Wright. When you set out to do the new actuary in the pension plans that you have under your direction, did you use the same format with the same assumptions dealing with the new one as you did with the old one, and would you be able to comment on them? And would you be able to provide us with the people who did it? If they did it out of your department, we'd like to know that as well.

Mr. Smith: — For the pension plans that are administered by the Public Employees Benefits Agency, we tender the valuations to actuaries and the most competitive bid wins. We do have different assumptions on some of the plans than other plans. And the Provincial Auditor has already asked us to have similar assumptions within the plans.

We are dealing with different boards or commissions for several pension plans and at times it isn't possible to get exactly the same assumptions. But I think that we're moving in that direction, to have closer assumptions and more comparability of numbers in terms of result when actuarial valuations are performed.

The Public Employees Benefits Agency does not administer all of the pension plans and there are a couple in different departments of government. And I think it will be up to the Department of Finance to influence trying to get those valuation assumptions closer together.

The Chairperson: — In making those assumptions, do the mandates of the pension plans to different employee sector groups have different contracts to follow in order to reach a conclusion as to what the assumptions should be? For example, does the public employees have one different than the teachers, and the teachers than the municipal employees? Are they close enough to being the same that an assumption could be made on our part that they should be the same?

Mr. Smith: — Mathematically they are very different in terms of the assumptions, and there are several assumptions when an actuarial valuation is performed for a pension plan — interest rates, mortality rates, termination rates, and inflation rates. And there's many factors involved.

The mathematical result may end up being very similar even though some of the numerical assumptions are different. And it's a very technical nature which I would probably need a blackboard to try and explain.

The answers are all . . . Some of the commissions have totally different assumptions but the mathematical differentials end up with very, very comparable results in terms of having a comparable unfunded liability number from one to another.

The Chairperson: — And who did you have doing the old actuary; and if you don't mind, who did the new one?

Mr. Smith: — Oh, the new pension plan doesn't have an actuarial valuation because it's a money purchase plan.

Mr. Wright: — Mr. Chairman, you refer to who has done the most recent actuarial valuation and who was the person or the firm?

The Chairperson: — Yes, I think in 1988 you did one, or '89. And then . . .

Mr. Smith: — The most recent one was the Alexander Consulting Group in Saskatoon. I believe the one prior to that was William M. Mercer Limited company in Saskatoon as well.

The Chairperson: — Okay. On the unfunded liabilities as it relates to the teachers' plan, do you have a number as to what that volume is?

Mr. Smith: — The teachers' superannuation plan is administered by the Department of Education, so we don't have the number readily available, other than the notes that are in the *Public Accounts*.

The Chairperson: — So they're responsible for the teachers' pension fund?

Mr. Smith: — Yes, they are.

The Chairperson: — Okay. And . . .

Mr. Wright: — We can, Mr. Chairman — we just don't have it handy here — I can obtain it for you. We would have by natural course contacted the Department of Education, obtain the number, and then provide it to you. Alternatively, you could ask when they appear in *Public Accounts*. Whatever your preference is.

The Chairperson: — I can make a note of it and ask during the Department of Education estimates, or discussion in *Public Accounts*.

Mr. Wright: — Mr. Chairman, I'm sorry. We do have, pursuant to the '91-92 estimate which was, as I said, page 15 of volume 1, and I can give you that number right here, which is 2,036,724,000, estimated unfunded liability as of March 31, '92.

The Chairperson: — That's in the teachers' pension?

Mr. Wright: — That's in the teachers'. If you would like that updated to March 31, 1993, the estimate has in fact declined to 1,938,236,000.

The Chairperson: — But that does not . . . Is that the actuary's assessment of it in relation to what the . . . assumptions he makes and attaches that to the decision he makes about the volume of dollars that . . .

Mr. Wright: — They are in fact projections based on the last actuarial study undertaken, which was in 1989.

The Chairperson: — 1989. And do you know whether they did one when you did the ones on the public employees?

Mr. Wright: — I'm sorry, Mr. Chairman. I don't know the answer to that.

The Chairperson: — Okay, we'll find that out from them.

Okay. You do a number of them. And as I was going through volume 2 of your *Public Accounts*, you do a number of those in relation to the Department of Finance, I would say. And on volume 2 on page 124, you've got a number of them that . . . no, you have it on 125. You have the public employees' one. Do you know how much liability there is in the pension plan there?

Mr. Wright: — Mr. Chairman, if I can again, referring initially to volume 1, page 15, the public service superannuation plan had a projected unfunded liability as of March 31, 1992, of \$834.683 million. And the most recent valuation projection for 1992-93, closed March 31, 1993, is down on page 17 of volume 1 of the 1992-93 *Public Accounts*, and that is now at 905.699 million.

The Chairperson: — The concern that I was coming to — and I don't know whether it's important enough to discuss, but I thought it was because I wanted to clear it up — on early retirement for people in the various sectors of government, how much does that increase in the year under review? How much does that increase the cost to the pension plans in relation to the volume that they were responsible to pay, and then add on early retirement, those people that were on early retirement and those that were placed on early retirement. I don't know whether '91-92 that there were, but if there were I'd like to know that.

Mr. Smith: — Mr. Chairman, we're not really qualified to answer that question. So when we have an actuarial valuation done in a three-year period or a two-year period, the actuary will look at the last valuation and account for changes in the unfunded liability in detail by each early retirement program. So when we have a valuation done, the actuary gives us the information: what did the unfunded liability increase by for the early retirement program.

And I don't have a number available for '91-92, but I can go back and extract it from the actuarial valuation because it will be isolated in the valuation, what the cost was as a result of the early retirement program.

The Chairperson: — Okay, then you would have evaluated it as the Department of Finance in relation to providing early retirement for various people in the department.

Mr. Wright: — It certainly is a consideration, yes.

The Chairperson: — Okay. If it was done on an annual basis, would that cost more than having it done on a basis where you have three years and then you go back and you calculate all these assumptions in? Would it be prudent or a valuable expense to do that on an annual basis, to provide a reasonable debt load that the province could say that this was the volume of dollars that was in debt to fund the unfunded liability on the pension plans?

Mr. Wright: — I may stand corrected on this, but I believe the Provincial Auditor has asked us to ensure that it be done once every three years.

A Member: — Once every two years,

Mr. Wright: — Once every two years.

Mr. Smith: — But in the *Public Accounts* notes we do extrapolations, and so the projected unfunded liability, we do projections, we have the actuary project the unfunded liability but it isn't finite enough to identify the early retirement cost. That is though part of the calculation when the projection is made but it isn't as finite. When a complete actuarial valuation is done, we know all kinds of details. Projection includes early retirement programs but it doesn't specifically, in finite detail, identify it.

So the projections, we believe, are the best estimates we can get of the change in unfunded liability, but we don't go back and do them in exact detail the way we do actuarial valuations on a regular basis.

The Chairperson: — So a policy change by government, any kind of a government, as it relates to early retirement, could increase the costs to the unfunded liability by a substantial amount. For example, if they took at across the board, 50 in a retirement, that could greatly increase the volume of dollars that the government is responsible for.

Mr. Smith: — Yes. If there was a blanket approval to have early retirement at age 50, yes, it could have a major impact on the unfunded liabilities. The early retirement programs though must be approved as well by the federal government. And Revenue Canada has three thresholds at which they will allow early retirement: age 60, 30 years of service, or age and service equalling 80. So there are other control mechanisms by the federal government that limit how far you can push down early retirement.

The Chairperson: — And you meet each one of those

items, or do you meet one of those items?

Mr. Smith: — Well each of the early retirement programs has had different thresholds. And the Public Service Commission program that's ongoing right now has a threshold of combination age and service equalling 80.

The Chairperson: — Okay. The Department of Finance or the auditor's office, I believe, went through some scenarios that dealt with various approaches to how this unfunded liability and various other . . . no, I'm sorry. They went through a number of ways that you calculated the funds and the dollars in the funds and how you dealt with debt. And under certain circumstances there was a variable in the provision for establishing how much debt there really was in '91-92.

And they went through some of those numbers on page 138 and 139 and on 142 and 145, and they dealt with them in various ways. If you calculated from his perspective, there were a number of areas that had a wide variety of conclusions that they came to. Which in your mind is closest to the actual reality of what we should be talking about? Which one does that represent?

And now I'll ask the auditor, which one most closely in his mind represents what is reality?

Mr. Wright: — What is reality.

The Chairperson: — Or truth, I could have said it that way.

Mr. Wright: — Or truth. Indeed, Mr. Chairman, on page 138 and 139 — I'm just glancing at these; his reservations, that is to say, the Provincial Auditor's reservations — deal with two items. One which is the modified cash basis of accounting, he would have preferred for '91-92 financial statements to be on an accrual basis. Since this point in time, we are now commencing with '93-94, our budgeting practice is on an accrual basis.

Secondly, he deals with write-offs and provisions for losses not being charged directly to the deficit of the province. We, commencing with '92-93 Public Accounts, are now on that basis. In essence we have corrected both of these items, commencing in one case '92-93 and another case '93-94. So we have achieved those.

We have not necessarily achieved his reservation of opinion as it pertains to unfunded pension liabilities. Assuming his numbers and his calculations are correct on page 139, I believe that those may in fact be the truth as far as the Provincial Auditor of course is concerned.

The Chairperson: — Wayne, have you got an observation on relevance of the three scenarios?

Mr. Strelloff: — Yes. Mr. Chair, members, we have audit opinions on, I think, four sets of financial statements here.

The government in volume 1 of that year presented four sets of financial statements and, as Mr. Wright noted, they're now moved to two sets of financial statements.

In terms of what is the most relevant piece of information, I've been advocating strongly the use of the summary financial statements as the key accountability and decision-making document for the government. The opinion on those summary financial statements is on page 136. And as you remember in chapter 2 of this annual report, we explain more fully the summary financial statements in chapter 2.

The reason I advocate you using the summary financial statements as the key decision-making and accountability document is because those statements are the ones that report on the government as a whole, including the departments and agencies and boards and commissions and corporations. It's only those financial statements where you have assurance that all of what government is responsible for and is financially managing is presented.

As you move to the other sets of financial statements the key question in my mind each time I review those financial statements is: what activities are included and what activities are not included? And in some cases that is a very difficult assessment to make. As we pointed out earlier, the government has now moved to two sets of financial statements so there's less confusion. But I still argue strongly that the closest to reality or truth, the closest to reality is the summary financial statements. And I strongly recommend that you use those financial statements for assessing how the government manages.

The Chairperson: — On page 146 there are a number of questions that are related to the MLA superannuation fund. It says there that there is assets of \$8.4 million and the department paid out 1.7 million. Is 1.7 million the volume of dollars that is usually paid out? Has that been a reasonable amount of money to set aside for the payments to the MLA pension plan, the superannuation fund?

Mr. Wright: — We believe it's within the ballpark, Mr. Chairman.

The Chairperson: — Do you know how many people there are drawing on that pension?

Mr. Wright: — We can obtain that information for you, Mr. Chairman, if you'd like.

The Chairperson: — I'd like that.

Mr. Wright: — Certainly.

The Chairperson: — On the government employees' pension, are they allowed to withdraw that at a certain time to reinvest that on their own in a registered income fund or RRSP (registered retirement savings plan) sort of form? Are they allowed to do that?

Mr. Smith: — In the public employees'

superannuation plan, Mr. Chairman, the employees are allowed to at age 55 or later than 55 on retirement move their funds on a locked-in basis to an RRSP, to a life income fund, or a life retirement income fund.

The Chairperson: — When you do that, in relation to the unfunded liability, how much of that money is being taken out on a regular basis? Is it a large amount or is it a small amount or do the people who have these funds from employees, do they generally leave it in as a responsibility of the government to pay them their pension?

Mr. Smith: — I should clarify, Mr. Chairman, that those options are only available to the members of the public employees superannuation plan, which is a defined contribution plan and the assets are there. Members of the public service superannuation plan, which is the old, quote, defined benefit plan — it doesn't have any assets — that option is not available to them.

The Chairperson: — Oh, I see. So you wouldn't have many people in the defined benefits plan, as we speak today, nor would you have had a lot of them in the 1991 year under review.

Mr. Smith: — In terms of numbers of people, there's about 3,400.

The Chairperson: — No, no, I meant the people drawing.

Mr. Smith: — For the defined benefit plan, this is the public service defined benefit plan, they can withdraw their own contributions.

The Chairperson: — Right.

Mr. Smith: — For the other plan, they can move it into those other options that I mentioned. I think I'm missing your question.

The Chairperson: — Well what I was wanting to know is how many people there are on pension today in the pay plan . . . (inaudible interjection) . . . Yes, there probably aren't very many.

Mr. Smith: — For the public service plan or for the MLA superannuation plan?

The Chairperson: — For the public service.

Mr. Smith: — The public service superannuation plan has about 3,400 people still contributing to that plan. In terms of pensioners, I believe it's in the order of 5 to 6,000, but I will clarify that. I'll get the answer to both of those for you directly.

The Chairperson: — Okay. Now anybody in the registered . . . well I don't know how to describe it. The pay plan and the old plan — we'll put it that way the pay plan, how many MLAs are drawing pension under the pay plan?

Mr. Smith: — We can also get that information for you

and send it to you.

The Chairperson: — Okay. And the reason I'm asking the question, there's a significant amount of people that come to me, both in the employees and in the MLAs, who would like to administer their own plans in relation to their pension, and I'd like to know whether the MLAs have that same option in their plan as the government employees do in theirs.

Mr. Smith: — The MLAs do not have the same options as the public employees for the money purchase parts of the MLA pension plan. The conditions are the same for members of the defined benefit plan for the MLAs and for public service employees. There really isn't any option.

The Chairperson: — Right. Okay, thank you. In the plan that deals with the old plan for MLAs, page 146 where you talk about \$1.7 million, is that the volume of dollars paid to both plans or just to the one?

Mr. Smith: — Well maybe I could answer it a different way. There are no assets in the defined benefit plan of the MLA fund, so all of the contributions . . .

The Chairperson: — In this plan.

Mr. Smith: — For the defined benefit plan. The assets that we talk about in the financial statements are for members of the money purchase plan.

The Chairperson: — Okay.

Mr. Smith: — So the appropriations from government will be a matching amount to the members who are in the money purchase plan and the pensions that are being paid for pensioners and surviving spouses from the old plan.

The Chairperson: — Right.

Mr. Van Mulligen: — The members of the Legislative Assembly superannuation fund, you're speaking there of the money purchase plans.

Mr. Smith: — Yes.

Mr. Van Mulligen: — Can you maybe just very simply clarify the difference between the money purchase plan and a defined plan for all those in the room, in case that might be lost on people?

Mr. Smith: — The money purchase plan is probably the easiest one to describe and it is a defined contribution plan where members contribute 9 per cent of their earnings to the fund and government matches the 9 per cent. The pension that will be received when MLAs retire will be based on the amount of funds . . . amount of equity that they have in the plan and the annuity rates at that time. So the risk of retirement or having enough money is based on the individual.

The defined benefit plan, on the other hand, defines the benefits, and MLAs contribute the same 9 percent.

The benefits are defined in the Act. But what it costs we will know after the last MLA has retired.

Mr. Van Mulligen: — But at this point . . . That changed then at some point in 1979?

Mr. Smith: — April 1, '79 I believe, yes.

The Chairperson: — What's the restriction on the people in the pay plan? What's the restriction on them not being able to withdraw their funds from the plan?

Mr. Smith: — The statute.

The Chairperson: — The statute says that they can't?

Mr. Smith: — Right. It's just . . . (inaudible) . . . so we don't have any legislative authority to provide yet the same options as the public employees.

The Chairperson: — Okay.

Mr. Cline: — Excuse me, Mr. Chair. Can I ask a question on that?

The Chairperson: — Sure you can.

Mr. Cline: — Was there a change to the new Pension Benefits Act? When that was brought in, did that also change the rule with respect to the ability to manage your own pension for people in private plans?

Mr. Smith: — Yes, it did.

Mr. Cline: — So that what is now done for the public servants is not different than what is now done in the private sector as I understand it.

Mr. Smith: — That's correct. The Pension Benefits Act in its last change in the last session provided members of pension plans with options like locked-in RRSPs, life income funds, life retirement income funds. The legislation of The Pension Benefits Act is permissive for private sector pension plans to provide these things to plan members. The pension plan though doesn't have to change and give those options to the member.

Mr. Cline: — Right.

Mr. Smith: — But the public employees plan, yes, has followed The Pension Benefits Act primarily and other private sector pension plans.

Mr. Cline: — Right. Thank you, Mr. Chairman.

The Chairperson: — Okay. I have a number of questions as it relates to how and maybe even why -if you're prepared to give it — you've changed some of your accounting practices in . . . For example on page 15 of the volume 1. You have a number of observations there about restructuring of debt and various others.

And I want to ask you what initiated the decision to change

the approach to how the province accounted for the debt. It wasn't the fact that it didn't have any more or less debt, it relates to how you accounted for it. And there are a number of things that you wrote off. You wrote off Sask Water, 183 million. You wrote off SPMC (Saskatchewan Property Management Corporation) for 715 and CIC (Crown Investments Corporation of Saskatchewan) for 875 million.

Mr. Wright: — The changes to a certain degree were influenced by the recommendations of the Gass Commission or the Financial Management Review Commission and to audit observations from prior years by the Provincial Auditor. For example, the SPMC situation of \$715 million was noted in previous commentary by the Provincial Auditor over the course of the years and also is noted in the Gass Commission.

With respect to Sask Water Corporation, I believe as well that was noted in the Gass Commission, that it was inappropriate to continue to carry that amount. Further, Mr. Chairman, I recall several debates about this in the legislature during Committee of Finance estimates for the Department of Finance.

With respect to the \$875 million of CIC debt, that debt was transferred from Crown Investments Corporation to the executive government or to the Consolidated Fund at the time. It was viewed as dead-weight debt, which is to say that there were no assets that backed that debt. It involved a range of items which again I believe were articulated and discussed during Committee of Finance quite extensively for '92-93, and again I believe were discussed in '93-94 Committee of Finance.

I don't have, I believe, documentation to suggest what was included in the 875 million, but it was noted in the budget speech of 1992-93, the various items associated with that.

It was in a change in policies with the exception of SPMC; it was a change again, in Sask Water Corp, was I believe a change as well in response to the Gass Commission. The CIC was not a change in policy. It rather was to reflect that it was dead-weight debt.

The Chairperson: — When you wrote off CIC debt, some of those were potash, some of those were other issues that had been dealt with. And I raise that for a question . . . for simply the question of, what are you going to do with the money that you make by selling off shares now at \$26 a share in the Potash Corporation versus other share structure? Where are you going to record that? As an asset, sale of an asset? Is it going to transfer directly to the Consolidated Fund? Or will it offset the \$875 million debt? Or what are you planning on doing with that?

Mr. Wright: — The Consolidated Fund does not hold any shares per se. These shares are held by the Crown Investments Corporation, similar to the situation of the previous administration; similar to the previous administration where shares were sold, be it in Cameco or PCS (Potash Corporation of Saskatchewan).

A profit or a loss was recorded on the books of Crown

Investments Corporation to the extent that there was cash received. That cash received would go to lower the debt or to reduce additional borrowing requirements.

For example the borrowing — and I just use hypothetically — the borrowing requirements for CIC may have been a billion dollars in any one year. But through the sale of shares, be it a most recent sale, or sales in years gone by, the cash received from that, first of all there is a capital gain or a capital loss which is recorded — profit or loss; and secondly, the cash is used either to reduce debt or is used again to reduce additional debt requirements over the course of the year.

So with respect to the most recent transactions, I cannot speak any more than that. The Department of Finance was not involved in the transactions and is not knowledgeable about them. But that is the general terms and conditions under which they'd be approached.

The Chairperson: — So the Department of Finance would not be asked to submit a statement of claim on additional revenues that are there from those entities that are owned by the province of Saskatchewan in relation to the debt that you assumed, of \$875 million.

Mr. Wright: — Many people think that the Department of Finance submits claims on all revenue generated in the province. Let me assure you that's not true. No, this is CIC, Crown Investments Corporation. They hold the debt. And as a consequence any profit or loss during discussions with CIC in managing the overall government's financial position, be it the debt position or the borrowing position or the deficit position, no doubt a capital gain or a capital loss would be discussed between CIC and Finance and how to approach that gain or loss over the course of a year.

The Chairperson: — In the second paragraph there, there's a statement of debt reimbursable from SEDCO (Saskatchewan Economic Development Corporation) totalling \$104 million, was transferred to CIC in 1992, was reported as debt reimbursable from CIC. Is that also a part of the Consolidated Fund debt or is that not a Consolidated Fund debt?

Mr. Wright: — Mr. Chairman, on that I'm just trying to recall . . . It was a little while ago when some of these transactions occurred. I'm sorry. I'd have to check into it, Mr. Chairman. If you could bear with us, we can try to answer your question later.

The Chairperson: — Okay. If you do that, would you be able to tell me which . . .

Mr. Wright: — I might be able to answer that question on the SEDCO thing. At one time the Consolidated Fund was lending . . . At this point in time or prior to when this adjustment was made, the Consolidated Fund was not only lending money to CIC, the holding company, if you will, for SEDCO; it was also lending money directly to SEDCO.

And it was actually my idea in part to clean that up. I think it's far better for the government's Consolidated Fund or General Revenue Fund to lend the money to CIC, who in turn would lend the money to SEDCO. I just thought that it was getting to be very confusing for us if SEDCO had a write-down and someone had to recognize the loss for the year — 40 million, 50 million, 70 million, whatever it was. Who was to record it? CIC, who had some investments in SEDCO, or the Consolidated Fund? And we were recording it and they were recording it, or at least they weren't sure whether they should. And so to clean it all up we just simply made sure that they transferred the responsibility of the debt from SEDCO to CIC.

The Chairperson: — So that then freed up SEDCO from any debt to the Consolidated Fund.

Mr. Kraus: — Right, but that amount of debt was now . . . they now owed it to CIC rather than ourselves, so it didn't reduce their interest burden at all. It was just who in fact did they owe the money to.

The Chairperson: — Okay. A question on how you're going to do the '93-94: are you to the place now where we're going to be completely accrual accounting in the funds that are coming in and going out in government income and government expenditure? That's completely on accrual accounting now, not on a part cash one?

Mr. Wright: — Yes, Mr. Chairman, '93-94 will be recorded entirely as accrued accounting with two exceptions: personal income taxes and corporate income taxes.

Mr. Kraus: — And that's in keeping with the Public Sector Accounting and Auditing Board recommendations. It's just too difficult for the federal government to give a good estimate. It's impossible for the auditors to verify so they recommended that governments consider staying on a cash basis until the estimates are more reasonable, more accurate.

Mr. Strelloff: — Except for pensions.

Mr. Wright: — Of course, I was about to add that. Except for pensions.

The Chairperson: — Thank you. I have a question about the guaranteed debt in the province on '91-92. Have you got a list of the volume of dollars and to the people to whom that risk is?

Mr. Wright: — Yes, Mr. Chairman. On pages 84 and 85 of the budget address, March '92-93, we record in there the ongoing amounts of changes in guaranteed debt, statements of guaranteed debt, in keeping with the Gass Commission recommendations to bring that more to the forefront. In addition, in the Public Accounts we do, on page 48 of the volume 1, I believe it is, schedule 10, we record the Consolidated Fund guaranteed debt. And all the information I think you asked for is included in that statement.

The Chairperson: — Okay, on your revenue division as it relates to the education and health tax on the west side of the province, what kind of criteria do you use in relation to the collecting of taxes where certain communities are allowed exemptions and certain communities are not? Certain individuals will buy in Alberta and then bring those items in. How are you managing the audit of those incomes when there are a large volume of dollars from the west side going out and then not having . . . well the people don't have the feeling that they need to submit those taxes for the E&H (education and health)? How do you handle that?

Mr. Wright: — The west side is not treated any different from the east side or the north side or the south side or the central side. All taxpayers are accorded the same treatment pursuant to the law and pursuant to The Education and Health Tax Act. There is but one exception to that, which was recently an order in council passed — although tradition had it back to 1937 — that there was an exemption applied to the area of Lloydminster proper.

With the exception of Lloydminster, the E&H tax and all of its provisions and portions of The Revenue and Financial Services Act that deal with penalty and interest provisions and certain sections of The Financial Administration Act that may apply, apply to all taxpayers regardless of where they live. There's no special treatment accorded, short again of the Lloydminster situation, which is by law as well.

The Chairperson: — Okay, then I didn't phrase my question quite correctly enough then. On the west side, how do you audit the goods and services provided out of various areas along the west side, in Alberta for example, that individuals will buy supplies, provide service for, in relation delivering . . . and I'll even use as an example the oilfield services in the south-west part of the province, which generally come out of Medicine Hat. How do you audit that sort of thing in relation to those services being provided?

And the question really is: those people pay tax on that? Or should they, and do they? And I'm of the view that many have not. And different contractors have said to me over the years that they can't compete out of Swift Current in relation to the delivery of the service out of Medicine Hat.

Mr. Wright: — Well first off, Mr. Chairman, if you do know of certain circumstances whereby people are conducting and undertaking business within this province and are evading or avoiding or have forgotten to pay the tax, I would certainly encourage you or these other individuals who may know them to advise the Department of Finance of same. Clearly, that is a violation of the law and we'd be pleased to take a look at certain circumstances surrounding that.

With respect to services that do come in — oilfield services I believe was the example that you used — we do have audit procedures that go out to ensure that they are in fact paying the tax due and owing pursuant

to the law. This is not a new situation; this is an ongoing one. Alberta brings all sorts of challenges — always has and always will, given its particular tax regime. Do we have the ability however in a consumer situation whereby a consumer may purchase a good or a service? Sorry, we don't tax services in this province. I mean purchase a good in Alberta and bring it across.

There are certain circumstances whereby during the 1980s, I can remember several in each and every year whereby when information is provided to us, we pursue within the fairness and the balance that is always part of the Department of Finance in its revenue division, and we pursue the tax that is outstanding to the extent that the good was purchased in Alberta, brought into this province, and is being consumed in this province and is a taxable commodity, taxes owing. And where we have information of a particular note we will pursue that. This is an ongoing part and has been part of our regular audit procedures since 1937 when the education and health tax was first introduced.

But we don't catch everybody, nor frankly, Mr. Chairman, is it the case that we . . . the idea is an educational one to ensure that the taxpayer is aware of his or her obligation, first and foremost. We try to enhance that wherever possible. And where there is a clear violation of the law we will pursue — east, west, north, or south.

The Chairperson: — I've had the same reference made to bringing goods in from the east side where they say they are from Saskatchewan and then they are not required to pay the Manitoba sales tax and then they bring it in and do not remit the tax. Is there any way of dealing with that on the west side, or is there any way of dealing with that?

Mr. Wright: — I think it would be fair to say we have good relations with both governments on this issue, and certainly to the extent that Manitoba does in fact collect a sales tax and undertakes audits of its firms, through the course of the audit they may make us aware of a certain liability.

With respect to Alberta it's a different situation. They do not have a sales tax and are under therefore no obligation, nor is Manitoba quite frankly, but is under no obligation to assist us in that regard.

Further, the law is fairly clear. Again I'm not a lawyer, but further the law is fairly clear to my understanding that we cannot go in and simply audit Alberta firms unless they are undertaking activities of a business nature within Saskatchewan, i.e., have a business licence, have a sales tax licence and so on.

The Chairperson: — So company ABC in Medicine Hat that sells, for use of a better word, furniture, and they sell that to individuals in Saskatchewan, there is no way for you to go in to that business in Alberta and ask for an assessment of their purchase orders to find out where the individuals are coming from.

Mr. Wright: — In general terms, no. Certainly some businesses are highly cooperative because they may undertake activities in both provinces. And in fact you raise an interesting example, because I believe it was in the latter part of the 1980s we had very similar circumstances with several furniture firms that were in fact doing that. Not only furniture firms, quite frankly pots and pans, a whole variety of goods and services. And where possible we try to — I hate to use the phrase — track it down and collect the tax where appropriate, to ensure fairness and equity across the piece.

All Saskatchewan taxpayers have a duty and an obligation. These taxes go to pay for the services we all enjoy.

The Chairperson: — You see, the reason I ask the question, it was raised as a part of our discussion in the last session about how much money is really being spent in Medicine Hat, and that is not only for food at restaurants. And so it's got to have an implication in my part of the world, a fairly significant one, to the businesses in the community. That's why I raise it again.

I have a question on page 123 of your volume 2. Under the remissions by the Department of Finance for tax, have you got a volume of dollars that you actually spent in remission of taxes for that year under review?

Mr. Wright: — Yes I do, Mr. Chairman. In the *Public Accounts* we do provide a statement of remission of taxes and fees which is on page 293, I believe, of volume . . . I hope it's volume 2. And if you turn to page 293, 294, 295, and I believe, 296 and 297, you'll see various totals pertaining to different Acts.

For example, on page 296 you can see a total of \$132,264 pertaining to remissions under the Income Tax Act. Those remissions would have referred predominantly to the remission of flat tax collected on the vows of perpetual poverty, you may recall, as well as flat tax collected on capital gains by farmers. And each tax is slightly different.

The Chairperson: — Right. That's in volume 2?

Mr. Wright: — Volume 2, page 293, 294, 295, 296, and 297, by Act.

The Chairperson: — On the grants pursuant to the family tax credit, do you have the volume of dollars that was paid?

Mr. Wright: — Oh, you refer to the family tax credit that was part of a tax initiative of the previous administration?

The Chairperson: — Correct, yes.

Mr. Wright: — Mr. Chairman, that was . . . as I recall, a portion of that was recorded as an expenditure item, and another portion of that may have been recorded as a revenue . . . or a deduction from revenue. On page

128 of volume 2, the expenditure side recorded in '91-92 was 6.470 million. That's item 12, subvote 12, page 128 of volume 2.

Now I do recall — and I again would stand to be corrected on this, Mr. Chairman — but a portion of it also may have served to have been a deduction from income taxes collected. I'd have to check on that, but I'm fairly certain that's in fact the case.

The Chairperson: — And what would that change that number?

Mr. Wright: — It would change it and would move it upward rather substantially. I believe in general terms, \$28 million or so. If I may use a round figure, let us call it \$30 million was paid under that tax credit of which approximately, as you can see here, 6.5 million was paid as an expenditure item. And because of the nature of the agreement with Ottawa, the residual was recorded as a deduction against personal income tax revenues.

The Chairperson: — Okay. Under the provincial disaster program, were there any payments made out under that one?

Mr. Wright: — I don't recall off the top of my head. We're just checking here, Mr. Chairman. I'm advised 104,000 was paid out under . . . oh, here we go: again on page 128 of volume 2 of the *Public Accounts*, subvote 49, payments under the provincial disaster assistance program totalling 104, which involved 19,000 under contractual services and 85,000 under grants.

The Chairperson: — Would you be able to provide a list of the agencies that received the funding?

Mr. Wright: — Indeed, Mr. Chairman, again on page 130 of volume 2 of the *Public Accounts*, the \$85,000 is articulated. It involves 2, 4, 6, 8, 9 payments or 9 recordings in total, to total 85,000. I believe that the 19,000 pertained to contractual services of individuals to undertake the assessment of how much should be paid to each of these claimees, or claimers.

The Chairperson: — Okay. I have a question as it relates to the . . . No. That was answered before, so that's fine. I was going to ask on the member's superannuation but you already made comments to that.

I believe that's all the questions that I have, Mr. Minister. Are there any other members that have questions, observations that they want to . . . Mr. McPherson.

Mr. McPherson: — I have just a few questions that I don't see in the auditor's report. And they have to do with workers' compensation boards. Now I believe the Department of Finance has been using the Workers' Compensation Board's surpluses to write down liabilities of the province. And the figures that I'm aware of are some 15 million. Now this is employers' fund?

Mr. Wright: — I'm not sure what you're referring to. Certainly with respect to summary financial statements, the WCB (Workers' Compensation Board) is included as part of government entities. The Provincial Auditor and the Department of Finance undertook extensive consultations whether or not the WCB should be included in that. The Provincial Auditor convinced the Department of Finance that it was truly good, right, and salutary to do so. To that extent they are included in the summary financial statements.

With respect to the Consolidated Fund operations in '91-92, or with respect to the current operations of the provincial government under the General Revenue Fund, no, they are not included.

Mr. McPherson: — All right, this . . . Are you telling me that this is going to come up in another area that I can deal with?

Mr. Wright: — No I'm not. I'm pleased to try to answer any questions on the financial statements that you may have.

Mr. McPherson: — All right. So just to ask that again because I wasn't . . . I didn't follow what you were saying there. The surpluses from the Workers' Compensation Board, there are surpluses?

Mr. Wright: — To the best of my knowledge there's a surplus. In fact the WCB in Saskatchewan is one of the few of the workmen's compensation boards in all of Canada that in fact are running surpluses.

But the Department of Finance does not take those surpluses, nor to the best of my knowledge in my 17 years in Finance, has never accrued the surplus of the WCB into its General Revenue Fund or Consolidated Fund operations. It is a separate and apart organization. But for financial reporting purposes, it is included.

Mr. McPherson: — What happens with those surpluses where . . .

Mr. Wright: — Those surpluses as I understand it are held exactly as that, a surplus, which impacts upon rates payable and ensures that there are sufficient funds to pay the liabilities of the WCB down the road. Finance, nor does the — as I've stated — the Consolidated Fund or General Revenue Fund has never touched those surpluses, nor is there ever any intention of doing so that I'm aware of.

Mr. Kraus: — Can I just add to that?

A Member: — All right.

Mr. Kraus: — If you look at page . . . If you've got volume 1 of the '91-92 *Public Accounts*, page 75 provides a summary of the investments that we have in government enterprises and there's about a dozen or so of them. And one of them is the Workers' Compensation Board, and it does show that there was

a surplus of approximately \$52 million. But it does note at the bottom that the net assets of the Workers' Compensation Board cannot be used for the payment of general dividends, and I just wanted to say that the Workers' Compensation Board and whether or not it should be included in this summary to show the overall financial position of the government, what it's responsible for, it's been very contentious. And I think there's been some disputes across the country between the departments of Finance and their respective provincial auditors. Our Provincial Auditor felt very strongly that it should be included.

We felt it was borderline, but were persuaded that perhaps it should be included. But that does not mean that those assets are there for the use of the government. But because of the way the board is structured — it is appointed by the Lieutenant Governor — the argument is made that legally it is part and parcel of the overall entity.

Mr. Cline: — Mr. Chairman, just on this point that Mr. McPherson has done, I'd like to follow up with one or two questions.

The Chairperson: — Are you finished, Mr. McPherson, on that issue?

Mr. McPherson: — Well no, but if he wants to ask a question just on this point.

Mr. Cline: — No, I'm not going to jump in. If you've finished . . . You go ahead.

The Chairperson: — Have you finished off, Mr. McPherson?

Mr. McPherson: — No, I'm going to touch on something else so . . .

The Chairperson: — Okay, why don't you go ahead.

Mr. Cline: — Yes, that's what I was asking. As I understand it, what you're talking about is the issue of reporting what the Workers' Compensation Board has. There is no situation other than reporting what money they have . . . there's no situation of the money coming from the board to the government.

Mr. Wright: — As far as I am aware, my Provincial Comptroller is aware, there is no provision that would enable any surplus to be transferred.

Mr. Cline: — Yes. Well in fact, the Workers' Compensation Board — just to clarify matters so we all understand it as I understand it — is a free-standing statutory board. It is not a department of the government. Is that correct?

Mr. Wright: — For organizational purposes, you are correct. For financial reporting purposes the Provincial Auditor, in his wisdom, felt that they should be included in the financial statements. The department — just to be clear on this — the Department of Finance checked to see if there was precedent, what PSAAB, who is a governing body

dealing with this, had to say. There is no real precedent nor did PSAAB say we can tell you what to do. The Provincial Auditor said, I may have to qualify the statements if you don't include it.

We felt it was borderline. We did include it. I understand that the WCB was not particularly happy about us choosing to do so. And again with perhaps good thought at the risk of a qualification over something like that persuaded us though.

Mr. Cline: — But this is purely a question, Mr. Wright, I think of disclosure to the public, what the board has. I mean implicit in Mr. McPherson's question — I'm sure it's not intended — may be the suggestion that somehow the government is going to get its hands on the funds.

Mr. Wright: — Oh, heaven forbid. No.

Mr. Kraus: — If I could. I think where part of the problem comes from, it isn't a jurisdiction like Saskatchewan; it's in most of the other jurisdictions where there is liabilities. And of course, there's the concern that if these compensation plans cannot fund themselves that they will come to the provincial government and you know that collectively it's 10 billion or greater across the piece. And obviously it would change the look of many provincial governments' balance sheets if they had to do what we've done. The only thing is, in our case it actually makes us look better whereas in some provinces it would be \$10 billion worse.

Mr. Wright: — It's pure accounting here, and reporting and disclosure. It has nothing to do . . . if the suggestion has been made or is being made, and I don't know that it has been, that the provincial government is using this or could use this as a slush fund, the answer is an unequivocal no.

Mr. McPherson: — The Department of Labour, they spend about 3 or \$4 million dollars per year on occupational health programs and they then bill the Workers' Compensation Board this amount?

Mr. Wright: — That is correct.

Mr. McPherson: — Now in the future, will these be paid from general treasury, or will they continue to be paid from . . . or billed to the Workers' Compensation Board? Is there a change?

Mr. Wright: — As I understand it . . . first you should talk with the Department of Labour about that. But as I understand it, subject to any further qualifications or parameters that they may put around my comments, the answer is, one, this has been a long-standing practice whereby programs or services are provided to the clients or potential clients of WCB and therefore there is provision to charge the full cost or costs associated with that. It has been the practice and will continue to be the practice where WCB clients are served.

Mr. McPherson: — So then there is an accountability

of the dollars that whatever the Department of Labour is spending on occupational health programs and what they're billing for. I mean there's an accountability to ensure that those bills are for . . . or really should be going to Workers' Compensation?

Mr. Wright: — I would assume that the Provincial Auditor or the auditors would ensure that we are properly billing across the piece for this, and that there aren't any incremental costs associated with it, nor are we underbilling.

Mr. McPherson: — All right, that's all.

The Chairperson: — I have a couple of more questions, Mr. Wright, on the interest paid. The interest paid on page 134 of volume 2, and it mentions the volume of dollars and the interest rate charged, are those the items or the . . . I'll see if I can find the page that deals with that on an item-by-item basis. On page 42 of volume 1, are those similar to . . . In one place you talk about who they're made to, and the other place you don't talk about who they're made to; you're talking about what the interest rates are. Are they the same group of people that you're paying the interest to?

Mr. Wright: — I believe the answer to that is yes, they should parallel each other very, very closely. They should parallel each other to the dollar, and therefore they're the same group.

The Chairperson: — Okay, the volume of dollars. But how would I know whether they're . . . Well even the total volume is different; there's \$408 million worth of . . . No, that's a different number. How would I know that that is the same? Would it not be in our best interests if we had the volume of dollars paid in interest appearing on the same line as it is in the book in volume 1 and then volume 2? That's my observation because it's hard to compare what we've got. And the reason I asked the question — one of those reasons — is because you have a line in there that says . . . in volume 2 on page 134 you've got a line in there that says that five and one-eighth is paid to CMHC (Central Mortgage and Housing Corporation), right near the bottom. And I was just wondering whether that was . . . there was something unusual; why you would mention that one and not the others in this list of items?

Mr. Wright: — There's a couple of questions or comments that you've made. The first thing is, is can we improve the disclosure here such that volume 2 we insure parallels more closely volume 1 and can describe it. I think we can certainly take a look at that, Mr. Chairman. I have no problems with always trying to improve the accountability.

But I'm not sure what your question was specifically with respect to the CMHC.

The Chairperson: — Why did you identify CMHC in the list that you've got there and not the others? Is there a specific reason why you did that?

Mr. Wright: — Not that I'm aware of, Mr. Chairman.

The Chairperson: — Were they bad or something, that you list . . .

Mr. Haverstock: — The only thing . . . We could find that out for you. But what it looks like is it's a mortgage debenture — that's five and an eighth mortgage debenture, a 30-year debenture — partly for the U of S (University of Saskatchewan), partly for the Consolidated Fund. And so that may be why it's differentiated. It's a mortgage versus a debenture. And it's specifically held by CMHC, unlike all of the other debentures which have multiple holders.

The Chairperson: — Okay.

Mr. Haverstock: — But we can clarify that for you if you'd like.

The Chairperson: — I'd like that, yes,

Then there was some questions on the next page too. Are you paying interest on monies to these funds that you've got listed there, like fish and wildlife fund, fish and wildlife development fund?

Mr. Wright: — Yes I believe we are, Mr. Chairman. What we'll do is we'll COB (consolidated offset balance) their accounts, which is to say we'll cash manage their accounts for them; it's a good cash-management tool. And in exchange we pay interest at prevailing rates back to the fish and wildlife development fund.

The Chairperson: — So you pay the \$207,000 back to them?

Mr. Wright: — To the fund, that's correct.

The Chairperson: — And that's the same with the Grain Car Corporation and . . .

Mr. Wright: — Yes, Mr. Chairman.

The Chairperson: — How did the student aid fund get into there?

Mr. Wright: — The student aid fund from time to time may have cash surpluses and those cash surpluses we will then COB the account which again, say, is manage it for them, manage the cash and in exchange pay them an interest.

The Chairperson: — From my recollection there is a large volume of dollars that are annually written off.

Mr. Wright: — Indeed there are, Mr. Chairman. But from time to time they may be in a surplus account, which is to say, over the course of a year they may have more cash on hand because a large number of students have suddenly made payments and the amount of money going out the door at that point in time may be minimal. For example, and it may not be the case, but for example during the summer months they will be receiving income but payments under

the student loan program would not necessarily be going out the door at that point in time; it would be in September. Cash surplus sitting there, we'll bring the cash in, manage it for them, and pay the prevailing interest rate to the student aid fund.

The Chairperson: — So then that would be money that would be paid to the Government of Canada or to the lenders who . . . whichever . . .

Mr. Wright: — No, to the fund itself. It's a cash surplus that may arise over the course of the year in the fund.

The Chairperson: — Right.

Mr. Wright: — And we in essence borrow the money from them, that cash surplus, and then we'll pay interest on it. So it's properly recorded within the student aid fund.

The Chairperson: — Okay, as it relates to the Liquor Board, is their money also the same way, that you manage all of their liquid assets?

Mr. Wright: — Yes it is, Mr. Chairman. Oh, Mr. Chairman, we may not manage all of their liquid assets. We certainly manage all monies which are deposited from the Saskatchewan Liquor Board into the Minister of Finance deposits account. Certain short-term holdings of cash surpluses may not; I'd have to check on that. Certainly the Minister of Finance deposits account, monies that are deposited are there. We may not COB all of their cash.

The Chairperson: — In relating to that, do they pay their revenue from the taxes in the sale of liquor? Do they accrue to the board or do they accrue to the Department of Finance?

Mr. Wright: — The liquor consumption tax of course accrues to the Department of Finance. Well of course accrues to the Government of Saskatchewan; Department of Finance collects it though.

The Chairperson: — And this is not recorded as revenue for the Liquor Board?

Mr. Wright: — No, it is not.

The Chairperson: — So are there any taxes that the Liquor Board assigns that are collected by the board and kept by the board?

Mr. Wright: — Taxes, no. There may be fees, charges, privileges, licences, permits, yes, that would be collected by the Liquor Board and kept by them. And then as you know, Mr. Chairman, at the end of the year a dividend is paid, which may include certain of those profits from that area.

The Chairperson: — Okay. I have a question about Tripartite Beef Administration Board. Is that funds that are allocated or funds that are paid in through the producers providing the check-off to that? And do they accrue to the Department of Finance or do they accrue to the Tripartite Beef Administration Board?

Mr. Wright: — As I vaguely recall, Mr. Chairman and I am groping here; I'm not responsible for the Department of Agriculture . . .

The Chairperson: — I thought at one time you were.

Mr. Wright: — Gee whiz, Mr. Chairman, thank goodness, no.

As I vaguely recall, we pay premiums of about \$7 million. Now the tripartite agreement terminated, as I recall, December 31 of this fiscal year. We paid on average over the last several years about \$7 million in premium payments, and farmers would match that, to the board. In the same way that we COB the cash, a surplus at any point in time from, say, the fish and wildlife development fund that we discussed earlier, we would then pay interest on that cash that we COBed, the period of time that it's made available to us. It is not held; we don't recoup it back; it is the board's interest expense. But we've in essence borrowed the money for a short-term period of time and, rightfully so, we should be paying interest on that to them.

The Chairperson: — Okay, they have a surplus in . . . there's three parts in that fund and they have a surplus in two for sure. Well they have them in all three, but the majority of the one is in the cow-calf. Is there going to be . . . well no, that's a question I'll ask somebody else. Are those funds kept by you or are they . . . the total volume of dollars kept by you?

Mr. Wright: — It's not a case of Finance keeping any of these funds. Finance would manage certain cash or may manage certain cash on behalf of these funds over the course of the year. So again it's not properly . . . when you refer to Finance I'm sure you refer to the government proper. It's not really the government proper's money, but we're managing it. I'd really encourage you, Mr. Chairman, when you get into . . . I didn't even know there were three components, but I take you at your word of course on that.

The Chairperson: — I'm probably right.

Mr. Wright: — Any opportunity you have to ask the good Dr. Hartley Furtan, I would sincerely appreciate that.

The Chairperson: — Okay, I'll do that.

Mr. Wright: — Thank you, sir.

The Chairperson: — Mr. Auditor had a question that he wanted to ask.

Mr. Streliaff: — Thanks, Mr. Chair, Mr. Deputy. The COB account seems to be a good way of managing cash, any excess cash balances you can pull in and pay off whatever debt, and yet they still keep track of what the individual organizations have, in a cash sense.

I assume that going to the COB system has saved you

some interest costs over time and that you perhaps have an estimate of those savings. My question is: do you plan to analyse the types of savings that a similar kind of system could create if you move the COB system into some of the major Crown corporations' cash management system, where you manage their cash balances as well? There's probably significant dollars there, and to minimize our overall interest costs, that's probably something that seems reasonable. I'm just wondering if you have that kind of analysis or plan to do it.

Mr. Wright: — Well COBing is a very effective tool. It's a very effective tool for many of the smaller players, with respect to each and every one of them, because it takes an administrative burden off their shoulders in terms of the investment side of the equation. So it certainly is of great benefit to them from the administrative side and consequently efficient and effective.

From our side of the equation, it provides us the ability not have to go to the market to seek short-term money and therefore very efficient from our side. Not necessarily saving dollars and cents on interest expense but saving certainly on the administrative costs of government. And I'm sure everybody wants to keep the costs of government down.

With respect to the Crown corporations, no, at this point in time the Department of Finance is not interested in attempting to manage what are truly, as we understand it, well-managed, very large areas of government. We have not made any plans to do so because the administrative efficiencies are mostly felt at the smaller level here. Consequently we have not discussed this with the Crown Investments Corporation nor may it be appropriate for us to be COBing accounts of SaskPower, a very effective and well-managed organization. Very little would be added, I believe, to that, so no plans.

Mr. Streliaff: — So Mr. Chair, Mr. Deputy, then the savings related to the COB system relate only to administrative duplication rather than savings that might accrue due to faster cash management, and instead of investing money, paying off debt or not borrowing short-term.

Mr. Wright: — No, Mr. Chairman, I made both points, which is one administrative; and two, a very cash management effective technique.

With respect though to actually saving on the interest rate, it's a different issue. And you're not going to save substantially on the interest because we pay going rates to be it the fish and wildlife development fund or be it the Tripartite Beef Administration Board. But we do, Mr. Chairman, save on the administrative side of the equation and we do, Mr. Chairman, save on cash management, cash management techniques and administrative costs associated with that. A very effective tool.

The Chairperson: — I have another question on this interest. On volume 1, on page 42 you have the date

of issue, date of maturity, interest, semi-annual, annual payments, the currency it's in, and some places you have the same, the volume of dollars to CIC, SaskPower, Consolidated Fund — accumulated total volume. Now that's all very good, but I just . . . what triggered my observation is this: that the first one there is fifteen and five-eighths and none of them are fifteen and five-eighths on page 134 of the volume 2 — at least I didn't see it. It isn't there. The highest is, I think, 112.

Mr. Kraus: — Mr. Chairman, I think that part of the problem may be is some of this debt you're seeing at fifteen and five-eighths is Power debt. I'm not sure that stuff on 134 is for SaskPower; that's likely just debt that's for the General Revenue Fund or the Consolidated Fund at the time. So this public issue debenture schedule is covering the whole thing, whether it's Crown or Treasury Board side, whereas some of these other schedules are just for the General Revenue Fund. And that's probably what part of the problem is for you.

The Chairperson: — Right. Then my suggestion is even more important and more significant, is to put the volume of dollars of payment in the public issue debenture on volume 1 — would tell us exactly the amount of dollars that are being spent. And then you can separate the ones that are part to the Consolidated Fund, CIC, or ACS (Agricultural Credit Corporation of Saskatchewan), or whatever. And I think that that information would be good if it was put together so that we would know what it was about.

Mr. Wright: — Agreed, Mr. Chairman.

The Chairperson: — Would I make this assumption then that under schedule 7 in volume 1, is \$471 million? Which is what is on schedule . . . or on page 134 of volume 2? it probably is not.

Mr. Kraus: — I'm sorry, which numbers are you trying to compare?

The Chairperson: — There are no numbers in volume 1 for the total volume of interest.

Mr. Kraus: — No, schedule 7 is simply showing the total . . . it's showing the amount of the principal, the amount of the sinking fund, and the sinking fund contribution. It isn't designed to show the interest. It's just designed to show the total debenture — the principal part.

Mr. Wright: — The structure of the debentures. But, Mr. Chairman, I take it that what you would like added in future *Public Accounts* is perhaps the interest expense, an extra line — not only amount outstanding, total issue outstanding, equities, sinking fund, but also interest paid.

The Chairperson: — Right.

Mr. Wright: — Indeed we'll attempt to do that, Mr. Chairman — best efforts.

The Chairperson: — Okay, fine. Because I don't think that that 471 in volume 2 represents what you have in volume 1. And that's not a contradiction, it's just that it's not there comparing.

Mr. Wright: — Agreed, Mr. Chairman. Best efforts on it. I will talk to my associate deputy minister, Mr. Jones, on this thing, and barring him causing any trouble — and you know Mr. Jones . . .

Mr. Strelieff: — Mr. Chair, members, on page 80 of the *Public Accounts*, the volume 1 of the *Public Accounts*, the government does provide an interesting overview of average interest rates on schedule 6. It shows the effect of average interest rate for each of the types of debt sources that are outstanding, and you can just review that.

So if you wanted to estimate the average interest cost, it's there. It's not in a very specific way but there is a general overview there which is pretty good.

The Chairperson: — Okay. Are there any more questions from members of the committee?

Mr. Van Mulligen: — I just wanted to ask, Mr. Chairman, with respect to the reservation of opinion by the auditor for the various funds and to the extent that this reason is relevant to the various funds where the auditor says, the department charged loan and investment losses of the relevant funds directly to equity and the department should have recorded these losses as expenditures — I'm trying to recall your statement, but it seems to me that effective . . . that what you said was that effective the '92-93 fiscal year, the government no longer charges loan and investment losses or other relevant funds directly to equity and that these losses are now recorded as expenditures. Is that what you said?

Mr. Wright: — That is correct, Mr. Chairman.

Mr. Sonntag: — Just a quick question, Mr. Auditor, to the average interest rate. I'm just curious, is that average rate, would that be the average rate paid by the particular Crown during the year or would that be the average rate as determined on March 31; all those outstanding rates on March 31 are . . .

Mr. Wright: — As I understand it, Mr. Chairman, the average interest rate would be that over the course of the fiscal year, an annual average as opposed to a closing account.

The Chairperson: — Okay, now this is the first time around for approval of a Department of Finance estimate or any estimate. What's the procedure, Mr. Vaive, on what we do here now?

Mr. Vaive: — The practice has been for the committee to go over each of the recommendations of the auditor in the relevant chapter and have a committee pronouncements on those recommendations. Some of the recommendations have already been resolved as indicated by the auditor. There are three that remain unresolved in which the committee would

want to make a statement for the purposes of the report to the House.

The Chairperson: — Okay, I don't know whether I completed all of the ones that have been met, but I went through the Department of Finance chapter and I see that no. .43 has been met, .53, .60 and .65 — is that accurate?; .43, .53, .60 and .65 carry recommendations. And they have been met by the Department of Finance, I believe.

Yet to be met by the Department of Finance are item no. .29, item no. .35 and item no. .73.

Mr. Van Mulligen: — Mr. Chairman, could I just ask with respect to recommendation .29 concerning the members of the Legislative Assembly superannuation fund, that it's still your intention to clarify this matter in law?

Second with respect to item .35:

The Department should propose changes to the law to specify the handling of profits and losses on annuity underwriting.

Is this a similar disagreement of opinion?

Mr. Smith: — No, we agreed that it has to be clarified in the statute. It's silent right now.

Mr. Van Mulligen: — So there's no disagreement with you and the auditor but . . .

Mr. Smith: — The legislation is silent and it needs some clarification, yes.

The Chairperson: — And no. .73 was . . .

Mr. Smith: — My belief, Mr. Chairman, that on .74 the board is now keeping minutes of its meetings which relate to .74 and .75. I believe it's going into the annual report as well for the Workers' Compensation Board superannuation fund.

Mr. Van Mulligen: — So I have to see in your next report whether that satisfies your requirements?

Mr. Strelloff: — Our concern was that the government . . . the board had responsibilities to manage some investments and we were looking for evidence that the board carried out those responsibilities, and we'll look to the minutes to find that evidence. It wasn't there. Now we said that the74 says the board has told us now that it's documented approval but until the next report we won't know.

Mr. Cline: — Well if I can make a suggestion, Mr. Chairman, I would suggest that for the purposes of our report we note the recommendations that have been acted on as reported by the Provincial Auditor. And perhaps also that Finance indicates that recommendation .7 be3 has been acted upon. And also that we note that the department believes there is need for clarification of the matter raised by

recommendation .29. And also that we note that the department agrees with recommendation .35 of the auditor. So that if we note those things, then it appears to me that that deals with the concerns that the auditor raised.

But if I can make a comment as to procedure. I think that as a general rule it might be helpful when we deal with each department if we note what has been dealt with, so that somebody reading the report can then read the report alongside the Report of the Provincial Auditor and make some sense out of it. And if we don't note those things as a matter of course, I would suggest if the Clerk could remind you, Mr. Chairman, perhaps to have us do that, I think it would be helpful to the reader.

The Chairperson: — If the recommendation is outlined and then approval is given, do we put that in an appendix, or do we put it alongside?

Mr. Vaive: — Mr. Chairman, in regards to the report, approval by the committee, we do in fact comment on all the recommendations that have been resolved and advanced. That is so noted. And if not, we of course indicate what the committee wishes to do with them.

Mr. Van Mulligen: — Mr. Chairman, in addition to the recommendations, there is a very substantial and important part of the auditor's comments in which he did not make specific recommendations but we did deal with earlier, and I think it's appropriate for us to comment on them at this point. And that's the reservations of opinions.

And I've drafted something here and I'll read it out. The Provincial Auditor expressed reservations of opinions with respect to the summary financial statements, Consolidated Fund, the Heritage Fund, and a combined fund for the following reasons, which do not, parenthetically, which do not necessarily apply in each case. The department preparing the financial statement using the modified cash basis of accounting; this basis of accounting is inappropriate because when used the financial statements are incomplete. The department charged loans and investments losses of the relevant funds directly to equity; the department should have reported these losses as expenditures. And third, the department did not properly report the pension liabilities of the relevant funds.

And the committee notes that: one, the government, effective the 1993-94 fiscal year, has adopted an accrual method of accounting. Two, effective the '92-93 fiscal year, the government no longer charges loan and investment losses of the relevant funds directly to equity and these losses are now recorded as expenditures. And third, the government notes that although pension liabilities are reported, there continues to be a difference of opinion with the Provincial Auditor as to how this should be reported. Right?

The Chairperson: — What do you want us to do with that, Mr. Van Mulligen?

Mr. Van Mulligen: — Well it seems to me the auditor has given us these reservations of opinion. Although he doesn't in this particular chapter make recommendations, he did make a recommendation with respect to pension liabilities in previous chapters, and we said that we would deal with that.

I think it's appropriate, given these reservations of opinions that the auditor has expressed, how the committee views that. And in the two cases the department has indicated how the government department has dealt with that. And a third case, I'm just simply noting that there's a difference of opinion.

The Chairperson: — I had those that they have met, I have those that they have not met, and I go along with Mr. Cline's observations about speaking to the fact on how those three should be altered and how the department is prepared to do that.

On the third item, on the pension, I don't know what to do about that yet. And I'm here to have the . . . and that's pensions and how we handle them, because that was a part of our deliberations, I believe earlier, that we should identify them as a concern from the Public Accounts perspective.

And so I guess from expediting what we have to do, are we going to leave it at that or are we going to provide the additional comment that you have on there; or should we keep it brief, or how are we going to handle it?

Mr. Van Mulligen: — All I can say is that the auditor brings to the attention of the Legislative Assembly and now the committee, reservations of opinions with respect to four entities, reporting entities. And it seems to me that we should at least give the Legislative Assembly the benefit of what these reservations concerned and how it is that these reservations are proposed to be dealt with, if at all.

And I'm saying in the one case it was a question of the kind of accounting and where he has a reservation and we're reporting that the government has a different method of accounting. In the second case, there's a question of charging loans and losses and we're reporting what it is the government is doing in that respect. And a third case with respect to pension liabilities, I'm just simply stating that there continues to be a difference of opinion between the Provincial Auditor and the department.

The Chairperson: — I ask Mr. Strelieff, are there any other items that Mr. Van Mulligen has not included in that that we should be noting, or is that complete?

Mr. Strelieff: — Mr. Chair, members, the points that Mr. Van Mulligen made in terms of the changes that have been made are valid. And the last remaining issue relates to our recommendation in chapter 3 where we recommend that the government record its pension liability so that the full costs of expenditures and services are fully reflected and the total liabilities of the province are recorded in the financial statements of the province.

Now with respect to that recommendation, what I'm seeking is some support or encouragement for that recommendation.

The Chairperson: — And if we note it as you suggested, Mr. Van Mulligen, then would it be on the basis that we have on chapter 3, item no. .18 where the recommendation is made?

Mr. Van Mulligen: — Not necessarily. We can go back to that if you want. I'm just simply saying that in this case we'd know that there was a difference of opinion. If you want to go back to that, I mean if you feel it's necessary to . . .

The Chairperson: — Okay, then my suggestion would be that we approve the Department of Finance chapter and let it go and let them proceed. And then we will draft a resolution regarding this issue. And we'll draft it so that members of the committee can see it, and then we'll discuss it and approve it later on to meet the requirements of the committee. Does that sound reasonable? Okay.

Then I want to thank you, Mr. Deputy, and your staff, and Mr. Comptroller, for your attention. And we need a motion that the hearing on the Department of Finance be concluded subject to recall, if necessary, for further questions.

Mr. Cline: — Yes, Mr. Chair, I'd like to join with you in thanking the officials for their assistance. And I'd like to make that motion.

The Chairperson: — We're going to have a break. The Executive Council are scheduled here for 3:30, and we will resume our discussion at 3:30.

The committee recessed for a period of time.

Public Hearing: Executive Council

The Chairperson: — The deputy minister of the Premier is here today, and we want to welcome you, Mr. Clark. And I have the names of the various people but I'd like you to introduce them to us, and then we'll proceed in our normal fashion.

Mr. Clark: — Thank you, Mr. Chairman. On my right is Don Wincherauk, who's the director of administration in Executive Council. To Don's right is Bonita Heidt, administrative budget and personnel officer in Executive Council. And on my immediate left is Myron Kuziak, who's the Chief Electoral Officer. And on Myron's left is Janice Baker, who is the Assistant Chief Electoral Officer.

The Chairperson: — We have some things that we do on a normal basis, and that is that we tell you that what transpires here is recorded, and that under the responsibility that you have, you have the responsibility to answer the questions that are given to you and then also that have . . . will not be held as a item against you in a court of law, what you say here. You cannot be charged on that basis of incriminating

yourself in this committee. We want you to know that.

When you are asked for a response and you do not have one and you will give it to us later, we ask you to send 15 copies to the Clerk's office and that makes the normal procedures flow.

And I would ask the committee to turn to page 131 of the Auditor's report and that deals with some items, two actually, that the Auditor has pointed out and I want him to open up the discussion in that relationship and then we'll ask for members to supply us with questions.

Mr. Strelloff: — Mr. Chair, members. Our Chapter 14 says briefly that we examined the department's rules and procedures to safeguard and control its assets and we found that in general they were reasonably adequate. And then we also examined their compliance with legislative authorities and thought they complied with the financial reporting and significant financial legislative authority except for two items.

Paragraph 6 talks about The Election Act which when we reviewed, we found that the department reimbursed election candidates for payments made to registered parties; in our view, that was not in accordance with The Election Act.

And the second one is on the next page in paragraph 11. In our review of the supporting documentation for payments, we took a sample and noted that there was a portion of the sample that lacked bills and vouchers and proofs of payments and that we are bringing that to your attention and reminding the department that it's important to obtain the full or the proper documentation to support claims for election expenses. And that is the summary of our conclusions and findings.

Mr. Van Mulligen: — I'd like to deal with the first item, the question of the group purchases and get the department's opinion on this. It seems to me you're saying that you can't do it. I don't know whether it's a question of legal opinions here. I just don't know.

Mr. Clark: — Mr. Chairman, if I could defer to Mr. Kuziak. We provide the administrative support for the electoral office but I think it would be best if Mr. Kuziak tried to address the questions of the committee.

Mr. Kuziak: — Thank you. The first criticism or critique of the accounts appears, at least at first blush, to be absolutely correct because the Act itself says that in determining the amount of election expenses that may be incurred and which may be reimbursed back to a candidate or a party, money paid or agreed to be paid by a candidate or his business manager or by a constituency association to a registered political party cannot qualify for reimbursement. And that would appear to apply to things like media buys or group purchases or even the hiring of personnel that may have been hired by the registered party and then the candidate or the constituency was charged for that.

Our understanding of the way that that had been interpreted in the past was that the payment that was made to the parties was not a payment to the party *qua parte*. By that I mean it was only made to the party as a conduit, as an agent of the candidate or an agent of the constituency, to facilitate an arrangement that was made because of the administrative difficulty, for example, that a large number of candidates might have in dealing with the income tax department when hiring staff.

And I know that several of the parties hired staff that was made available to the parties . . . or to the candidates, rather, and they handled all of the tax, unemployment insurance, and other details, and it was purely an administrative thing so that the candidates and constituencies would not be embroiled in all of that administrative cost.

And it was done as a convenience and as an agency situation, and we did interpret it that way. And it had been interpreted that way in the past for numerous elections. And in my discussions with the justice department, they concede that the section is ambiguous.

Mr. Van Mulligen: — My follow-up question then is that you agree then with the auditor that there should be changes?

Mr. Kuziak: — To clarify the situation, clear up the ambiguity, definitely there should be changes. I do agree.

Mr. Van Mulligen: — Okay. That's all I had on that, unless anyone else had . . .

Mr. Cline: — I don't have any problem with The Election Act being changed to clarify the ambiguity, if there is one. But I want to make the point that I'm not sure I agree with the recommendation in the sense that it says the department should comply with The Election Act — which of course I agree with that part — but the implication is that the department is not complying with The Election Act.

And when I read the report of the auditor — and I understand where the auditor's coming from because he's identifying an ambiguity in the legislation — but my reaction was that the party in this instance, whichever party, is just an agent. It has absolutely no beneficial interest in the funds that go from the candidate whatsoever. They just go through the party to whomever the payee is.

And I don't see that the party in this instance, any of the political parties, take any interest in the money or are even really incurring the expenses other than an agent for the candidate that declares that expense on his or her election expense return.

So that was my reaction but I . . . So my reaction, for what it's worth, was I didn't think it was a case necessarily of the department not complying with the Act. I do feel that it's a reasonable suggestion that Mr.

Kuziak makes to clarify the ambiguity, if there is one, and I'm sure he'll be bringing that forward to the legislative process. Thank you.

A Member: — Yes.

The Chairperson: — I've got a question, Mr. Kuziak. How long has this been going on? You said numerous elections. And I've run in five and I think it goes back to those five. Does it go back beyond that?

Mr. Kuziak: — I'm sorry, but I can't tell you that. I don't know. If you wish I will research that.

The Chairperson: — I'd like to know that just to make it public for everybody.

Mr. Kuziak: — I'm advised that the first reimbursements took place in 1975. So that should be within the time . . .

The Chairperson: — That's my five, five times, okay.

Mr. Kuziak: — Exactly.

The Chairperson: — Moving on to the second recommendation and dealing with that. Are there any discussion in relation to that then?

Mr. Van Mulligen: — I'd just like to get a clarification or an explanation from the officials.

I'd just like to . . . The auditor is saying that they audited 17 candidates, found that there were some bills and vouchers and proofs of payments that were lacking, therefore he estimates it could cost that much. He says there should be proper bills, vouchers. What's your comment on that?

Mr. Kuziak: — My comment on that is that all of the candidates' returns were examined in considerable detail. There was considerable correspondence in excess of 150 or more letters back and forth to candidates from the Electoral Office dealing with the question of bills, vouchers, and proofs of payment. And in all cases some form of bill, voucher, or proof of payment was received by the Electoral Office.

In all cases the candidates' returns had been audited in the past and in this case in 1991 by an independent auditor as is provided in the Act. And prior to the audit that was done by the Provincial Auditor, considerable reliance had been placed on the fact that there was an independent audit of all of these returns done. And 1991 was the first time that the Provincial Auditor has ever audited the books, and the standards or the attitude adopted by the Provincial Auditor was, of course, unknown to us.

The auditor apparently was of the opinion that some of the particulars that the auditor thought ought to have been included in the bills, vouchers, and proofs of payment were missing. But it is our position that all of the bills and vouchers included particulars. It was merely then a question of the sufficiency or the number of such particulars.

And again we relied upon past practice, but I wish to reiterate that in 1991 the office was to a considerable degree more vigilant about scrutinizing these returns and insisting on particulars, so that our office thought that we had done a much better job of scrutinizing these returns than had ever been done in the past.

Mr. Van Mulligen: — But he says that there were claims that lacked bills, vouchers, and proof of payment, but you're saying that no, you've got those.

Mr. Kuziak: — I am not aware of any instance where a voucher or rather an approval was given without some form of bill, voucher, or proof of payment having been received and dealt with.

Mr. Van Mulligen: — Well I'm not really clear here. The auditor is saying that; you're saying that no, there's no payment unless there was some . . . you're reasonably satisfied that that expense had been incurred.

Mr. Kuziak: — Well we were reasonably satisfied, yes.

Mr. Van Mulligen: — Would it be possible to ask the auditor about this? I'm not really clear what the . . .

Mr. Strelloff: — Mr. Chair, members, we're just looking at the working paper files to find out which ones that we looked at we thought . . . or we concluded lacked proper bills, vouchers, or proofs of payments, and I think we also provided this information via a management letter to the department.

Let's see. Mr. Chair, members, just looking at our working papers, and there's two items that we looked at, the totals total \$7,887 and our notes say that there were no bills stating what was received. We haven't got the invoices with us or the actual statement of claims with us. If you wish us to bring that to this committee with us, we would. But our working papers and notes that we examined . . . two of the ones that we've examined indicated there were no bills stating what was received.

Mr. Van Mulligen: — Like I can't . . . listening to you and to the officials, and then reading again what you have to say in your report. In paragraph 8 you use the words, lacked bills, vouchers and proof of payment." Paragraph 9, lacked bills, vouchers and proof of payment." But in your recommendation you don't say that you should have bills, vouchers; you say you should just have the proper bills, vouchers and proof of payment.

So I'm not really clear whether it was lacked the proper bills, vouchers, or whether they were just missing completely. Because the officials say that no, there were, and there is a dispute here as to whether they were adequate. I'm not really clear.

Mr. Strelloff: — Mr. Chair, members, it is my understanding that what we found was that there

would be a list of items that should be reimbursed, say a financial statement saying here are 10 items that I've spent, incurred in the course of my business. Please reimburse. And then we'd look at that statement and say there are two items there, that one relates to 2,000 and one relates to 5,000.

We'd go into the documentation and say, well is there a claim or a voucher or bill that shows what was purchased? And then in those two cases we couldn't find the claim or bill that said, here's what's purchased. But there was a claim or bill submitted saying, here's what I spent, and please reimburse me.

So when we say the department should obtain proper bills, vouchers, and proofs of payments, the proper part is a bill that would support the listing of payments made. Does that make sense?

Mr. Van Mulligen: — I'm also not really clear now that you say you audited the claims of 17 candidates and you found these claims lacked bills, vouchers, and proofs of payments totalling \$7,887. But in your explanation you talk about a candidate might have claims in there; there might be one for 2,000 and one for 5,000. Are you now saying that all of these 17 candidates had a combination . . . each of them individually and jointly totalled up to 7,887, or of the 17 candidates there might have been one where the bills were lacking in your opinion?

Mr. Strelieff: — Mr. Chair, members, we examined the expense returns of 17 candidates, and their expenditures was \$245,000. Within those 17 candidates there were no doubt a whole series of expenditures made by each of them. And then within the expenditures that we examined we found claims totalling \$7,887 that lacked proper documentations — bills, vouchers, and proofs. And as I looked into the working file it relates to two different people. And I think that's all I can say with how specific it is, with two different people. I don't know if it's two single payments or specific items or a grouping of items.

Mr. Van Mulligen: — So it's not as if it's the same item for each 17 candidates and therefore one can . . . (inaudible) . . . for all of them.

I don't know where to go from here. The officials are saying that they're satisfied; you're saying that you're not satisfied, that you don't have the bills, period. They say that on the basis of the information that they've got, they're . . . I don't quite know how to resolve this.

The Vice-Chairperson: — Okay, are you finished, Mr. Van Mulligen?

Mr. Van Mulligen: -Well I'd like to ask Mr. Strelieff.

Mr. Strelieff: — Mr. Chair, members, what you might want to advise or recommend to us, given that there seems to be a disagreement on what exactly exists, that we discuss it further with the officials to make sure that our understanding of what documentation should be present is the same as the departments'

understanding of what documentation should be present and then report back to you.

A Member: — Okay, I agree with that.

The Vice-Chairperson: — I see Mr. Clark and Mr. Kuziak shaking their heads so I take it you are in agreement with what the Provincial Auditor is . . .

Mr. Van Mulligen: — Shaking or nodding?

The Vice-Chairperson: — Nodding.

Mr. Kuziak: — I am in agreement that even though a great deal of vigilance was used in scrutinizing the returns, that we are looking for additional assistance in this regard from the Provincial Auditor and/or the Provincial Comptroller and we have in fact, since this matter has been raised, been in touch with the Provincial Comptroller in order to ensure that our control over these matters is even better than in the past.

Mr. Van Mulligen: — Is that the real problem then, is that unauthorized expenditures by the comptroller?

Mr. Kraus: — No comment.

Ms. Crofford: — Just a brief comment, Mr. Chair. My experience in working with many kinds of community organizations and being involved in an election campaign myself is that probably the most frustrating thing for any local administrator is to get people to keep track of and turn in their bills, because people who are not used to dealing with that kind of stuff on a regular basis just don't have the same kind of fascination for it that administrators do.

So to me some of the problem might be resolved by having some special materials that are handed out during the campaign that make it very clear to the various people involved what their particular responsibilities are; because I've seen the handbook that comes out and it's rather a large and pretty detailed handbook and I know that a lot of the people that you're dealing with during campaigns are volunteers and have various levels of understanding of the importance of those bills to the final outcome. So I don't know if anything could be done in the area of clarifying the materials but . . .

Mr. Kuziak: — Indeed it can and has been done and for the current by-election I have, within the last week or so, circulated a memorandum to the registered parties dealing with these matters in order to assist them to insure that we get as strict compliance as possible.

Ms. Crofford: — I suspect that's where the biggest results will be found — in compliance.

Mr. Kuziak: — I hope so.

The Vice-Chairperson: — Any further questions or discussion?

Mr. Serby: — Thank you, Mr. Chair. just a quick question to the auditor. Is this then what I'm hearing not an unusual practice or is it unusual practice or is this the first time in fact that you have audited the election expenses?

Mr. Strelloff: — Mr. Chair, we'll have to go back and look at our records to find out what we did in previous elections. I don't know.

Mr. Serby: — Okay.

The Vice-Chairperson: — Okay, anything else? In that case I'll make a suggestion and if the committee is in agreement then we can proceed to prepare comments for our report. I would suggest that with respect to recommendation .06 we note that the Chief Electoral Officer has advised that the registered political parties in the instance described are considered as agents. But that as there is the possibility of confusion arising out of the Act that we note the comments of the Chief Electoral Officer that the point raised by the Provincial Auditor could be dealt with through legislative amendment to remove any ambiguity concerning that matter; and that we further note, with respect to recommendation .11 of the Provincial Auditor, that there appears to be some need for clarification of exactly what the issue is, in view of the fact that each of the candidates' returns have to be individually audited by I think a chartered accountant, and in view of the fact that I assume the business manager of a candidate has to play some role in this regard too, in terms of how money can be spent.

But in any event, to clarify any confusion, that discussions will take place between the Provincial Auditor and the Chief Electoral Officer and perhaps Provincial Comptroller to clarify the matter so that there is agreement as to what constitutes a proper bill, voucher, or proof of payment.

Now does that adequately summarize for the committee members what you feel we should be saying in our report with respect to this department?

Mr. Van Mulligen: — A summary, is that what you called it?

The Vice-Chairperson: — Well it's a lawyer's summary perhaps.

Well hearing no objections, I would suggest we simply so include in our report. And I would like to thank you, Mr. Clark, and Mr. Kuziak, and your officials for coming today and assisting us.

I guess I would entertain a motion that the hearing on the Department of the Executive Council be concluded subject to recall if necessary for further questions. Do I have a motion? Mr. Van Mulligen. And I take it that is agreed to? Agreed. And thank you very much.

Mr. Clark: — Thank you, Mr. Vice-Chair, and members of the committee.

The Vice-Chairperson: — Committee members, we're having the Department of Justice next. I don't believe they're here, so I would suggest we adjourn until 4:10 and then reconvene.

The committee recessed for a period of time.

Public Hearing: Department of Justice

The Chairperson: — Thank you, Mr. Cline, for involving yourself in the role of responsibility of chairman. And I would like to ask the deputy minister of Justice to introduce his officials and then I'll make some opening remarks.

Mr. Cotter: — Thank you, Mr. Martens. My name is Brent Cotter. I'm the deputy minister of Justice and deputy attorney general. With me on my left, your right, is Keith Laxdal, associate deputy minister of finance and administration. On my immediate right and your left is Twyla Meredith, the director of the admin services branch of Justice; to her right, Stella LaRocque, acting assistant director, admin services; and behind me, directly behind me, Terry Thompson, assistant deputy minister, Solicitor General division of Justice; and to his right, Barb Hookenson, executive director of court services for Justice.

The Chairperson: — I do this prior to each of the witnesses coming before the committee and that is I make them aware that you are required to answer the questions asked. And when you do, you are under the Charter of Rights and Freedoms. It will not be held . . . you will not be held liable for those statements that you make and we want you to have the freedom to do that. If you do not know the answer and are going to provide it, we need to have 15 copies from your office provided to the Clerk's office and then he will distribute them to the members.

So I'm going to ask Mr. Strelloff to give an introduction to the Department of Justice and his overview of the Department of Justice in his *Public Accounts*.

Mr. Strelloff: — Mr. Chair, members, I'm going to turn over the responsibility for that overview to a senior director in my office, Mr. Ray Bohn. He's been responsible for examining the Department of Justice and will lead you through the chapter.

Mr. Bohn: — Thank you, Wayne. Mr. Chairman, and members of the committee, our report for the Department of Justice is chapter 18 beginning on page 191 of our annual report. Page 191, paragraphs .02 and .03 provide information on the appropriations and revenues managed by the department. Additional information about these revenues and appropriations appear in volume 2 of *Public Accounts* at pages 9 and 188 respectively.

The components of the department's expenditure appropriation appear in paragraph .03. As you can see, the largest expenditure areas for the department are for police services, corrections, and courts. The larger component of the department's revenue of 50 million, which appears in paragraph .02, consist of

court services, fines, and registration fees of approximately 15 million and land titles fees of 13 million.

Paragraph .04 shows the department is also responsible for the operation of a number of trusted special purpose funds and certain Crown agencies.

On page 192 in paragraphs .05 to .09, we report that the department's rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues were adequate except for the matters reported in paragraphs .10 to .26. We also report that the department complied with authorities governing its Consolidated Fund appropriations and revenues and the agencies listed in paragraph .04 complied with their authorities except for the matters reported in paragraphs .27 to .29.

The remaining sections of our report deal with our examinations. The internal audit sections starting at paragraph .10 notes that the department is decentralized. Regional offices of the department include corrections centres, provincial courts, Land Title offices, and sheriff and local registrar offices. All of these offices are responsible for collecting revenue and complying with the law. The department's internal auditor examines regional offices and reports results to management.

We note in paragraph .12 on page 193 that the department took the positive step of establishing an operating and reporting policy for its internal auditor. However, the policy had not functioned long enough for us to decide if management will take timely action on issues raised by the internal auditor. Our recommendation in paragraph .15 relates to this issue. We reported paragraph .14 that our review of the internal auditor's report show many instances where regional offices did not follow established procedures for handling and depositing of funding.

Moving on to paragraph .16 to .22, we report that the department's rules and procedures for assessing and collecting revenue were not adequate. We found that the department had not correctly assessed the Liquor Board for the cost of RCMP (Royal Canadian Mounted Police) enforcement of The Alcohol Control Act. The department investigated the matter and prepared a revised claim and collected a further \$407,000 from the Liquor Board.

We may now move to page 194. Paragraphs .23 to .26 report that we found the department did not follow established procedures for segregation of duties of employees responsible for receiving cash, preparing receipts, and recording cash receipts at the larger provincial court offices and in the provincial court payment information centre.

In paragraphs .27 to .29, we report that the department did not follow established procedures to obtain Board of Revenue Commissioners' authority to write off unpaid fines. Now I believe that 1992 was the first year that unpaid fines were considered to be accounts receivable for the province's summary

financial statements, since it was the first time that the department had considered them accounts receivable, and that was one of the reasons perhaps that this write-off issue occurred.

Paragraphs .30 to .33 report that an employee in a position of trust in the department defrauded the department of \$458,000 by forging required approval signatures to authorize payment of false invoices for transcript services.

As far as matters corrected, the sections .16 to .23 regarding revenue monitoring has been corrected by the department.

Now that concludes our summary of our auditor's report. Are there any questions?

Mr. Cline: — Just for clarification. It's Mr. Bohn?

Mr. Bohn: — Yes it is.

Mr. Cline: — When you say that paragraphs .16 to .23 have been rectified, does that then go down to .26?

Mr. Strelloff: — .16 to .22.

Mr. Cline: — Okay, so it's really .16 to .22?

Mr. Strelloff: — Yes.

Mr. Cline: — Thank you.

The Chairperson: — Let's deal with the first recommendation. Ask the department if they have taken any action on significant matters raised by the internal auditor.

Mr. Cotter: — I think the point is properly made by Mr. Bohn and in the Provincial Auditor's report. I'm advised that the Provincial Auditor has commented previously on this.

With respect to an operating and reporting policy being approved by the department, that policy has been approved by the department and includes procedures for reporting requirements and management's responsibility to respond to the internal auditor's findings. We take these recommendations seriously.

With respect to the internal audit committee, I chair that committee and the results of the internal auditor's concerns are communicated to me. And where responses are not received from decentralized offices which have been audited by the internal auditor, I'm notified of the lack of timely response and communicate directly to those responsible for those offices to ensure that responses to the auditor's concerns are provided in as timely a way as possible.

We have not been perfect in our responses, but I think the response from predominantly the decentralized offices around the province has significantly improved since this concern was communicated to us from the 1991-92 report.

The Chairperson: — Can you give us an example of what kinds of agencies are providing you funds that you do an audit of?

Mr. Cotter: — Predominantly these are offices like registrars' offices in Swift Current, for example, or North Battleford or the like where people either pay fines or pay for the registration of court documents, that sort of thing. They are the decentralized and, in some cases, relatively small offices that we operate out and around the province. And we have an audit schedule established by the internal auditor in consultation with the internal audit committee which determines the various offices which will be audited over the course of any particular fiscal year.

The internal auditor then provides reports on whether the procedures in those offices are satisfactory with respect to the handling of the money, for example. We received the same concern expressed by the internal auditor about the issue that is identified a little bit further down in this report, about segregation of duties to which I think you may have some questions later. But that's the process and those are the kinds of locations where we think the internal audit function has proven to be valuable for us.

The Chairperson: — Okay. Does that refer to courts, does that refer to RCMP when they collect the fines, does that refer to any other of the various responsibilities that you have? Or is it just the court area?

Mr. Cotter: — No, the internal auditor has the authority to conduct audits of various of our operations which includes Land Titles offices. The way in which fines operate is that the RCMP don't collect them; they hand out the tickets and people pay into a court office. And so it's important with respect to the receipt of the money in those various locations around the province that we have as tight and appropriate an accounting procedures for the receipt of those monies as is possible. So it covers an array of different types of offices which generate the 50 or 60 million Mr. Bohn referred to.

If I might just add to it. I guess I think it's fair to say that the work of the internal audit committee — at least in my tenure — we are taking . . . have taken very seriously as a guide to tightening up the procedures in the Department of Justice. And in fact we have extended an invitation to Mr. Kraus to sit on the committee to provide us that sort of internal advice to see whether we are getting the most use out of our internal audit committee. Indeed our next meeting is, I believe, next Monday.

The Chairperson: — The write-off of the unpaid fines, can you discuss that with us?

Mr. Cotter: — Sure. This is with respect to the write-offs of fines. Mr. Bohn is correct in the sense that prior to at least this year, the 1991-92 year, write-offs of fines had not been historically considered or understood to be accounts receivable that needed to

be dealt with in this official write-off way. And as a result fines had not been administered traditionally as accounts receivable. As a result, when it was necessary to write off fines, we had been doing it only by departmental approval.

With the development of our more effective automated system for tracking these kinds of fines, we are able to be much more effective in identifying fine receivables and which ones ought appropriately to be written off.

And the department is in the process of preparing a list of fines that are not, in our judgement, any longer collectible to submit to the Board of Revenue Commissioners. So the process now is in place for us using the mechanism which was either referred to us or criticized, depending on your reading of the Provincial Auditor's report, so that we can participate and have the fines dealt with through the Board of Revenue Commissioners. So we have I think solved that problem.

If I could go a little further and say we didn't understand it was a problem until fines came to be viewed as accounts receivable and we intend to fully participate in the expectation that they would be addressed by the Board of Revenue Commissioners rather than being done internally.

The Chairperson: — Have you got a set of criteria that you use in coming to the conclusion that these are unpaid fines or that these are fines that cannot be paid?

Mr. Cotter: — We have a committee that is looking at the whole question in terms of developing criteria to decide when we ought legitimately to propose to the board that they should be written off. So we are working up that set of criteria and the whole approach to fine collection and write-off at the present time.

Ms. Meredith advises me that we are being governed by the present criterion that if the fine is more than three years old and hasn't been collected, it should be proposed for write off.

The Chairperson: — In dealing with this, are they any kind of fines, or all kinds of fines?

Mr. Cotter: — So far we have . . . I think we've not made any particular distinction about different kinds of fines. But predominantly I think the revenue comes from things like speeding and motor vehicle type offences. But we haven't drawn a distinction along the lines that you describe.

The Chairperson: — I don't know whether this is the year under review, but there was a time discussion was held about attaching the placement of an opportunity for a driver's licence on the basis of whether the fine was paid. Is that being done or is that not being done? And then if it's being done, is it helping to collect the fines?

Mr. Cotter: — That continues to be done. It's in our

judgement reasonably effective with respect to the collection of fines. And those are fines which are not written off. So the consequence with respect to your driver's licence continues and continues.

The Chairperson: — Now does this come . . . does it have anything to do with the parking tickets that cities have as well?

Mr. Cotter: — That's not within the system, or our system at least. So as far as I'm aware nobody who loses . . . who needs to renew a driver's licence is stopped by not paying their parking tickets.

The Chairperson: — Okay. Under the item .30 to .33, . . . yes, I'm sorry.

Mr. Cline: — I'm sorry to interrupt you, but I had a few follow-up questions on this recommendation you were talking about. Do you want me to go into that now?

The Chairperson: — You go right ahead.

Mr. Cline: — Okay, and then I'll . . . I just wondered, Mr. Chairman, I want to ask Mr. Cotter, in view of what he said about write-off of fines, would this mean . . . do I understand your comments to mean that if somebody had a driver's licence the fine would not be written off?

Mr. Cotter: — That's right, in the sense that they . . . if they had a driver's licence but don't have one because they haven't paid the fine, you wouldn't be able to renew your driver's licence if you had these outstanding fines. You would continue to owe the fine and continue to not be able to get a driver's licence. We have not been writing off those ones that I think, am I right, that even in . . . that have gone on for multiple years. So the system hasn't been in place about the non-renewal of drivers' licences for very long; maybe about as long as the time frame before we decide it's an uncollectible fine. But the effect is that you are stopped or precluded from being able to get your driver's licence while that fine is outstanding.

Mr. Cline: — Okay. And the reason I'm asking this is I don't want people to be left with the impression that if they have a fine, you know, and it's outstanding for three years, that suddenly it's going to be written off. Because under the new legislative provision, as I understand it, if a person wanted to have a driver's licence, which comprises, I don't know, the vast majority of people I think that would owe fines, the problem would resolve itself to a large extent because of that new system, would it not?

Mr. Cotter: — In the sense of outwaiting us, so to speak; is that what you mean, Mr. Cline?

Mr. Cline: — Well in the sense that if I can't get my driver's licence because I owe a fine, and if I want to have a driver's licence I'm going to pay the fine so that I get a driver's licence — point number one, I guess. And I would suggest that point number two . . . well, I'll let you comment on that first.

Mr. Cotter: — I think you're exactly right. That is what is happening now, and it has proven, in the few years that we have administered it, to be highly effective in collecting fines — probably easily the most effective in the country. And it's a sign that people really do need and want their driver's licences and pay the fines in order to have access to the licence.

Mr. Cline: — Okay. So when you're talking about these, the Provincial Auditor is talking about these write-offs, this perhaps would be a problem that was more a problem in the past than it would be at the present time?

Mr. Cotter: — We could still have fines written off that . . . for people, I suppose, who either don't have or are not seeking drivers' licences. And there are probably other fines that are unrelated to things like driving that may form part of the write-off process. But the vast majority of the motor vehicle type ones will be . . . continue to be tied in to the exercise of non-renewal of your licence if you don't pay your fine.

Mr. Cline: — Okay. The other question I have is I would like to think — and I'd like to hear your comments on this— that if a person had been guilty of some offence and they owe a fine, I would like to think that the province takes some steps to try to locate the person or collect the fine; that it isn't a matter of simply writing off after three years.

And I would think also that if a person owes a fine and they haven't paid it, that there can be other consequences such as jail, in most cases, and I'm wondering, would these not mainly be people who for all intents and purposes cannot be located?

Mr. Cotter: — I think that's correct with respect to the difficulty in locating them and collecting. We walk a fine line between the kind of sanction of jail . . . and we have, as you may know, a fine option program that enables people to work off their fines, particularly in cases to avoid going to jail for non-payment of the fine but also in cases where jail, at least under the present structure, where jail isn't a consequence, you can still work off your fine. So there is the opportunity to participate in those programs. We are trying to be sensitive to those who simply are extremely, seriously burdened by the cost of the fine to their living circumstances; but at the same time we feel there is an obligation for people to find a means of paying unless we just can't find them any more and it becomes not particularly reasonable to continue to carry them on the books.

Mr. Cline: — Well this is what I'm getting at and it leads me to just another question. To say that fines are written off after three years, that may be one criteria for writing them off. That statement by itself . . . My concern is that people get the idea that somehow if they escape paying the fine for three years, they're off scot-free. That would not be the case for anybody that wants to get a driver's licence in this province. We've established that, but the . . . And the second thing is that an effort obviously is made to find the people. But

my next question is: is this write-off of a fine, in any event, not sort of an accounting thing in this sense, that if I owe you a fine, which I don't . . .

Mr. Cotter: — We could check on that.

Mr. Cline: — And if I do, it's more than three years old. If I owe you a fine and it's more than three years old and you can't find me for some reason, then you write it off, which I don't think would happen since I have a driver's licence, but if it did happen you may remove that fine off your books. But I could still be thrown in jail for being in default of paying the fine or required to go into the fine option program to work it off, could I not?

Mr. Cotter: — Are you referring to after we have written off the fine?

Mr. Cline: — Yes I am.

Mr. Cotter: — It might eliminate the debt, but it doesn't eliminate the court-ordered obligation to pay or go to jail in default.

Mr. Cline: — Now that's what I'm suggesting and what I wanted to get clarification about. Because if I don't pay the fine for three years but the judge had said I have to pay the fine, I'm in default. I go to jail for 14 days. If I don't pay the fine, I'm in default whether or not you write it off your books.

Mr. Cotter: — I think your — if I can be so kind as to call it your legal analysis — is exactly the same as ours.

Mr. Cline: — Okay. So it's not . . . I'm just suggesting that it's more, it seems to me, an accounting procedure for your department than it is a legal result for the person that owes the fine. They still owe the fine.

Mr. Cotter: — I think that's exactly right, although it also means that this is one set that we have kind of officially given up on and don't continue to pursue the collection of the money and are sort of not obligated to pursue once we've kind of scrubbed the debt side of it. Once we've done that part on the paper side, that doesn't affect the person's criminal or court-ordered obligation to fulfil some requirement ordered by the court.

Mr. Cline: — And when the police pick me up or stop me for speeding or whatever, they will have a record that I am in default of payment of the fine, I would hope.

Mr. Cotter: — Well it may not, but I think our system appears to make it possible for . . . operate so that it is removed from the system. I take it that your comment is that we should give that some reconsideration.

Mr. Cline: — Well if I can make that suggestion, yes I would. I would suggest that you . . . and I'm just thinking as we go along here, but it seems to me that there are two issues here. One is what you do in your

books. And if you want to remove the fine from your books as an account receivable or whatever you call it, you can do that, but you want to not delete from the memory of the system, if I can call it that, the fact that the court has ordered me to pay that amount of money or go to jail. And if I don't pay it and the police stop me, it should still be on the system. I don't know if it's CPIC (Canadian Police Information Centre) because it's not . . . maybe it is. They should be able to punch into their system to see that I have not paid a fine, I'm in default, and they should do something about it.

Mr. Cotter: — Could I take that as a sort of a comment and advice to us?

Mr. Cline: — Yes, that's my advice and committee members may wish in our report, if they agree, to . . . and I don't see any disagreement from you, to say that that's something we should look at. Because nobody should have the attitude that, you know, just because the fine is written off from your books, that the obligation goes away. And I think we have to make sure that the system is such that the obligation doesn't go away, just in terms of the respect for the administration of justice. I don't want anybody to think that they can get away with it.

Mr. Sonntag: — This is just of interest I think really of . . . I'm curious to know whether the fines . . . how substantial some of the outstanding fines might be.

Mr. Cotter: — On an individual basis or . . .

Mr. Sonntag: — Yes. Would they be thousands of dollars on an individual basis?

Mr. Cotter: — No. We're nearly always talking about a number under a thousand and probably in maybe the hundred-dollar range.

Mr. Thompson: — The average fine is probably in the neighbourhood of now \$80, 70 to \$80. The Criminal Code fines tend to be higher ones and they would typically be for impaired driving with a minimum of \$300 and then they would range up . . . some of those would be up to \$1,000.

Mr. Sonntag: — Okay, that voids my next question then. Thank you.

Mr. Kujawa: — I feel forced to get into this whole deal.

Mr. Cotter: — I don't know why you feel forced, Mr. Kujawa.

Mr. Kujawa: — Because we have spent more time on the whole issue, for one thing, than I think it's worth. If you have a two-bit provincial offence, fine, and you can't find the guy in three years, why in hell spend three times the \$85 that he owes to keep him on your books and keep looking for him?

Also, if you have written off the fine, then the court order which says you will pay \$80 or go to jail for seven days in default has nothing on which . . . (inaudible) . . . So let us keep track of the serious

offences, like the Criminal Code ones, and not get picky about the two-bit provincial offences. There is an old saying in our law in any event that the court does not concern itself with little things. I don't think we should either, especially if we lose money in the process.

Mr. Cotter: — Could I take that as advice as well, Mr. Kujawa?

Mr. Kujawa: — For my usual fee, of course.

Mr. Cotter: — I think if I could say these are useful points to make in sharpening the criteria that we should be using with respect to the kinds of fines we would propose. And in that sense I'm grateful if the fees are not too high.

Mr. Cline: — I don't disagree with what Mr. Kujawa says, but I want to clarify something. Are these fines only for provincial offences or are they general for . . .

Mr. Cotter: — Include Criminal Code.

Mr. Cline: — It could be a fine for assault causing bodily harm, for example. I could be fined \$500.

Mr. Cotter: — Yes, it would include those as well.

Mr. Cline: — Yes, so I'm not disagreeing with what Mr. Kujawa said with respect to the minor offences, but I am a bit concerned about the more serious offences.

Mr. Kujawa: — There the record remains.

Mr. Cline: — That's what I want to make . . .

Mr. Kujawa: — And if you have fingers, the fingerprints go with it.

The Chairperson: — Some of us would have to go looking for them, the fingers.

Mr. Cotter: — I should say that I think one of the problems we have is that a couple of your colleagues on this committee know the Justice department a little too well and the questions are too hard.

The Chairperson: — The item no. .30 to .33, would you give an explanation and where you're at on that one?

Mr. Cotter: — The situations I think are accurately described in the report from which Mr. Bohn spoke. The situation in question was a substantial loss. We have dealt with the situation we think aggressively in the last year or two since the occurrences with respect to the department employee convicted of fraud.

And let me describe to you a series of new procedures we have put in place in the transcript services unit, which we are trying in appropriate ways to replicate in other parts of the department where we see ourselves as dealing with substantial amounts of money and therefore potentially, theoretically at least,

vulnerable.

First, we made use of the internal audit service that we have available to us to do a complete audit of the transcript unit. Secondly, we designed a work order which is now completed and sent along with tapes to be transcribed. When the transcript is returned to the transcript unit, a copy of this work order is returned with the tapes, transcript, and invoice for services rendered, to ensure that there is a kind of a physical trail, if you like, which is connected to a real requirement for transcription services. These work orders are pre-numbered and the transcript unit coordinator must account for all work orders which are put into this process.

Furthermore, all the existing contracts for transcription were cancelled as of March 31, 1992, and a new process was commenced for the awarding of contracts. A request for proposal was prepared and transcript firms were asked to bid for contracts. The contracts were awarded based on price, credibility of the firm or individual, turnaround time on the production of the transcript, experience, and province-wide representation.

The transcript coordinator is not involved in any way in the awarding of contracts, so that the decision making with respect to who will be the transcribing services are separated from the person who operationalizes, if you like, the work of seeing the transcripts typed up.

The exercise, for those of you who might be a little less familiar, is that we are taking tape-recorded material from courts, trials, and the like, and having them typed up into written form for people — lawyers, courts, and the like — for court appeals and the like. The transcript contracts are set for one fiscal year and the requests for proposal process has been established as a yearly exercise. The RFP (request for proposal) for example for 1994-95 will go out in early February.

Transcript firms must provide the Department of Justice with the names of any new typists hired to their firms for the conduct of this work. An expenditure printout is prepared to the transcript coordinator at the end of each month. This printout contains the names of all persons who have received payment in that particular month. This report is also reviewed by the director of court operations. The transcript coordinator must provide a report each month to head office about the number of pages allocated to each firm to date and an expenditure forecast for the transcript unit.

Court staff have been trained about fraud prevention and how to deal with fraudulent invoices. Accounting staff have also been trained in raising their sensitivity or awareness level with the view to trying to be more effective in, if necessary, spotting fraudulent invoices. Court managers have become more accountable for their budgeted revenue forecasts. Financial accountability has been set as an objective for each manager in this fiscal year.

Furthermore, with the assistance of some of the people around the table, we have engaged in financial accountability training, beginning with senior managers in the department. We have tried to use the experience in transcript services as an assistance to us in developing ways that we can insure financial accountability department-wide.

I think we could have concentrated our energies in the transcript service and said we seem to have a good plan to ensure that such an occurrence doesn't repeat itself in the transcript services unit. But because we are a fairly large and diverse department which handles money and pays bills of varying amounts, we thought that it was appropriate to take that learning experience and extend it beyond transcript services. And we think we've developed a training program which has been commented favourably upon by other departments, so that they can in a way benefit vicariously from the crisis that we experienced.

Those, we think, will be extremely effective in raising people's confidence that such an activity would not repeat itself in transcript services or in some of the other units of the department. It doesn't come, as many of you know, with an absolute guarantee. But it is our obligation, and we have tried to act on it seriously, to minimize . . . to absolutely minimize, to the very smallest extent we think possible, the chance of this kind of thing repeating itself.

I don't know whether that has been a more long-winded answer than anticipated, but I knew it is a matter of appropriate concern to your committee and I tried to prepare myself as fully as I could to explain what we've done to put our accountability house in order.

The Chairperson: — Okay, I have some questions as it relates to the *Public Accounts*, volume 2, and they deal with a number of areas. One of them is the Human Rights Commission. And I've noticed recently that there are job descriptions being advertised in papers for specific kinds of individuals to apply for certain jobs. And I wonder if I could have a comment from you regarding that, and I take that . . . some of them I took as a personal offence.

It gets to the place where a male white has almost no opportunity for job placement in the . . . and I'm not trying to be racist or anything, I'm just trying to say what it is, because that's a serious problem. And we deal in North America . . . we're probably going to be a minority in a few years, so we have to be careful what we do too. So in view of that, what rights do individuals have that are over and above others' rights as it relates to affirmative action, women, and natives, and related issues of that sort?

Mr. Cotter: — You have me, I think, something at a disadvantage, Mr. Chairman, because I don't know what job ads you're referring to. I don't know whether they were 1991-92 hirings, last week's hirings . . .

The Chairperson: — No, no, they were 1993.

Mr. Cotter: — Well let me answer it, I guess, in this way, which is a somewhat vague answer because I don't . . . I'm not familiar with the job hirings, and the decision making around hiring people with respect to the Human Rights Commission is done by the Human Rights Commission. They are as independent an agency as we can maintain for them, and I think appropriately so.

There is — and I'm now speculating somewhat — that the hiring is consistent with the employment equity criteria which have been established government-wide for hiring, wherever that may be possible. But beyond that, the decision making with respect to individual hiring is made by the Human Rights Commission. And I am presuming, without knowing, that the description is consistent with employment equity initiatives government-wide.

The Chairperson: — In human rights is that fair? That's my question, and I'd like an overall statement of the department in relation to that. And I'll use not myself as an example; I'll use a person who is Vietnamese or Japanese or Chinese in relation to the discussion, so it doesn't include me. And then is it fair to exclude these people from making a minority . . . or is it right for a government to make them available to certain groups and not to other groups? And that's the question I raise.

Mr. Cotter: — Well my understanding with respect to these kinds of employment equity initiatives — and without seeing the ad that I think troubles you, it's hard for me to answer really specifically — is to provide an opportunity for traditionally excluded groups from the workplace to have a chance to reclaim some of the ground they have lost by what is perceived to be past discrimination.

I think that's the theoretical basis upon which employment equity is promoted. And it's — I don't want to be critical of the Human Rights Commission in this part of my reply — but it is a little ironic and in this sense, the Human Rights Commission has the responsibility to, in many circumstances, approve employment equity initiatives by others, and they do that sort of thing. They can give exemptions with respect to hiring. I think for example of the Native Law Centre at the University of Saskatchewan, which administers a native law education program for aboriginal students. They would seek out, for example, an aboriginal person to direct that and they would get permission for that kind of targeted hiring from the Human Rights Commission. So they are in a way an agency responsible for providing and in some cases insuring some employment equity opportunities.

As a matter of law, those affirmative action initiatives, which I think is the language of the charter of rights, are constitutionally endorsed in Section 15(2) of the charter of rights, but I think beyond that I think it's hard to give you a very much more affirmative or complete legal opinion on that particular point.

Mr. Van Mulligen: — Well I'm not clear what we're

pursuing here. You're raising a question about an ad in the '92-93 fiscal year when we're dealing with the '91-92 *Public Accounts*. And I have no hesitation in terms of getting into the subject, but wouldn't it be more appropriate to call upon the Public Service Commission before us for the '92-93 fiscal year and even ask the Human Rights Commission, I guess, as appropriate, to explain their policies as opposed to getting into it rather tangentially here.

The Chairperson: — I'm not sure what you're referring to by this tangentially, but I just referred to the fact that the Department of Justice provided two cases in the past year where they were . . . One, they were hiring an aboriginal woman to run a certain section in the Department of Justice, and the second one was as it relates to handicapped and to natives being qualified first for student employment. And that is also handled by the Department of Justice. So that's why . . . I'll get you next year then. That's fine.

Mr. Van Mulligen: — Well when we get the Public Service Commission and the appropriate agency.

The Chairperson: — They didn't. Okay.

Mr. Kujawa: — I am like Mr. Van Mulligen; I wonder if this is the place to even talk about this sort of thing. But since we've already started on it, I want to make a brief little presentation which will be politically inappropriate, totally improper, and it deals with this employment equity and this making up for the mistreatment of others in the past.

I have on many an occasion gone into a courtroom in some place in Saskatchewan where somebody 20 years old had stolen some stuff. He was found guilty and defence counsel, who had nothing better to do, asked for a pre-sentence report. That means that he came in with paper from experts about yea thick, and all of these experts went over and over and said, this fellow's grandparents were out on the reserve, they had no education, they had no . . . (inaudible) . . . His parents were about the same way. He is the same way. He never had a chance. Be lenient.

This fellow, having listened to all of that, looks up at the judge, who's with a great big black gown sitting up on a great big high bench, and he is the fellow who runs this place; wisdom will come from him. And what does the judge say? You heard what all of the experts on human rights and human behaviour said. You are not really a man. He doesn't use those words but he may as well. You never had a chance. If you were white, you'd be going to the big house. That's the penitentiary; that means two years-plus. But since you never had a chance and you're a nothing, I'm going to suspend the passing of sentence for a period of two years.

Now this guy goes out, totally demeaned formally and officially by all of the experts in the system. If some white judge turned to him one day and said, look, you're a man, you chose to steal, now you bloody well pay, he'd smash his head walking out of the courtroom, banging it on the doorknob . . . at the door jamb, and he would never forget that a white judge said to him, you are a man.

We're not willing to say that. We don't have enough insight to say that. And so we are demeaning and destroying the people we say we're trying to help. And a hell of a lot of us are making a career out of promoting this just to promote ourselves.

End of speech.

Mr. Cline: — Well I'm not going to make a speech, but this is a very interesting philosophical discussion. But it seems to me, Mr. Chairman, that the role of the Public Accounts Committee, as I understand it — you have more experience on it than I do and others here do too — is, as it states in the terms of reference of the Public Accounts Committee, to examine matters referred to the committee by the Legislative Assembly, number one.

Number two, to review the *Public Accounts* of the province of Saskatchewan and the issues raised in the annual *Report of the Provincial Auditor*. And it just seems to me, Mr. Chairman, that we are, when we get into this kind of discussion . . . I'm not saying people shouldn't have this kind of discussion, but I think they should have this kind of discussion in the appropriate forum, which is probably the Legislative Assembly.

And as far as I know, the employment equity program of the province of Saskatchewan or of some of the other matters referred to here have not been referred to us for examination by the Legislative Assembly. And as far as I know, they do not appear to be raised in the *Report of the Provincial Auditor*. And if they were, quite frankly, I would have a question about the appropriateness of the Provincial Auditor making comments on them. And I know frankly — I hope I'm not taking a liberty — I would be astonished if the Provincial Auditor would take it upon himself to go into this kind of issue.

So I think that's all I want to say. But for future reference, it just seems tome that the committee has a mandate, but I think we should stick to our mandate.

The Chairperson: — I'm just going to respond in this fashion. On page 190 of the *Public Accounts*, volume no. 2, it talks about the Saskatchewan Human Rights Commission and their responsibility as a part of the Department of Justice, that is, their responsibility to . . .

This program promotes that every person is free and equal in dignity and rights, and strives to discourage and eliminate discrimination by investigating, settling and taking to boards of enquiry, various complaints of discrimination;

And so is this report tabled to the Public Accounts Committee? And I say it probably is. I will bend to your view that it's probably not the year under review and I will raise it at the appropriate time.

Mr. Van Mulligen: — There's another matter, Mr. Chairman. That is the question of . . . it's not the place

of the committee to be debating policy. That's the proper forum for the Legislative Assembly. And if there are policy implications, you know, or policy questions that you want to deal with, then I think you should do it in the appropriate forum. I really question whether it's here.

You know, one shouldn't just simply say, well the Public Accounts is on this week so therefore I'm going to try and take advantage of the meeting that we have to raise an issue because the Legislative Assembly isn't sitting today. I know it should be raised there, but I'm going to raise it here. It seems to me that's an inappropriate use of the committee's time.

I mean we made it clear when we looked at the mandate and the terms of reference of the committee that if there were policy issues, then they should be dealt with in the appropriate place. But that's not here.

The Chairperson: — Can we move on to the next item then?

Mr. Van Mulligen: — Well can we do it today or should we do it tomorrow?

The Chairperson: — Just the problem is that the Department of Justice has said to us that they are not available at any other point in time during the week and I was just going on that basis of filling in the time and doing it all today. But if they are available some other time, I've got some more questions that I need to ask.

Mr. Cotter: — If I could respond, I meant to say this at the outset. I appreciated your accommodation of our own sort of agenda this week. I don't know what the balance of your sitting schedule is. We could be available tomorrow morning or Friday. The problem is that I have to go to Ottawa to some meetings and leave at 1 o'clock tomorrow, so I could be available any time up until then or on Friday.

The Chairperson: — We have time available on Friday. Or we could finish it off in 10 or 15 minutes here.

Mr. Cline: — Well I'd like to ask, Mr. Chairman, if any of the committee members have further questions.

The Chairperson: — I have.

Mr. Cotter: — We're happy to continue subject to your own schedule.

The Chairperson: — At the discretion of the committee because we said we'd close today at 5, so.

Mr. Cline: — Well we're prepared to continue, Mr. Chair.

The Chairperson: — Today? Okay. On the Saskatchewan Farm Ownership Board, how many applications did you make in the year under review?

Mr. Cotter: — How many did we receive for consideration?

I don't have that information with me so I think we'll have to undertake to provide it to you.

The Chairperson: — Under the Farm Ownership Board, would you also tell me how many of them you reviewed? Could you provide for me the breakdown between lenders and non-lenders who have made application to the board?

Mr. Cotter: — Certainly.

The Chairperson: — Another thing that I was going to ask a question about was the Farm Land Security Board. How many applications were made in the year under review? And how many of those applications received home quarter protection?

Mr. Cotter: — We can provide that information to you.

The Chairperson: — You haven't got that with you?

Mr. Cotter: — Not with us. I'm sorry.

The Chairperson: — In mediation services, how many applications were made for mediation? And how many of them dealt with agriculture as a part of the mediation? And also how many of them dealt outside of that in the framework of custody and more or less what I would call the legal areas?

Mr. Cotter: — We like to think they're all legal areas, Mr. Martens, but we can . . . We don't have that information today but we can provide it.

There is one subset, and I guess I'd invite you to direct us as to how you want it. Some of the mediation within the farm area is divided between sort of land and farm implements. Would you like it . . .

The Chairperson: — Could you split it up between property — that is, machinery and land legal description — and then also the ones that deal with mediation in this family, the other side of the . . .

Mr. Cotter: — Yes.

The Chairperson: — On the business corporations or the corporations portion of your responsibility, does an MLA need to have to pay for receiving this information about registry of businesses? Does anybody in . . . who's a member of the legislature have to provide funding for . . .

Mr. Cotter: — Are you asking if you were to apply to obtain information from the corporations branch, do you have to pay to obtain that information?

The Chairperson: — Yes.

Mr. Cotter: — I haven't thought about this at some length, but I think you would be treated like any other member of the public with respect to seeking that information. I don't want to be definitive about it, and if it would be helpful I could try and provide some

supplementary reply.

The Chairperson: — I'd like that, if you could.

Mr. Cotter: — Sure.

The Chairperson: — Did the lodge in the Cypress Hills come in under this year or did it not? The healing lodge in Cypress Hills, did it come in under this year under review?

Mr. Cotter: — The healing lodge is a federal facility and it hasn't been built yet. So the answer, I think when I point those out, you would see the answer is no. It's not provincial Justice '91-92, and it never would be provincial Justice.

The Chairperson: — I think that was all the questions that I had in relation to this.

Oh, one other question that might be of interest — and if you're not prepared to answer, that's fine too — but it has to do . . . and you're always subject to that decision, how you want to answer. I want to know, the fact that judges are paid for by the provincial, I believe, the Department of Justice, and they are now I believe looking for a way to excuse themselves from that because the tie between the Department of Justice and allocation of funds as a means of controlling the justice system, where is that at, or is that the federal courts that are dealing with that, or is that the provincial?

Mr. Cotter: — There is a division between federally appointed and federally paid judges on the one hand; provincially appointed and provincially paid judges on the other. We pay the salary . . . are you focusing primarily on salaries?

The Chairperson: — Yes, they want the salaries removed, I believe, from the role of the Department of Justice giving the criteria for their payments.

Mr. Cotter: — The province, through the Department of Justice, pays the salaries of provincial court judges. In the past, I think in the distant past, that had been determined by I presume the executive of the government of the day. The judges, I think, if I can say it in a capsulated way, would like their salary entitlements and some other minor related entitlements determined by an independent process — independent of the Minister of Justice or the provincial cabinet.

An exercise that was relevant to '91-92 was that an independent commission, but non-binding, made a set of recommendations with respect to salary. Those were, as you probably know, not acted upon by the provincial government. In the most recent past the legislation concerning provincially appointed, provincially paid judges was amended to have such a commission make a decision that would be binding on the provincial government to maintain judicial independence in setting the salary, and that's where it's at. A report was provided by that commission in December.

I'm long-winded. I don't know whether I answered it. But the interest of the provincial judges is to have their salary and some other minor entitlements determined independently rather than by the provincial government of the day.

The Chairperson: — Right. But what we consider a matter of privilege is probably what they're referring to, and that privilege at some point in time being eroded by the fact that somebody controls the purse. Is that kind of the . . .

Mr. Cotter: — There may be an element of that. I think that the judges' articulation of that view is that judges are a third arm of government in their conception of it, and probably legally that is an accurate statement, and that in order for people to have confidence in the functioning of the judiciary it's important for them to not be seen as subject to the will of the government, because much of the litigation that occurs in the courts is with the government as a party, I guess.

So I don't understand as well as you the understanding of members of the Legislative Assembly's privilege. But having tried to give you this understanding I think from the judiciary's point of view, you may see some parallels or links.

The Chairperson: — Yes. That's the part that I think they're concerned with. I would be concerned about that as well and that's why I raised it as a point.

That concludes my questions and I would assume then that no one else has . . . Should we deal . . . Oh I'm sorry, two of them.

Mr. Sonntag: — Just a quick question. First of all in your remarks earlier you made a distinction between people and lawyers, and I'm wondering if that's really . . . is a distinct difference. You don't have to answer that.

I'm curious of the . . . in section .03 actually — I probably should have asked this earlier — but under "other", what in the funding, in the dollar amounts there, what is included in "other"? And also I note there's a fair difference between the actual and what was estimated.

Mr. Cotter: — It's somewhat complicated in the sense that it would address the payments with respect to boards and commissions, the administrative services branch of the Department of Justice, prosecutions which our understanding is that in the actual for "other" — that's where prosecutions appears — in the original estimates, prosecutions appears in police services. So there's not a perfect match between original estimates and actual.

And if I could go just a little bit further. If you look a little bit more deeply into the documents — and I think this would be confirmed by the Provincial Auditor's branch — the representation of original estimates doesn't correspond with the actual budget for the Department of Justice for 1991-92. In fact the budget

was about 170 million and we were slightly under budget.

It's I think a point that deserves at least fair clarification because this little capsulized version leaves the impression that the Department of Justice in '91-92 was nearly \$5 million over budget when that was not the case.

It was a complicated year for figuring out what the budget was because there were warrants for much of the latter part of the year issued. But the budget in fact was 170.01 million or thereabouts,

Mr. Kujawa: — There'll be no fee for this. But to prevent the total enslavement of provincial court judges by government payment, etc., setting of salaries, I have a complete answer. Preserve for them their right to resign at any time.

The Chairperson: — Thank you. We'll deal with the items for recommendations. The first item dealing with point no. .15, the second one was corrected on . 22. The third one on .26 was not. And we've had some observations made about .29 that I think are relevant to the review of what we would place before the Assembly as observations made by the deputy minister of Justice. Should we note what those are and then go from there or just . . . how do you want me to handle it?

Mr. Cline: — If I could make a suggestion, just dealing with them in turn and see if the committee agrees. I think we could note that with respect to recommendation .15 that the department agrees with the recommendation and I think we should say that the committee agrees with it also.

And with respect to recommendation .22, we could note that the matter has been resolved.

With respect to recommendation .26, we could note that the department has taken the steps described by the deputy minister and that we . . . I assume we all agree with the recommendation. I think the deputy minister agrees with the recommendation.

Mr. Cotter: — .26?

Mr. Cline: — Yes.

Mr. Cotter: — That's correct. I don't want to belabour this but — and Mr. Cline, I think you have captured our desire to be as responsive as we can to that — but we do operate some quite small offices and have occasionally sought exemptions. And we have to keep in mind that it's not wise for us to spend millions of dollars to correct a \$20 risk. And so sometimes we need to have a different structure in quite small offices. But with that proviso, we agree with the sentiment expressed here.

Mr. Cline: — And with respect to respect to recommendation .29, I would suggest that we agree. And if the committee members agree, we might say that we note that this is not a problem with respect to

people who wish to have drivers' licences in the province.

Also that we would like the department to take into account the comments made by committee members, including Mr. Kujawa and myself and, I think, yourself, Mr. Chairman, to perhaps, you know, attempt to ensure that even if a fine is removed as an accounting practice that certain ramifications may remain in appropriate cases.

And then with respect to paragraphs .30 to .33, I would suggest we note that the department, through Mr. Cotter, did outline steps they had taken to resolve these matters. And if the other members agree, I would suggest that we deal with that chapter accordingly.

The Chairperson: — Okay, we'll note that and we'll put it through for review when we present the draft recommendations and the draft document to the legislature. And we'll start that way and we'll go through it at that time.

Mr. Strelieff: — Mr. Chair, and members, I'd just like to recognize the department for setting up an audit committee. I don't see . . . I don't think there are any other departments in government that actually have an audit committee to address problems or issues that happen in the year and I look forward to dealing with the audit committee on issues that we raise and also our audit focus in the future.

Mr. Cotter: — I was just going to say I appreciate that endorsement. We recognize that we have perhaps a unique set-up that we need to be attentive to with respect to financial accountability. But that, I think it is fair to say that the managers in the department take their obligations surrounding financial accountability very seriously. We are given the opportunity to spend your mothers' and fathers' and brothers' and sisters' money and we think that it's a trust that we have to honour and we are determined to do that.

The Chairperson: — I'd like to thank the deputy minister and the department for their responses and their willingness to attend. I also want to ask this question, that the hearing of the Department of Justice be concluded subject to recall if necessary for further questions, and do I have someone to move that for me? Ms. Crofford.

I with that want to thank the committee for their indulgence and go home to a nice cool reception when you go out the door.

Mr. Cline: — I want to join with you, Mr. Chairman, in thanking Mr. Cotter and his officials for coming today. And also I want to indicate that I know from past reports that it was felt that sometimes the department had not acted on recommendations and I think what we've heard today is different from that and I want to join with Mr. Strelieff in commending the department for the steps that they are taking.

The Chairperson: — Tomorrow morning at 9 a.m., Agriculture, and Natural Resources, Department of

Community Services, and Gaming Commission.

The committee adjourned at 5:28 p.m.