

STANDING COMMITTEE ON PUBLIC ACCOUNTS
January 18, 1994

Public Hearing: Department of Agriculture and Food

The Chairperson: — Ladies and gentlemen, we want to begin our morning session today, and we have the Department of Agriculture with us. And before you begin, I want to just outline for you the process at the beginning.

One of the things that you need to consider is that you need to answer the questions that are asked. You are not subject to a civil action on the basis that the information that you have provided is factual. When you also have a question that you will get back to us in an answer, we like to have 15 copies provided to the Clerk's office for distribution to the members.

I just want to say welcome here, Terry, and would you introduce your staff. I don't know whether you're the boss now or whether you're . . .

Mr. Scott: — Well they tell me I am for today.

The Chairperson: — Exert your authority with strict discipline then and provide me the names for your staff.

Mr. Scott: — Thank you, Mr. Chairman. Hartley Furtan would have been here but he is at the national association of wheat growers meeting in the States doing some lobbying for us on the durum issue, so his apologies for not attending.

I'm Terry Scott and I'm the assistant deputy minister of policy and planning for the Agriculture and Food department. And to my left, Dale Sigurdson who is the assistant deputy minister for financial support and program management; and to my immediate right is Harvey Murchison, director of administrative services branch; and Ken Petruic is to Harvey's right. Ken is the department accountant. And we also have Doug Matthies the controller for Saskatchewan Crop Insurance behind us; and Lorne Warnes, executive director of administration for the Agricultural Credit Corporation of Saskatchewan; and Norm Ballagh, general manager of the Agricultural Credit Corporation of Saskatchewan. And I think that covers it.

The Chairperson: — I need to remind the committee as well that you were handed a report, and it deals with some of the things that have been itemized as it relates to the third report of the Standing Committee on Public Accounts. And the information is there as outlined by the associate minister responsible for CIC (Crown Investments Corporation of Saskatchewan) and the Minister of Finance. So you can take that for information.

I'm going to ask the auditor to outline his perception of the role that the Department of Agriculture has played, and then we will go into questions by members of the department.

Mr. Strelloff: — Thank you, Mr. Chair, members. With me today is Ed Montgomery. He is one of our

senior directors in our office who is responsible for the examination of the Department of Agriculture and Food. And Mr. Montgomery is going to review the contents of our chapter, chapter 9, which begins on page 69.

Mr. Montgomery: — Thank you, Wayne. Mr. Chairman, members of the committee, for your convenience I'll briefly go through the highlights of this chapter, and then I will indicate all those matters which we know to be corrected.

The chapter begins on page 69. This page shows the highlights of the appropriations managed by the department and the magnitude of the expenditures made. As you can see, the most significant expenditures were payments for the gross revenue insurance plan of 158 million and payments to Saskatchewan Crop Insurance Corporation of 85 million. The department also had revenues of 18 million.

A more detailed review of expenditures can be found in volume 2 to the *Public Accounts*. In volume 2, page 9 to volume 2 includes a summary of revenues of the department. And pages 29 to 44 includes the expenditures for the department. There's also some expenditures which have been made through the Heritage Fund and they can be found on pages 281 and 288 to 289.

Page 70 of the report shows that the department was responsible for a number of Crown agencies. These are outlined in the shaded area at the top of the page. For most of these entities, we found the rules and procedures to safeguard their assets and to comply with legislation were adequate. And where this is the case, or where this was the case, there's no further mention of these entities in this chapter. If you'd like some information as to the financial statements of these entities, they can be found in the *Public Accounts Compendium of Financial Statements*, which is this book here.

Page 71 deals with two matters which arose directly from our review of the department itself. The first matter is a legislative matter and arose out of a change to The Financial Administration Act. The Financial Administration Act now requires approval of the Minister of Finance for loan guarantees. We found during our examination that the department had made some loan guarantees without the minister's approval. I'm advised that this problem's not likely to continue in the future as this program has now been discontinued.

The second point is also a legislative issue. The Agricultural Safety Net Act requires that all money appropriated for the gross revenue insurance fund should be paid to the fund. However as you can see from the point reported, that the department did not pay over all the money that was appropriated. On this matter the department disagrees with our interpretation of the Act and has advised us that since Saskatchewan has given notice to withdraw from

GRIP (gross revenue insurance program), that no amendment will be made to clarify the Act.

On the next page, page 72, it deals with agencies and special purpose funds for which the department is responsible. The first of these is the Agricultural and Food Products Development and Marketing Council, and that council is responsible for a number of development and marketing boards. These boards again are highlighted in the shaded area and these boards are elected by agricultural producers.

With regard to the council, we reported two matters. The council is responsible to prepare an annual report to the Assembly, reporting the activities of these producer-elected boards; and we believe the council should include the financial statements of these agencies in its annual report.

During the 1992-93 year, we audited four of the nine boards directly. Due to the number of deficiencies we found, we believe that the council should monitor the activities of these boards to ensure that they comply with legislation and that they have adequate procedures to safeguard and control their assets.

These matters were also reported in our report for the year ended March 31, 1991. And in the last report of this committee, you recommended that the first of those points be reviewed by the government; and that the second one, that the council should monitor the activities of these boards.

The next 10 pages, from 73 to 83, we report the results of our examinations of these four producer-elected boards.

In general, the smaller the agency, the more problems these agencies have. This is largely because they have few resources and staff to address these deficiencies.

We believe these boards need help to develop basic rules and procedures for their day-to-day operations and to safeguard and control their assets. They also need help to understand the meaning of legislation which governs their activities. Most of the points we've reported in these pages involve instances where the boards have not followed the requirements of legislation. In addition, they need to document the basic rules and procedures to cover their day-to-day operations.

We next turn to page 83. Pages 83 to 86 include our observations on the Agricultural Credit Corporation of Saskatchewan. I should point out that ACS (Agricultural Credit Corporation of Saskatchewan) also has an appointed auditor and we relied on the work and reports of the appointed auditor except that we disagreed with the appointed auditor's opinion on the matters set out on page 84. All points reported on ACS, with the exception of the issue on page 84, were also reported by the appointed auditor. And their reports are contained in appendix 11 to this report, which is actually pages 263 to 265.

On page 84 we report that ACS lacked authority to

charge a 2 per cent fee on capital loans approved after 1987. This matter has also been reported in our previous reports. There is a disagreement between our office and ACS on the matter, and both positions are supported by legal opinions.

Page 85 has two points. The first was caused by falling interest rates which made it impossible for ACS to comply with the regulations for production loans. In effect, when the bank's prime rate fell below seven and three-quarters per cent, ACS could not comply with the regulations. As you see in paragraph 125, if the prime rate was 6 per cent and we added . . . it couldn't be . . . It couldn't comply with those conditions which required it to be not less than 9.75 and greater than the bank's prime lending rate from time to time plus 2 per cent.

The second point's been reported previously and requires ACS to prepare and test a contingency plan to ensure that it can recover in the event of an unexpected loss of information from its computers. This matter has also been reported in our previous reports but as yet we don't know that this has been corrected.

Page 86 has the last point concerning ACS. ACS needs to ensure that rates it charges farmers agree with the rates as set out in its loan agreements. During the audit there were instances where farmers . . . we noted there were instances where farmers were charged the wrong rates.

The next agency is the cattle marketing deductions fund which is a special purpose fund administered by the department. During that audit we noted an instance where a grant paid exceeded the amount that was authorized. It should be pointed out that this amount has since been authorized.

Pages 87 to 91 relate to our examination of the Saskatchewan Crop Insurance Corporation. Because a report on this corporation for the year ended March 31, 1991 was not completed in time to include in our 1991 annual report, this section includes both our report for the year ended March 31, 1991 and the year ended March 31, 1992.

This corporation also has an appointed auditor. If we look at . . . if we turn to paragraphs 187 to 189, these paragraphs say that we relied on the appointed auditor's reports on the financial statements of Saskatchewan Crop Insurance Corporation, but that we did not rely on the appointed auditor's reports on the corporation's rules and procedures to safeguard and control public money or on the corporation's compliance with legislation.

The reason we did not rely on the appointed auditor was that the appointed auditor did not report most of the matters in this section of the report. The appointed auditor's report from March 31, 1991, is included in appendix 11 to our report on page 270.

The appointed auditor's report for 1992 is not included in appendix 11 as there were no matters

reported by the appointed auditor for that year.

On page 88, we report that the corporation needs to establish proper systems development controls. During the year ended March 31, 1991, the corporation developed a new computer system to pay insurance claims to farmers. This new system was used to pay claims in 1991 of 185 million and in 1992 of 969 million. Paragraph .155 says why these controls are needed, and paragraph .159 says the corporation has made some improvements in this area.

The next point on the same page related to the period before the new system was introduced. In the fall of 1991, the corporation did not have an adequate system for paying claims. As a result, approximately 4 million of overpayments were made to farmers. We believe the corporation should have system development controls to ensure user information needs are met on a timely basis.

Page 89, we report that the corporation's staff should be properly trained to operate new systems. Due to inadequate training procedures, there were problems created with the reliability of the corporation's accounting records. For example, the corporation couldn't reconcile its bank account. The corporation has told us it has now hired additional staff and implemented new training programs.

Page 90, we reported that the corporation did not have adequate segregation of duties in 1991; however this matter was corrected and was not reported in 1992.

We also recommend that the corporation should monitor customer service offices to ensure that these offices follow the corporation's rules and procedures to ensure its claims paid to farmers are authorized, accurate, and properly supported.

The corporation also needs to prepare and test a contingency plan to ensure the corporation can recover from an unexpected loss of information in its computers.

Finally, with regard to Crop Insurance, we noted two cases where the corporation applied monies received to purposes not authorized by the Assembly.

For your convenience, I should just run through all the matters that have been corrected in this chapter. Paragraphs .07 to .10 have been corrected. Paragraphs .27 right through to .43 have been corrected. Paragraphs .51 to .58 have been corrected. Paragraphs .73 to .77, and .146 to .148 for the cattle marketing deductions fund and basically all the matters reported for the Saskatchewan Crop Insurance Corporation have since been corrected.

Mr. Cline: — I'm sorry, could you repeat that please?

Mr. Montgomery: — For which? For all . . .

Mr. Cline: — No, just for the Crop Insurance

Corporation.

Mr. Montgomery: — Basically all of the matters for the Saskatchewan Crop Insurance Corporation have been corrected.

In summary then, as you can see, the department's responsibilities are carried out through a number of organizations, ranging from large ones like Saskatchewan Crop Insurance and ACS, which manage millions of loans and insurance programs, to smaller organization like the producer-elected boards.

There's just . . . Sorry, Wayne has just pointed out that there was one other matter raised with regard to the South Saskatchewan River irrigation district and that one has been totally corrected as well.

Mr. Sonntag: — What section is that in?

Mr. Montgomery: — That was paragraphs .193 to .196.

In summary then, I guess, the department's responsibilities were carried out through a number of organizations ranging from the large ones like Saskatchewan Crop Insurance to the smaller ones like the producer-elected boards, such as the sheep board.

You might want to ask the department what they believe are the key agricultural issues that need to be managed well in order for the department to be successful. With regard to paragraph .162, you might want to ask the department how much of the \$4 million in overpayments made by the Saskatchewan Crop Insurance has since been recovered.

That concludes our summary of the chapter on the Department of Agriculture and Food, and I'd like to ask if you have any questions.

The Chairperson: — Any members have any questions of the audit staff? Okay, then we'll proceed with the questions by the members of the Department of Agriculture. Any takers?

Mr. Cline: — I wonder, Mr. Chairman, if any of the department officials wish to . . . whether they were prepared or desired to go through the recommendations and make any comments themselves, especially with respect to the ones that have not as yet been corrected.

The Chairperson: — Okay, we can do that as we go through, and we will do that. I will note that the first recommendation by the auditor has been met by the department, which is item no. 10. Item no. .15 has not been and I'd like to ask the department their rationale in relation to item no. .15.

Mr. Scott: — Mr. Chairman, on the item that you're referring to on the gross revenue insurance plan, it's our view that the original intent of the legislation certainly was to pay to the fund for revenue insurance the amount that was actually needed and would be

triggered by the formulas that work under the GRIP program.

Now the Provincial Auditor has pointed out that the wording of the Act is probably unfortunate in the sense that it doesn't really deliver on that particular intent, and so there is a question of whether those funds that were not delivered to the fund should actually have been delivered to the fund.

Now the thing that we would point out is that this program of course is one that the province has served notice of termination and we will be out of this program after the 1994 crop. And since the year in question, the '91-92 fiscal year, we have not run into this situation in a similar fashion. So at this point it would not be our intent to change the legislation as it would seem that it will not likely be necessary based on the flow of funds that are current.

The Chairperson: — Did the 1.8 million stay with the Department of Finance or did that stay with the Department of Agriculture?

Mr. Kraus: — I could answer for the department if you would like. I don't want to interfere, but I mean this is one of those cases where they approached Finance to determine whether or not they could vire from one subvote to another within the Department of Agriculture. So the money wouldn't really leave the Department of Agriculture's vote; it would just be allocated from one subvote to the other, but Finance per se wouldn't have this money.

And I'd also want to say that this issue has come up from time to time with respect to the odd other program where legislation has said the monies shall be . . . if monies are appropriated, they shall be paid over.

And that wasn't ever the intent. The intent was for this program and several others where it's risen over the last 10 or 12 years, that while monies may be appropriated, if the agency doesn't really need it, the government isn't going to give them the money. They're only going to give them what they need. And perhaps the wording in the legislation should have said, the monies may be paid over that are appropriated.

And so in my position here, I just want to get this point across, is that if the government was making payments in situations like this where the cash isn't needed, I would argue that would be inappropriate management by the government and that the auditor should in turn question that practice and report that. I wouldn't think the legislature or the public would want the government to be making payments to agencies in excess of their needs, regardless of whether or not there's a word in the legislation that says shall pay when in fact in should say may pay.

Mr. Scott: — Just one further comment on it. Had we transferred that money that was actually appropriated to the fund, we have no mechanism in the federal-provincial agreement to get that money back

from the fund. So there was that mechanical, logistical problem involved as well which was a good part of the reason for not following through on what the auditor has pointed out here.

The Chairperson: — Were those funds used for other programs within the Department of Agriculture?

Mr. Scott: — Mr. Chairman, yes they were.

The Chairperson: — Did the budget of the Department of Agriculture go up by the 1.8 million, or what did you do to identify where that money was going to be spent?

Mr. Scott: — Mr. Chairman, '91-92 was the year we were generally overspent so those funds went to cover the costs of other programs that we needed funds to pay for.

The Chairperson: — Any other questions on item .50?

Mr. Van Mulligen: — We're dealing with the '91-92 fiscal year, right? In 1991 the budget was put before the Assembly but was never approved. And then later on in '91 the Legislative Assembly did approve, not estimates per se, but a revised budget plan. I forget what the term was that the minister used in those days. So we're in '92 when this happened. I'm not really clear. Say in '92 the Legislative Assembly appropriated 160,000. Would that have been in the '92-93 fiscal year?

Mr. Montgomery: — It's in the '91-92. I guess it's best laid out in volume 2 to the *Public Accounts* on page 12 where it shows that the budget was 146.9 million and then there was special warrants of 15 . . . page 12, the second-last item.

Mr. Kraus: — If I could, Mr. Chairman. There's a footnote at the bottom of that table on page 26. It says that the budget column represents the funding provided by supply bills passed by the Legislative Assembly that year and special warrants that were approved up to December 1991.

You remember there was a succession of special warrants. I think we had interim supplies and special warrants for spending up to that point in time. So the budget does represent interim supply and special warrants to December '91.

We then called that the budget. And then the special warrant column are the special warrants that were issued from January 1 to the point in time which . . . I guess up to March 31. That's right. So the special warrants are for the last three months of the year. The budget in essence isn't really the standard budget that's been passed by the legislature because one wasn't, so it's interim supply and special warrants for the first nine months.

Mr. Van Mulligen: — Okay.

The Chairperson: — We will then go on to item .19, the recommendation of the auditor. The council

should include in its annual report the financial statements of the development marketing boards. An observation, Mr. Scott.

Mr. Scott: — Yes, Mr. Chairman. On that we have no disagreement — including the financial statements of the nine, I believe, agencies that fall under the agri-food council, no disagreement that including the financial statements of those agencies in the agri-food council's annual report would improve the accountability.

One of the difficulties we have there is that the nine agencies are all on different fiscal years or a lot of them are anyway, and it makes timing a very difficult proposition. We are looking at that.

The other thing that I point out on that particular point is that all of these agencies effectively deal with producer monies rather than taxpayer funds. And certainly that does not mean they do not need to be accountable. But I would point out also that in the marketing plans that these producer agencies have, they are required to provide an annual report to producer annual meetings. And when everything goes according to the rules, that does happen; and producers themselves do exercise some degree of scrutiny over the financial affairs of those agencies.

Mr. Van Mulligen: — Yes, there was my question, like what tax dollars are going to these boards? And from what you say it's primarily producer monies, and I guess there might be the odd case subject to some contractor or another where there would be specific tax dollars going to some group or another pursuant to some agreement that . . . not generally in terms of operating.

Mr. Scott: — No, that's true, Mr. Chairman. In 1991-92 I believe the sheep board did get a small grant from the department. That no longer happens. We run on a phase-out schedule with actually both the vegetable board and the Sheep Development Board. And those boards no longer receive government monies to operate.

The reason for those monies being put there in the first place reflected the small revenue base that these agencies have which I think, as Mr. Montgomery has pointed out, is part of the reason that we deal with these sort of ongoing problems.

If you look at the vegetable board I believe it operates with a revenue annually of about 60 to \$70,000. That's really not enough money to keep in place the kinds of controls that one would think would be desirable. And Sheep Development Board I think is around 100,000. So a small revenue base, and so some of these things that keep coming up are a reflection of that. But these are . . .

Mr. Van Mulligen is correct. These are not agencies that operate based upon government funds. These are producer check-offs that are collected. That's their primary source of revenue.

Mr. Van Mulligen: — The question is then, why would the auditor . . . In view of the fact that the primary source of revenues for these boards is from producers, from their own activities, given the fact that the producers elect these boards, why would the government have any responsibility to audit those boards?

I can certainly understand why a council which is established to provide some administrative support to those boards and to assist those boards and marketing developments, why the council itself would be audited, the activities of that would be audited, because that would be supported by, I assume, by the taxpayers. But I don't understand why the boards . . . one would need to be audited, let alone that we should include a requirement they provide financial statements for these boards. I mean the Act didn't require them I assume in part because the Act anticipated that these boards would be funded by producers themselves.

Mr. Montgomery: — I guess when you look at The Agri-Food Act, this Act makes the council responsible for the administration of these boards and actually sets out the legislation on whatever they're required to follow. And because they're responsible to the minister, I think is the reason that we're involved in this matter.

Mr. Van Mulligen: — Well I can understand why you would, if the council is supported by taxpayers' dollars, why you would want to audit the council. But I'm not clear that . . . and to ensure that the activities that they were being funded for were in fact being carried out.

But I'm not sure why independent boards, that we would then go a next step and say that independent boards are then required to provide financial statements to the Legislative Assembly or that the individual boards would be subject to audit.

Like we have, if I can use a parallel, we have the Department of Community Services that provides support to municipalities, advisory support and in some cases some administrative, not direct administrative support, but they do provide support to municipalities.

And we certainly audit the activities of the Department of Municipal Government, but we don't take the next step and say, well because you have responsibilities in legislation for municipalities, we're not going to do the next step and do an audit of all 5, 600 municipal entities in Saskatchewan. It doesn't quite compute for me in this case.

Mr. Strelieff: — Mr. Chair, members, we have examined this issue and consulted advice, legal advice on whether we should have any ongoing responsibilities in these boards and commissions when they became producer elected, which was several years ago. The advice that we did receive was that we should still examine them or oversee someone else examining them and then report the results of that

to the Assembly.

I think the department in the past, in the recent past, has been reviewing the most appropriate accountability mechanisms of these commissions and boards with a view of perhaps moving them out more in an autonomous way and therefore suggesting to us that we should not be directly involved with some of these boards and commissions.

It's been an ongoing matter that we've been discussing and I'm not sure which way changes might happen. I know just from a general point of view, most of them do not manage significant dollars. And I certainly would be comfortable with having some of these boards and commissions appoint public accounting firms and move their accountability through to the council and us focusing on the council. But that just hasn't worked its way out yet.

Mr. Kraus: — This model doesn't sound an awful lot different than the health care district in some way, the new health care districts. And if they're elected, I'm assuming, Mr. Strelloff, that you would not be . . . you weren't intending to audit the health care districts even though there's a strong accountability link between the elected boards and the Department of Health. You weren't intending to continue to audit health care district boards once they're elected, were you?

Mr. Strelloff: — Mr. Chair, members, if you'd like to get into the health boards part now, I guess we can.

Mr. Kraus: — No, I just used it as an illustration.

Mr. Strelloff: — I have said in the past that we are there now because the government appoints all the boards of the health boards. And as they move to an elected, there's a different accountability system in place when that happens.

The Chairperson: — In order for us to not have to go back over items should we conclude, and I just thought of this after the fact, after we'd gone through the first one, item no. .15, as indicated by the Department of Agriculture, that the process will no longer be used and that the funds were used to provide to the Department of Agriculture for their underfunded budget. Is that generally what we should be saying there or should we say anything at all? And then we'll go through each one of these and we'll decide what we're going to do on it.

Mr. Cline: — Yes, I think what you say is right, Mr. Chairman, and also that the problem appears to have been somewhat unique to the '91-92 year and not to have occurred since. I think if we note that, that's probably enough.

The Chairperson: — Okay. Then let's deal with the . . .

Mr. Van Mulligen: — It does raise another question, though. That if you appropriate too much money, that you shouldn't be able to then use that money with virements, but that if there is too much money that it should go back to the General Revenue Fund and if you need additional money for that department, do it by special warrant.

Mr. Kraus: — Special warrant?

Mr. Van Mulligen: — Yes. As opposed to saying, well we appropriated too much; we don't need it all. Therefore we'll just use virements to . . .

Mr. Kraus: — Unless it's a statutory appropriation, though, the rule has been that that money would, in this case, that money would be available to be vired. I appreciate your point, but that's been the practice. What you're saying is that you should simply freeze the money in the GRIP subvote and issue a special warrant for those subvotes where the money is needed.

Mr. Van Mulligen: — What you're saying is that we have an appropriation of say 170 or 160 million for the GRIP, but we only need 157 and so we have 3 million left over, rather than transferring that money back to the General Revenue Fund.

Mr. Kraus: — Or letting it lapse, which is what you mean, just let it lapse. It would just stay there.

Mr. Van Mulligen: — You say, well this money has been appropriated so therefore it's appropriate to vire it. But it isn't. Unless you let it lapse, it seems to me that the logical course of action would be to send it back to the General Revenue Fund from which if you then needed additional money for Agriculture, it would then be provided by way of special warrant.

Mr. Kraus: — Now I understand your point, but I'm just going to repeat that the practice has been that unless it's a statutory subvote, they vire it.

Mr. Van Mulligen: — He doesn't like the practice, I guess that's what you're . . .

The Chairperson: — I think this probably is a policy decision by the Department of Finance in how they manage it. And what we could do is talk about all of the places that that happens, and I don't think that's a discussion for this particular item, except that it . . .

Mr. Van Mulligen: — He'll raise it under the Department of Finance probably next year in his report or something.

The Chairperson: — Okay. Then we'll note that under item no. .15. And dealing with item no. .19 and with item no. .23, we've discussed that item no. .23 is the council should monitor the activities of the boards to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.

Mr. Van Mulligen: — I don't know if, after listening to the discussion, I'm more inclined to say that . . . like I don't necessarily agree at this point that the annual reports or the financial statements should be provided to the Legislative Assembly or the council should

monitor the activities in terms of their complement authorities and of adequate rules; or whether at this point the government needs to look more closely at what is the appropriate accountability and reporting mechanisms for these councils, you know, and then come back with some recommendations.

The Chairperson: — My personal observation is that this is a growth matter, in the framework of Department of Agriculture and the accounting practice is also a growth matter. And so if they take that option under advisement, that they allow the observation by the auditor to the department to say, okay, we can start to do this on our own and we'll supply the internal audit that deals with this so that the council can operate by its reporting system on behalf of the agencies, then perhaps that's the way to go.

Mr. Cline: — Well I'd like to hear from the department as to whether the council has itself done anything in response to this recommendation no. .23, because I think we heard them on .19 but I'm not sure about .23.

Mr. Scott: — Nineteen dealt with:

The Council should include in its annual report the financial statements of the development and marketing boards.

And I understand the question, Mr. Chairman, to be: what has the council done in regard to point .23, which says:

The council should monitor the activities of the Boards to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.

Since we received this letter from the auditor there have been quite a number of things that the council has been doing with the individual boards where problems were experienced, and I think we've seen things such as there are now written policies and procedures for some of these boards where there were not before.

The council has had some discussions about the accountability and the filing of the financial statements. The council at this point does require by legislation to receive those financial statements. There's not however, at this point, a requirement in the Act that they be included in the council's annual report to the legislature. That issue itself is under some discussion.

The other way we could go, of course, is to leave the financial accountability question to a private auditor, leave it to the producers who are paying the funds to these boards to be the mechanism that provides the check and the balance in the system.

Now that's a possibility. One of the things we would need to do as a department however, if we go that way, is to ensure that resources are there within these agencies and within the agri-food council to be sure that we can meet some of the concerns that have

been, I think, legitimately identified by the Provincial Auditor.

So there's some ongoing discussion on it. One of these agencies, for example, the vegetable board, has basically been in a period of suspension. Their activities have been very much curtailed in the last year and a half, roughly, because of some of these ongoing problems and a desire of the vegetable producers to take a look at their development plan and see what's realistic and feasible to do with the amount of revenue that they . . . (inaudible) . . . And the council has been working with them on that. And we expect some things to happen fairly early in 1994, decisions made on how these things are best structured and what they can do and how we can best have them accountable.

Ms. Crofford: — This is a little more of a program question. Just thinking about the fact that there's all these separate marketing boards out doing their things, but likely selling to some of the same markets, does the council perform an overall coordinating role in terms of marketing, or is everybody quite independent in what they're doing?

Mr. Scott: — The agri-food council, the original intent — and this council has changed a little bit over history — but when it was first established the idea was that this would sort of be the public watchdog over these marketing boards and development agencies and so on. It really wasn't intended, I don't believe, that the council would be the sort of body that would get into the nitty-gritty of their finances and make sure all the procedures and so on are in place.

These boards were given some fairly substantive powers to, for example, require producers to market through the board — as in the case, for example, of SPI, Saskatchewan Pork International. We've got the poultry marketing boards which set quotas and so on. There are some powers that are very wide-sweeping, and it was felt there was needed a body that was appointed by government that would serve as a sort of public watchdog to be sure that those powers, those compulsory powers, were not abused by the boards. And that was the original intent of the agri-food council.

Now as these boards operate, and with a broad interpretation of the legislation that's there, then one can conclude that, well, maybe they should be responsible for a whole bunch of other things too, like the financial affairs of the boards.

The boards are particularly reluctant to have the agri-food council involved in that kind of thing, and it probably isn't the real intent of that agri-food council. It's intended to make sure there's not abuse of those powers like quota-setting powers, price-setting powers, and that kind of thing.

The Chairperson: — What's the committee's view on how we should handle .19 and .23, or should we handle them separately or . . .

Mr. Cline: — I think we should note that with respect to recommendation .19, the department is in basic agreement but there may be some logistical problems because of the different fiscal years. And that with respect to recommendation .23, we should note that the council has taken some steps to implement the recommendations — this recommendation — of the Provincial Auditor, and will continue to do so.

The Chairperson: — Okay. Those have been noted.

Mr. Van Mulligen: — I think in addition to that, you know, one of the things that comes out of this discussion is that there's a need to examine what is the appropriate accountability in reporting mechanisms here.

You're saying that even though it's not required in the Act they provide financial statements; on the other hand you say that if . . . because producers elect their own boards — they're essentially dealing with their own money — that if they want to get a private auditor and do the auditing in that way, then my feeling is that those are issues that should be looked at, and not simply letting things drift. From what the department is saying, they are discussing these issues.

Mr. Strelloff: — Mr. Chair, members, the importance of recommendation .23 is that it sets the tone for the rest. We were asking the council to make sure that the boards are more diligent, and at the same time recognizing some of these boards and commissions are pretty small. So the council or department needs to almost have a closer involvement than they would perhaps like. If .23 is handled, then hopefully a lot of the problems that exist within the individual commissions and boards go away.

We note that some of these boards and commissions actually, they vote our office, they ask us to do the examinations. I think there's one that was an order in council outstanding that requires us to examine the boards and commissions and at the same time the issues of how the council holds the boards and commissions accountable needs rethinking. And my understanding from listening to the department, they are thinking that through.

The Chairperson: — I would make this observation, that because, probably because of the decision under item no. .03 to have it in the *Public Accounts* document, we had adjustments made in item no. .29, .31, .34, .38, and .43. And that's good and I think that that's a positive reflection of what the auditor has indicated. And so it did push the department to do that and I think . . . and it pushed the agencies to do that as well. So it was a positive result of the direction provided by the auditor's office.

I still . . . Mr. Van Mulligen, on the item that you raise, would that be . . . should that be raised in the context of this alone? Or should this be something that you raise as a matter for discussion over the overall of the government policy as it relates to . . .

Mr. Van Mulligen: — No, I was just raising it in the

context of this council and these producer-elected boards with primarily their own revenues as opposed to the government revenues. And I just . . . I can't find any other parallel in government where you would say to outside groups that yes, you elect your own boards and you raise your own money but you have to account to the Legislative Assembly in some fashion. But if . . .

Mr. Kraus: — Mr. Chairman, I don't like to volunteer necessarily but . . .

Mr. Van Mulligen: — There are some?

Mr. Kraus: — This is concerning me because I feel that the accountability issue is one that's being grappled with on many fronts. This isn't the only one. And this is one of those situations where it should be thought through as to what is the responsibility of the government, the department, this council, the boards under them, the legislature, etc. And it . . . the example you gave of the municipalities and the Department of Municipal Government might be appropriate, and then again it might not.

But it should be considered and thought through and then put in place in away that everybody understands how it's going to work. And if that even meant amending some legislation to clarify something, that should be the case. But what I'm seeing happening, it's not just this, it was the Workers' Compensation Board yesterday; a good question was asked about it. It's just . . . it just seems that everything is being rolled into being the responsibility of the legislature and I'm not sure that that's necessarily appropriate in each and every case. And this is just one example.

So I guess if you would recommend that the department do something along those lines, take a look at this thing and maybe even refer to ourselves, I'd certainly be prepared to spend some time on it too. It's a long way to get to that but . . .

Mr. Van Mulligen: — I agree that's what they should do. I mean in many other respects, if you have non-governmental organizations the government has legislation in terms of registration and financial statements you must provide and information you have to provide to your own members so that they're then informed and supposedly in a position, subject to criteria which are outlined in law, to be able to make their own decisions as to who guides them and how their monies are spent. But in this case, we're going further and saying, well it's up to the Legislative Assembly.

I would like to see the government take a look at this from the viewpoint of how should accountability be determined and who is it that these boards are responsible to.

You know it's not a priority item for me. I mean they've gone along quite nicely here, I guess, for a few years.

The Chairperson: — Well we'll make a note of it and

then we'll discuss it later on in what we do with the draft resolution to the Assembly. Okay?

Then we have the next item that has not been resolved is item no. .46 on page 75:

The Commission should submit its annual reports by the date required by law.

Do I get agreement from the committee and do we have some observations by you, Mr. Scott?

Mr. Scott: — Yes, Mr. Chairman, there's a bit of a conundrum in this one. The commission is currently required to file the report within 60 days, and the way that they collect their check-off, by the time they get their paper work done, it's pretty much impossible to meet that particular deadline.

Now scenario one, where we could amend the legislation to give them more time, seems favourable in the sense of that particular agency. But we do run into some problems with some of the other agencies if we don't get their reports within the 60 days, because then we aren't in a position as an agri-food council, which is operated within the department, to provide our report to the Legislative Assembly as per the requirements under The Tabling of Documents Act.

So we don't have a solution to this one today, but it is under review and we would see dealing with that in the broader context of the accountability discussions that we have ongoing right now.

The Chairperson: — Okay. Then I would say that under this recommendation that once you get your chickens lined up, not your ducks, that you get that into place. And we'll look to see whether the next discussion item will be from the Department of Agriculture relating to this, and then we'll know a little more about it. Is that an observation we should make by the committee? Okay.

Item no. .54 has been addressed; item no. .57 has been addressed; item no. .66 dealing with the Saskatchewan Sheep Development Board has not been. Would the minister. . . or, Mr. Scott, would you provide us with some details regarding .66?

Mr. Scott: — Mr. Chairman, my understanding is that that particular one either has or is being addressed. There are some documented policies that have been developed, is my information.

The Chairperson: -Okay, we will note that, and the auditor will also note that to make sure that that's being done. Under item .71.

Mr. Scott: — Yes, Mr. Chairman, on .71, the sheep board should hold an annual general meeting of registered producers. We are looking at that one again as part of the review of the Sheep Development Board.

The problem that they have there is when they set up their plan, their development plan, they established an annual

meeting system that was probably a little too sophisticated for the resources that they have to conduct the meetings. They have a system of regional meetings and then they have an overall meeting as well.

And what we're looking at there is a simplification of the annual meeting system so that they have one annual meeting and that annual meeting would then become the focal point for the decisions that they are required to take at the annual meeting.

So I'd report on that one that it has not been totally fixed yet but we are a ways down the road toward a solution, Mr. Chairman, on that one.

The Chairperson: — Okay. Do I take that as a conclusion that we should deal with in the report? Okay. Item no. .76 has been dealt with. Item no. .80.

Mr. Scott: — Yes, Mr. Chairman, on that item the board has proposed some changes to their plan, their development plan, which would change the regulations effectively to reflect what they're actually capable of doing in terms of identifying producers who owe check-off to the board. So there will be something coming forward for review of the government very soon on that.

The Chairperson: — Okay, your process of cleaning that up has started. Item no. .83.

Mr. Scott: — That would be part of the same package once the . . . There are two steps in the fixing of the problems there. First step is changes to the regulations. Effectively, the regulations are in this context the development plan that the board operates under. And then that development plan allows them to make orders of the board. And once the regulations are fixed, then they will be making the changes to their orders that reflect what they can do in the changed regulations. And that will be fixed in that process. So it's part of the same package of the one I just mentioned.

The Chairperson: — just a question. This is the area that you're having a lot of difficulty with on collecting fees and who's in the jurisdiction of the board and who is not, and people becoming somewhat frustrated by the fact that some people are paying and some people are not, and they're getting the benefits of the decision making. And I've had a few phone calls from different individuals regarding this.

Okay, item .86 that deals with insurance.

Mr. Scott: — Yes, and that order again will be fixed as part of the regulatory and orders package that I referred to earlier. No disagreement with that one at all, but it needs to be fixed after the regulations have been mended.

The Chairperson: — And item no. .91.

Mr. Scott: — That item relates again to the annual meeting process and with this implication of the annual meeting process and clearly defined decisions

that have to be taken at that annual meeting. That one will be fixed in the future.

The Chairperson: — Okay. Then going to page 81, item no. .99, dealing with the vegetable marketing board. No. .99.

Mr. Scott: — Mr. Chairman, I apologize for not knowing the answer to this one. I have an official in the hall that would probably know the answer to that one, if I could just excuse myself for a second.

The Chairperson: — Okay.

Mr. Scott: — Mr. Chairman, our understanding is that the board now does have a signed agreement with the federal government on that.

The Chairperson: — Okay. Item no. .101, Is that the same or is it different?

Mr. Scott: — Mr. Chairman, it's our understanding that under The Agri-Food Act, the board has the power to enter into an agreement with the federal government without an order in council of the province. That may be a difference in legal interpretation that we have with the Provincial Auditor's office.

The Chairperson: — Item .101. Have you got an observation that responds to what Mr. Scott indicates, or have you got something else you want to add?

Mr. Montgomery: — I wasn't aware that there was a disagreement. I guess it was our view that the agri-food council required the board to obtain orders in council for any agreements between the board and the federal government.

Mr. Scott: — It's maybe one that we need to review. My understanding of this marketing plan, the marketing plan is a set of regulations that of course required an OC (order in council) in the first place to be passed. The regulations contain the ability to enter into agreements with other parties including the federal government. So that would be my understanding of the basis for our position on it. Now that is something we can certainly review.

The Chairperson: — Well we'll note that you are going to check to make sure that compliance is there either through the auditor's office and yours or we will probably see this again in the future if you don't.

Okay, the next one is item no. .106:

The Board should establish rules and procedures to properly control interest under the Advance Payment for Crops Program.

Mr. Scott: — We are informed that those have been put in place.

The Chairperson: — Item .109.

Mr. Scott: — Item .109 — two parts to the response on

this one. The first part, the check-off collection has been suspended since November of '92, I believe. And so this particular one hasn't been terribly relevant in the recent past since the suspension was put in place while the board is attempting to decide a new operational basis. They have been collecting some registration fees from producers aside from the check-off that was collected prior to the suspension and the procedures to record those registration fees we're informed have been put in place.

The Chairperson: — Okay, we will note that in our report. Item no. .113.

Mr. Scott: — Yes, Mr. Chairman, on that item, the board during the period of suspension has not been preparing annual reports. The board, once the review is complete and regulatory amendments have been made, we will endeavour to ensure that the annual reports are done on time and filed accordingly.

The Chairperson: — Okay, we will note that in the document for presentation to the legislature.

I am going to ask the committee for some observations as to what you want to do with the rest of them. Our time for dealing with this is fast approaching its conclusion and so we have still a considerable amount of work left to do.

Mr. Cline: — Actually the paragraphs .146 to .196 inclusive are, according to the Provincial Auditor, all dealt with, so unless somebody has a burning desire to make a speech, we should be able to . . .

The Chairperson: — I do have some questions on Crop Insurance that I'd like to ask and I'd like to do that, but I'm at your discretion. Do we want to just move through this to conclude it if we can?

Mr. Cline: — Oh, I think we should try.

The Chairperson: — Okay, we'll do that then.

Mr. Cline: — Especially since my understanding was, for the convenience of the departmental officials in other departments, we were going to be notifying them and then we don't have them out in the hall waiting. So if we've got the people here, I think we should proceed.

The Chairperson: — Okay, we will proceed. Item no. .124 deals with Ag Credit Corporation should obtain order in council to approve its cost of borrowing rates.

Ms. Haverstock: — Could I just ask some more general question to begin?

The Chairperson: — Yes. Just wait till the officials get into place and then we'll do that.

Ms. Haverstock: — Yes, thank you. It really is to just reiterate my comments from last year, and I'm wondering for what reason ACS exists if it is not to provide farmers with better rates than what they could receive from other financial institutions.

Mr. Sigurdson: — I guess on the rates and ACS, we have always viewed ourselves as being an agency that's there to provide not necessarily competitive rates in a short-term market, but to be able to provide long-term financing that traditionally isn't available from traditional financial institutions. And so therefore it's difficult to compare our rates on a 20, 25-year loan to short-term loans that the banks may offer and, depending on the financial markets, could be lower or higher rates. So we're really in a long-term market for rates and we provide that type of security to producers.

Ms. Haverstock: — Thank you.

The Chairperson: — Okay, could we have an observation by Mr. Scott to deal with item .124.

Mr. Scott: — Mr. Chairman, I'm going to ask, with your permission, to have Norm Ballagh respond to the questions on ACS.

The Chairperson: — Okay.

Mr. Ballagh: — Mr. Chairman, with respect to item .124, the regulations were changed in June of 1992, so that issue has since been corrected subsequently under the fiscal year under review.

The Chairperson: — Okay, I have a question as it relates to that. Was there retroactivity to deal with the matter of the 2 per cent fee?

Mr. Ballagh: — I'm sorry, I was looking off another sheet and my numbers didn't correspond. So we're dealing with the 2 per cent loss fee?

The Chairperson: — Yes.

Mr. Ballagh: — If I can just make a statement on that — and I guess it would be similar to my comments last year — our position is that we have the authority to charge that fee, that the Act gives us sufficient authority. That position is supported by both the Department of Justice and our lawyers, MacPherson Leslie & Tyerman.

Section 10(1) of the Act sets out the rate of interest payable on a loan as being the prescribed rate, and section 25(d) of the regulations provides authority for the Lieutenant Governor in Council to prescribe the interest rate on loans.

There have been a couple of Supreme Court decisions on interest rates or on the interest rate issue, one in 1963. And the Supreme Court at that time drew a distinction between the term "interest" and cost of the loan. The day-to-day accrual of interest appears to be one of the essential characteristics of interest. All other items such as fees, charges, bonuses, lack that element of day-to-day accrual of interest and are therefore not interest. That was in a Supreme Court decision in '63.

In 1977, the Supreme Court reinforced that earlier decision, that to constitute interest there has to be a day-to-day accrual. It is the opinion of Justice, as I said, and our lawyers, that the

loan fee that we're charging does not constitute interest as it lacks that essential element of the day-to-day accrual. So I guess what you have is a difference of opinion between ourselves and the Provincial Auditor.

The Chairperson: — So then I would take it this matter was not dealt with in June of '92.

Mr. Ballagh: — No, that's correct.

The Chairperson: — A question that I have in relation to that: is the 2 per cent not considered interest? Is that the conclusion that you've come to, in that it's a fee?

Mr. Ballagh: — That's correct.

The Chairperson: — So then is it a requirement, in that case, that an order in council be required to deal with that, or is it the observation of ACS that the capacity by the board or the administration of ACS — that they have the power to set a levy or a fee?

Mr. Ballagh: — It's our opinion the Act gives us sufficient authority to charge those type of fees.

Mr. Chairman, if I might, that fee was approved through the Treasury Board and cabinet process as part of a budget decision in '87.

The Chairperson: — Does the committee have an observation about that?

Mr. Cline: — To my way of thinking . . . I mean this came in in 1987. It's a fee. I don't see that it's interest. And basically the auditor's concern seems to be that somebody may, at some point, sue ACS and say, you know, it's not really a fee, it's part of interest, and somehow it's not authorized. And the department says no.

I guess if the department feels secure in their legal opinion from their solicitors plus the Justice solicitors, well, the Provincial Auditor is concerned somebody might sue the department, but the department doesn't seem to be concerned about it and I don't think we should be particularly concerned about it. That would be my view. I wouldn't see it as a major problem at all.

The Chairperson: — What is the wish of the committee in relation to this?

Mr. Cline: — I would note that the department has received legal advice from its solicitors and Justice department solicitors, that this is a fee not an interest charge, and that the department feels secure in that position and that we note that we don't think it presents any particular problem.

The Chairperson: — Okay, we will note that for discussion later. Item no. .128 . . .

Ms. Haverstock: — Mr. Chairman, wasn't there a reference made earlier to this being examined on a

legal level already? Where is this at as far as the . . .

The Chairperson: — Item no. .124?

Ms. Haverstock: — To which you've just made reference. There was an earlier comment, I think, that is there not legal advice being sought or an agreement being sought in terms of contravention of these two Acts? I'm just wondering where that's at.

Mr. Montgomery: — From our point of view, there is . . . I think we spell out that both sides have sought legal advice on this matter.

Ms. Haverstock: — And where is that at? I'm just interested in this quest for some legal explanation.

Mr. Ballagh: — Mr. Chairman, I guess we really haven't had any discussions with the Provincial Auditor on this issue during the past year. The year prior there were considerable discussions back and forth. But I guess we've agreed to disagree.

Mr. Cline: — But I think what Ms. Haverstock may be getting at, and I think it's correct to say you had made reference . . . is it Mr. Ballagh?

Mr. Ballagh: — Yes.

Mr. Cline: — Mr. Chairman, Mr. Ballagh, you had made reference to some legal precedent that the department felt classified their position. And we might note that the department has some legal precedents in cases. I think you referred to some Supreme Court authority.

Mr. Ballagh: — Yes.

Mr. Cline: — To the effect that a fee is not interest because I think you said it doesn't accrue.

Mr. Ballagh: — It doesn't; it lacks the element of the day-to-day accrual of interest, yes.

Mr. Cline: — So if legal precedent exists to say that you can charge this kind of fee and it's not part of interest, their lawyers say that's what the law is; the Justice department lawyers say that's what the law is. Provincial Auditor simply says, well maybe somebody will sue them and say, you know, that's not the law.

Mr. Montgomery: — I guess our lawyer has reviewed the opinions received by ACS, and I believe ACS has reviewed the opinions. But I think there's precedent for both situations. The problem is we have two diverging views and really no solution in sight except order in council, apart from . . .

The Chairperson: — I'm at the discretion of the committee in relation to this discussion.

Mr. Strelloff: — Mr. Chair, members, just from the department's point of view, why wouldn't an order in council

be sought just to make sure that the rates are . . . there's no doubt about them?

You've mentioned that you've got in your budget through the Treasury Board . . . the Treasury Board has approved some charges; why not just get an order in council and resolve it? It seems like a simple thing to do. Particularly when you've got Treasury Board, as I understand, support as it is right now.

Mr. Ballagh: — Well I guess on the basis of the information we have, supported by some Supreme Court decisions, we see absolutely no point in doing it. We have the authority.

The Chairperson: — So if some day someone decides to challenge it in a court of law, then we will see what happens. Is that accurate?

Mr. Ballagh: — Yes.

The Chairperson: — Okay. We will make the observation I believe on the draft of what Mr. Cline outlined earlier, and it's been noted.

Under item no. .128, the observations from Mr. Ballagh or Mr. Scott.

Mr. Ballagh: — Mr. Chairman, this is the question I was inadvertently answering the first time. Those regulations were changed in June of 1992 to correct that.

The Chairperson: — So I take it that now you can go below the 9.75 per cent in reflecting 2 per cent plus prime.

Mr. Ballagh: — Correct.

The Chairperson: — And what is that rate today? Seven?

Mr. Ballagh: — Seven and one-half, I guess, with prime plus two.

The Chairperson: — Okay, item no. .129.

Mr. Ballagh: — Mr. Chairman, just for the benefit of members, a little bit of background on that. At one point our loans were structured so that the interest rate for the first five years was at 8 per cent, and then it increased to 12 per cent for the next five years, or in some cases for the remaining term of the loan.

For some reason that we're not particularly clear on, the computer system failed to change the billing notices to clients so that they've continued to pay at the 8 per cent rate rather than having the rate increased. We've put some checks in place to ensure that that doesn't happen and have made the appropriate adjustment to client accounts to correct it. There was about 20 accounts in total that we found were being charged the wrong rate.

The Chairperson: — For a total of how many dollars?

Mr. Ballagh: — About 106,000 I believe.

The Chairperson: — I'm awaiting the discretion of the committee on item no. .129. It's been adjusted. Should we leave that? Go with that? Okay, item no. .134.

Mr. Ballagh: — Mr. Chairman, we had hoped to have a contingency plan put in place for . . . well, prior to the end of fiscal — sorry: — calendar 1993. We didn't quite make that agenda, but the plan has been written and will be tested during February 1994.

The Chairperson: — Shall we note that for the committee? No. .137:

ACS should establish procedures to ensure it charges farmers the rates set out in loan agreements effective the date of the agreements.

Mr. Ballagh: — Mr. Chairman, those client accounts have been reviewed and the loan balances have been recalculated and where if the net result was a credit to the client, the accounts have been adjusted; if the net result was a charge to the client, then the corporation has absorbed that error. Again we have put some checks in place to ensure that that isn't happening in future.

The Chairperson: — How many dollars did you lose?

Mr. Ballagh: — I'm sorry, Mr. Chairman, I don't have that one here with me.

The Chairperson: — Will you be able to provide that to the committee?

Mr. Ballagh: — Yes we can.

The Chairperson: — Would you provide the number of loans and the volume of dollars on that?

Mr. Ballagh: — Yes.

The Chairperson: — I guess I'm going to ask the committee to make an observation regarding that it's been . . .

Mr. Cline: — I think we should note that it's been rectified according to the department.

The Chairperson: — Okay. Items .48 to .96 have been agreed upon. I do have some questions about Crop Insurance that deal with the item under volume 1.

Ms. Haverstock: — Before we move on, I have a general question for the department on the cattle and marketing deductions fund. And it's not specifically regarding the auditor's report, but I'm wondering why the grant from the Consolidated Fund doesn't show up in Estimates, the department annual report, or in the *Public Accounts*. And the only reference to the Consolidated Fund appears in the financial statements of the cattle marketing deductions fund, under assets as due from Consolidated Fund, \$770,131.

Now I found this really confusing and I am wondering if . . . there has to be an easier way of being able to follow this information through Estimates and the annual report and the *Public Accounts* to the auditor's report.

And if there's a Consolidated Fund commitment, I couldn't see where it showed up anywhere . . . (inaudible interjection) . . . There isn't one? So why would it say, due from Consolidated Fund? I guess I'm just wondering if you could explain to me where the information shows up in any of these documents so that it's simplified for one like myself.

Mr. Scott: — Mr. Chairman, I'm not sure about the reference to "due from the Consolidated Fund," where that would appear. Just in terms of general information, the cattle deductions fund is not a commitment of the Consolidated Fund. It is a check-off that is collected from cattle producers and it goes into a fund, and then that money is expended for research and development and market promotion, that kind of thing.

Mr. Kraus: — What that might be, I'm not too sure. It's possible that they have monies on deposit with us under that COBing arrangement — is that right, Terry? I think it might be where we . . . and if that's true, then they would have money on deposit with us and we'd be paying them interest on that money. But we do not provide them with a grant.

I can't be sure, but I think that's probably what the situation is.

Ms. Haverstock: — That's fine. I just found it very difficult to follow through, just with that one sum of money. That's fine, Mr. Chairman.

The Chairperson: — I don't see that in the Department of Finance where we were talking about that yesterday. I note that there's Tripartite Beef, Grain Car Corporation, Crop Insurance, but there's no cattle market deductions. So I guess what I would . . . it's a good enough question to get a response from and if the department and the comptroller would be able to provide that to us, we'd appreciate that — 15 times.

Mr. Scott: — We will do that.

The Chairperson: — Are there any other questions? Then we'll move to Crop Insurance.

In the 1991-92 summary financial statements on page 75, there is a note there that says that Saskatchewan Crop Insurance had a loss of \$150 million. What is that attributed to? And the reason I raise that is that you go to the 1992-93 and you have a \$200 million surplus. What constituted the major change of \$350 million in one year in relation to Crop Insurance's position? And I guess really the reason I need to know that is I'd like to have some reason why there is \$150 million designated as a loss in 1991.

Mr. Scott: — Mr. Chairman, again with your permission I'll have Doug Matthies respond to that

question.

Mr. Matthies: — Mr. Chairman the \$150 million that was indicated as a loss in the *Public Accounts* document is a combination of the results of both the crop insurance program and the revenue insurance program. The crop program in the '91-92 fiscal year earned, if you will, approximately \$45 million on its operations. The revenue insurance program incurred a deficit of approximately \$195 million. And the net is the 150 that's in a loss indicated in the financial statements.

The subsequent year that you questioned, I believe, was '92-93. In 1992-93 the corporation, it was determined that a portion of the amount that had been accrued for the '91 final revenue insurance payment was in error, or rather not that it was in error, but the market prices of commodities moved such that we had overestimated the final '91 payment by \$85 million.

When the '91-92 financial statements were prepared, therefore, we had an \$85 million correction, if you will, or adjustment for estimate in the '92-93 year. And we in addition I believe . . . I'm not sure if I should comment on the '92-93 figures because they haven't been tabled at this time. I would need some direction from the committee on that.

The Chairperson: — So you had an \$85 million difference because of accrual accounting?

Mr. Matthies: — Yes. At March 31 we estimated what the final payment for the '91 revenue insurance program was going to be, based on the market prices that were in effect at that time. When we eventually did make the final payment, which was in January of 1993, prices had moved such that the payment was lower than what we had estimated at the March year end.

The Chairperson: — So in effect the 150 million under accrual accounting basis would be 85 million less?

Mr. Matthies: — Correct. With the advantage of hindsight.

The Chairperson: — Right, okay. And would the 200 million in 1992-93, would that have been \$85 million less?

Mr. Matthies: — Correct. So it becomes a timing.

The Chairperson: — Right. Is this calculation made on the basis of your year end or March 31?

Mr. Matthies: — It's based on March 31 year end which is the same year end as the corporation.

The Chairperson: — Okay. So it's \$85 million difference which would take it down to \$65 million loss really in 1991-92?

Mr. Matthies: — Yes. And that's combining both the operations of crop insurance and revenue insurance.

The start-up year, 1991-92 was the start-up year for revenue insurance and it incurred a deficit in its start-up year and that's essentially what the deficit figure you're looking at is.

The Chairperson: — So if I calculated the 150 million, would be \$65 million loss and you had a 45 profit from crop insurance. Is that still accurate?

Mr. Matthies: — That's accurate.

The Chairperson: — Okay. So then really you have \$105 million loss in . . . or \$110 million loss in revenue insurance in this year?

Mr. Matthies: — In the '91 year, that's correct.

The Chairperson: — Well I won't ask you the question about the 200 million and the similar circumstances, but I'll do that next time around. But anyway, so it's \$65 million loss really in that, as noted where the 150 is. Okay. That's hindsight.

Mr. Matthies: — That's correct.

The Chairperson: — Right, I agree. Okay, I just wanted to clarify that. I think that's all the questions I had in relation to Crop Insurance. The other items have been dealt with.

Ms. Haverstock: — Is this indeed where the Provincial Auditor's office made reference to a \$4 million overpayment? Where did that . . .

Mr. Montgomery: — It's in paragraph .162.

Ms. Haverstock: — All right. Then I will pose the question as stated by the Provincial Auditor's office. What monies have been recovered of that \$4 million overpayment?

Mr. Matthies: — Mr. Chairman, substantially all the monies have been recovered. The corporation was able to recover them either by direct payments from the producers, or by offsetting future indemnity payments. And we've recovered substantially all of it.

Ms. Haverstock: — Thank you.

The Chairperson: — That leads to a question of 1991. There was substantial overpayments in certain areas in durum. Has that been recovered, or how much is outstanding in 1991?

Mr. Matthies: — Again the corporation has the ability because the crop insurance program is a continuous one, and unless an individual buys out of the revenue insurance program they're also in for an extended period of time. So we are able to offset future indemnity payments against any arrears that are owing. And again, substantially all of those amounts have been recovered.

A number of producers entered into longer-term repayment arrangements with us because of hardship or whatever concerns, but we were able to deal with

the substantial majority of all of these.

The Chairperson: — Would you be able to provide me the numbers on how many overpayments there were in numbers of contracts? Would you be able to provide for us the volume of dollars that that entailed and then those that had to make agreements with you in relation that, and those that paid outright. Which would be the difference?

Mr. Matthies: — If I can request some clarification. The overpayments I believe you're referring to, were with the '92 revenue insurance program?

The Chairperson: — No, '91; 1991 year.

Mr. Matthies: — Okay.

Mr. Scott: — Mr. Chairman, is it specifically on durum that you were . . .

The Chairperson: — Well that's where I know that the most of the payments were, but I'd like to have them all.

Mr. Scott: — Okay.

The Chairperson: — Any other discussion?

Mr. Serby: — If I could just have a . . . and I should have asked it earlier, I think, when we were talking about the auditor's report: — but .185, I'd be interested, Mr. Chairman, in the auditor's response to this comment and question.

I read in his first sentence there that he didn't really rely on the appointed auditor's report of Crop insurance rules and procedures to safeguard and control public money.

And then he goes on to say in .188 that the appointed auditor did not report most of the matters reported in paragraphs .164 to .186, which are about 32 issues, I would suggest. And then in .189, I think the auditor goes on to say that we cannot rely on the report of the appointed auditor, and then says:

The appointed auditor's procedures were sufficient to allow us to form our opinions.

I'm wondering how it is when the appointed auditor decides whether or not the appointed auditor's information is in fact sufficient to make a decision. I mean you have 32 citings here that you relate and then go on to say, first, that you don't rely on the auditor's report, rules and procedures. And then summarize your comment by saying that the appointed auditor's procedures were sufficient to allow and form the opinions. When is it then that the information that the appointed auditors provided is not sufficient?

Mr. Strelieff: — Mr. Chair, members, paragraphs .187 to .189. The matters that we reported in paragraphs .154 to .186 were brought to the attention of management by the public accounting firm, but they

decided that they weren't of significance to be brought forward to the Assembly. So we asked the public accounting firm, what matters do you think we should bring to the attention of the Legislative Assembly? They didn't suggest that these . . . recommend that these matters be brought to our attention. However they did bring these matters to the attention of the management of the Crop Insurance Corporation.

So when we looked at their working papers and internal reports, we said, well we think in our view these matters should be brought to the attention of the Assembly because in our view they're important. So the work, the underlying work was there. It was done by the public accounting firm and therefore we could rely on . . . we didn't have to do any additional work.

The judgement on whether these issues should be brought to the Assembly or to the attention of you, we disagreed on. So they decided in their report to us that these matters, I guess, should not be brought to your attention. We thought otherwise; therefore we didn't rely on their report. Is that . . .

A Member: — Yes, thank you.

Mr. Strelieff: — Okay.

Mr. Serby: — Just a follow-up to that then, Mr. Chairman. The people who were then doing our audit as the appointed auditors at the time that this report was prepared, are they still providing the audit on behalf of Crop Insurance today?

Mr. Matthies: — Mr. Chairman, yes, they are.

Mr. Sigurdson: — If I could maybe just add to that. On that . . . the items referred to in paragraphs .154 to .186, as the auditor stated, were reported. And they were reported in a form of a management letter that actually went to the board of directors. So the board of directors who has responsibility for the . . . on the affairs of the corporation were informed of these matters. And also the auditor was provided with a copy of that management letter.

So we feel that our own internal auditors are doing their job in fleshing out these details and pointing them out. It's just, I guess, a professional disagreement on how they should be reported.

Mr. Strelieff: — Or whether they should be brought to your attention.

Mr. Sigurdson: — Right.

Mr. Serby: — Could I just ask, Mr. Chairman, the department on what basis we procure our appointed auditors?

Mr. Sigurdson: — The auditors were appointed in 1987 by order in council, and they have been the corporation's auditors since that time.

Mr. Serby: — Mr. Chairman, could you provide for

me the name of the auditors who are currently providing the audit for this corporation?

Mr. Sigurdson: — Peat Marwick.

Mr. Serby: — Just a final question. For what length of time can these folks remain the appointed auditors? Is that at the discretion of the board on an annual basis?

Mr. Sigurdson: — It's an ongoing arrangement and it can be changed with a change to the order in council.

Mr. Serby: — I have no further questions.

Ms. Crofford: — You brought a question to mind, Mr. Serby. When the same auditors have been auditing for a substantial period of time and there's still a fairly high level of problems in terms of unclear policies or systems, a range of issues, would it then be normal for an auditor to say that it's not being dealt with sufficiently, therefore we have to raise it to another level of scrutiny in order to get these issues dealt with? Is that part of what underlies your reasoning, Mr. Strelieff, about why they should be bringing those matters to the legislature?

Mr. Strelieff: — Mr. Chair, members, when we saw these issues being reported to the board, we have to make a decision on, do we think these issues are significant enough to bring to the attention of the Assembly. And in some cases it may be because they're ongoing and they haven't been resolved; in other cases, we believe that you need to be aware so that you can put pressure on the board or the corporation to make sure the issues are handled well.

Ms. Crofford: — Thank you.

The Chairperson: — This discussion I think is important. Mr. Serby, you had another . . . This is important I think in lieu of the fact that the audit firms are not a client of the corporation; they are a client of the Assembly. And that has to be established in not only the corporation's mind but also the audit firm. And we have to make sure that we don't allow this to be moved away from that perspective. And I think that that's a good reason why we need to present it to this Assembly, or to members of this committee which is an arm of the Assembly.

Ms. Haverstock: — Yes, I have a general question which is specifically from what was posed by the Provincial Auditor's office. What are the key agricultural issues that must be managed well for your department to be successful?

Mr. Scott: — The key agricultural issues for our department to be successful I think would be . . . There is no one particular issue; I think it is a range of issues. If I could just list some of them. I think the general safety nets area; the management of the farm debt problem; the diversification of the industry, and you get into all kinds of things that can contribute to that, including perhaps some modifications to safety nets; research and development; marketing development; information — tremendous need, I think, for

information for the industry. I see a major role for the department in that area.

Those are just some of the main blocks, and I think the thing that sort of cuts through all of those that we need to do very effectively, Mr. Chairman, is to do those things with systems that keep the department accountable and keep us efficient. We do them cost-effectively. And if we can do that, then we're probably going a fairways to doing something byway of a major contribution to the industry.

Ms. Haverstock: — Thank you. Mr. Chairman, I have many general questions that are related to the department annual report in *Public Accounts* and not specifically to the auditor's report which I'll not keep people here for. Would you be willing to entertain these questions in writing? And I think that would be more expeditious. And I have some other general questions as well that come from the auditor's report, but are not so specific to the recommendations, which I'm more than prepared to submit in writing as well.

The Chairperson: — The difficulty, Ms. Haverstock, is that the questions, if they're coming from you to the department, then that's fine, but if they're coming through the committee, the committee needs to know what those questions are.

Ms. Haverstock: — Well I'm more than prepared to supply the committee with the same questions if they so desire, unless people would prefer that I just do them on my own.

The Chairperson: — Well I'm not going to tell you what to do, but you have that choice. And if it's going to come . . . if the department wishes to answer the questions on behalf of the committee, then the committee has to be notified. If your wish is that you want to have those questions answered, then we don't have to be notified and then they don't have the same commitment to answer the questions as they do from the committee.

Mr. Van Mulligen: — By way of suggestion, I mean if anybody has questions of the department they should ask, and if you don't think you got a satisfactory answer, I mean in a few months we'll be dealing with the '92-93 fiscal year so the questions might still be appropriate and you can put them to the committee at that time too.

The Chairperson: — I'll leave it in your hands. If you want the committee to do that, then . . .

Ms. Haverstock: — Well it's mostly again just clarification. I find some of this very, very confusing to follow. I just think that there could be a better track of procedures . . . (inaudible) . . . ask specific questions.

The Chairperson: — Okay. If you want the requirement of the department to answer the questions, then the questions have to be addressed through the committee.

Ms. Haverstock: — I will, Mr. Chair, send my

questions directly to the department, and then if need be, if they're not appropriately responded to, I'll raise them in the committee. I don't see any point in going through these when there are so many numbers involved. I just think it would be terrible to read into the record and it would be unnecessary for everyone here.

The Chairperson: — Okay. With that I need a resolution that the hearing of the Department of Agriculture and Food be concluded subject to recall if necessary for further questions. Do I have a mover? Mr. Cline. And I want to thank you, Mr. Scott, and your officials for your answers and your approach to the session here today. And good farming to you.

Mr. Scott: — I thank you, Mr. Chairman, and the members of the committee as well.

The Chairperson: — Yes. We have the Department of Natural Resources out standing in the hall, and we will take a small break and return to deal with their . . .

The committee recessed for a period of time.

Public Hearing: Department of Natural Resources

The Chairperson: — We have a number of items that I have to discuss here. I just want to say to the department officials that you are required to provide answers to the questions that have been asked. If you do not have the information here, then provide 15 copies to the committee Clerk.

And you are not subject to any civil action in relation to the answers that you give. You have the same privileges as a member of the Assembly when answering the questions, and so you're required to provide the answers to the committee.

With that, I have . . . I'm going to ask the department to introduce their officials and we will proceed then with an observation made by the auditor and then questions by the members.

Mr. Shaw: — Thank you, Mr. Chairman. My name is Michael Shaw. I'm the deputy minister of the Department of Environment and Resource Management. To my right is Ross MacLennan; he's the assistant deputy minister of the operations division of the department. To my left is Bob Blackwell; he's the assistant deputy minister of management services division. And to his left is Donna Kellsey; she is the director of financial services for the department.

Mr. Strelloff: — Thank you, Chair, members. Chapter 19, page 197, reports the results of our work at the Department of Natural Resources. The first part provides an overview of the responsibilities that are managed by the department. And then we move into the paragraphs .04 and .05, the assurances that our office provides in terms of the way the department manages its revenues and expenditures; and the financial statements, the reliability of financial statements that they are responsible for.

We then have a couple of issues that we'd like to point out to you. The first one deals with paragraph .10 and relates to a need to segregate the duties of some of its employees. That came to our attention as a result of some problems.

And paragraph .14, the need for the department to ensure that it complies with the financial administration manual which requires it to report to SGI (Saskatchewan Government Insurance) on specific issues.

The next part relates to the commercial revolving fund. And the one issue that we bring to your attention relates to revenue that was retained within the revolving fund that we thought should have been provided to the Consolidated Fund for general purposes because the department had not acquired the related assets in which it was earning the revenue on.

And as we note in paragraphs .22 and .23, the department holds the view that it has the necessary authority to retain that revenue. And our office has looked at the issue and legal opinions and believe that the revenue should be provided back to the Consolidated Fund; or that in the future the department should change the Act just to make sure that they do have the right to retain the lease revenue within the commercial revolving fund for use for that fund's purposes.

Those are the comments we have.

The Chairperson: — Any one of the members want to begin their observations of the department?

Okay, then we'll start with item no. .10. The item no. .10 says:

The Department should adequately segregate the duties of its employees.

Mr. Deputy Minister, have you got some observations as it relates to that?

Mr. Shaw: — Yes, thank you, Mr. Chairman. The issue with respect to segregation of duties has to do . . . flows from an event in 1991 with respect to a theft at one of our district offices. And the next issue with respect to compliance with the financial administration manual in terms of reporting thefts is another observation that's related to this same event. So perhaps I could deal with both at the same time.

The Chairperson: — Sure, you may do that.

Mr. Shaw: — The department recognizes in this instance that there wasn't an appropriate and suitable segregation of duties with respect to the handling of revenues in this particular office. The event revolved around one person being responsible for receiving cash and for issuing receipts and for depositing cash and recording transactions. And we recognize . . . the department has recognized that this is inappropriate, or there is a lack of segregation of duties here, and,

that following the observations of the auditor, the department issued instructions to its managers and to its district offices to ensure that proper segregation of duties was in fact made in the workplace, and that has been done.

The second issue, which as I said relates to the same event, had to do with compliance by departmental staff with respect to the requirements of the financial administration manual in the event of a theft. In that instance, I believe that we were following the procedures of the manual, and simultaneously instituting measures to attempt to recover the funds that were in fact stolen. And I understand at that time there was every expectation that these funds would be recovered. And on that basis, the complete requirements of the policy with respect to reporting the theft were not finalized and finished. And in any event, we were able to fully recover the funds that were stolen.

So I guess an acknowledgement that all elements of the policy were not followed, but with I guess with the stipulation that we had . . . we recognize what the requirements are, but we had every expectation that the funds would be recovered, and that there was no need to fully implement the policy. So an acknowledgement of the auditor's observations in that regard.

Mr. Sonntag: — We've come across this in our committee a number of times in different departments as well. I'm curious how easy it is, based on the number of people that I know sometimes are in the offices, how easy or difficult it might be to segregate the duties. Is it easy to comply with this recommendation?

Mr. Shaw: — I think on the whole it is easy to comply with it. There are certain circumstances . . . we are a highly decentralized department. We have 65 district offices and 31 provincial parks. All of these offices and some contracted situations, I think, where cash licences are sold, receipts are issued, park fees are accepted: — I think we have a number of situations where we have very, very small operations, very few staff. In some cases they are one-person operations or two-person operations at best.

So I think I would acknowledge that in certain highly defined situations it is difficult to properly and fully segregate the duties of staff, although obviously our objective is to ensure that we do that to the greatest extent possible. But I can't assure you that in every single instance there would be a segregation of duties that might meet the tests that we would like to see met.

But I hasten add that, on the whole, I am very confident that this department has an appropriate segregation of duties in almost every instance. So that any . . . I think our experience with thefts is very, very minimal.

The Chairperson: — We would take it then . . . well I guess I'll ask the committee for some observations as to how to deal with item no. .10 and no. .14.

Mr. Cline: — I think we should note that the department has taken steps to comply with the recommendations.

The Chairperson: — Then we'll deal with item no. .24.

Mr. Shaw: — Mr. Chairman, yes. This particular issue revolves around the . . . that issue is I guess what I would just claim or consider to be a legitimate difference of opinion between the auditor and the opinion of his legal advisers and the department and its legal advisers as to whether or not fees which are earned by the department from leasing park land are or are not legitimately considered to be a revenue of the commercial revolving fund.

And as I said in my initial statement, I think the auditor was of the opinion that these fees were legitimately revenue which should accrue to the Consolidated Fund. And our advice from our solicitors was that it was revenue which the department could assign to the commercial revolving fund. We recognize that there is a difference of opinion there.

What the government did for better clarity was to amend The Natural Resources Act in 1993 to stipulate that revenues earned from leasing park assets were legitimately a revenue item for the commercial revolving fund.

So I guess my conclusion is that although this may have been an issue in the year under review and I contend that it was a legitimate difference of opinion, that it has been resolved through a legislative amendment.

The Chairperson: — Where did the \$387,000 come from? Was it park entrance fees or other things?

Mr. Shaw: — It's lease fees from the leasing arrangements in parks — private operations in parks.

The Chairperson: — So where individuals have . . . for example at Sask Landing you've got a fellow there that does marine stuff with servicing, gas for boats and things like that, that's . . .

Mr. Shaw: — There is an arrangement, a lease arrangement between the department and that operator, and there is a set of fees which are established which are payable to the Crown, to the department by the operator. And those fees go to the commercial revolving fund which is the financial entity set up to manage the operation of parks.

The Chairperson: — Okay. How many of these lessees do you have in the province?

Mr. Shaw: — Mr. Chairman, we think we have . . . the information I have now is current information. I believe we have around 160 lessees. I'm not sure how many we would have had in the year under review. But what I would like to do, Mr. Chairman, is to get the exact number for you and provide that information to

you through the Clerk.

The Chairperson: — Okay. The other question I have on the expenditure of the monies, are they related to the park that receives the service, are they receiving the benefit of the monies, or is this going in to reduce the volume requirement by the Department of Natural Resources for their overall financing of the department and the parks of the province?

Mr. Shaw: — Well the parks operate at a "deficit" of about \$5 million I believe. That's this year's number. I'm not sure what it was in 1991-92. We have been moving over a period of time towards greater self-sufficiency in park operations. And I believe at the current time we're . . . parks generate about 60 to 65 per cent of the revenue required to provide the services that the parks provide; so that the lease fees that are earned in the parks are used to fund the expenditure of the operation of the parks.

But I think your question, Mr. Chairman, as I understood it, was more specifically, are the revenues which are earned in a specific park directed towards that park? We don't make a direct, one-to-one correlation. All the revenues are pooled, and the expenditures are budgeted generally.

The Chairperson: — Okay. Any other questions?

Mr. Shaw: — Mr. Chairman, if I might. I took notice on the issue of the number of lessees. This is information from that year. We had 49 businesses operating that were paying lease fees in 1991-92. We actually had a number of other lessees, but they were either in the process of being discontinued or they were under development or under negotiation. But lessees who actually paid us lease fees in 1991-92 totalled 49.

The Chairperson: — On that issue, for example at Cypress Hills, those people pay to the park or do they pay into the revolving fund for residences? Are they considered in a different part? My question I guess is, do the monies from housing in parks flow into this \$387,000?

Mr. Shaw: — Well lease fees from cottage owners would flow into the commercial revolving fund, yes.

The Chairperson: — So in \$387,000, that 49 did not include those. Okay. But the monies did.

Mr. Shaw: — My understanding is that the \$387,000 represents the lease fees from businesses operating in the park. That's the issue which is in question. I don't believe that the issue of whether or not the lease fees from cottage owners flowing to the commercial revolving fund is in fact an issue which is in dispute here.

The Chairperson: — Okay. So then the 49 divides on an average into the 387.

Mr. Shaw: — Yes it does.

The Chairperson: — And what's the total volume of

dollars flowing in for leases that are in cottages?

Mr. Shaw: — We don't have the level of detail, Mr. Chairman, but we certainly can provide you with a complete breakdown of revenue to the commercial revolving fund from lease fees and from all other sources for the year under review.

Perhaps I could read into the record that financial statements of the commercial revolving fund show revenue sources, and I'll just give you . . . it looks as though it totalled about \$6.9 million in the year under review.

Campground fees were approximated at about \$2 million. Park entry fees, a little over a million dollars; accommodation about half a million dollars; cottage fees and permits, about \$1.2 million. There's a complete breakdown of revenue sources for the commercial revolving fund in the funds statement. And I guess I'm at the chair's direction here with respect to information that's additional to what's been provided in the financial statements.

The Chairperson: — I'd like to have one additional piece of information and that is, how many cottage owners are there that provide the half a million dollars?

Mr. Shaw: — We'll provide that, Mr. Chairman.

The Chairperson: — Okay. Any other questions by members?

Ms. Crofford: — Questions, one is when people sometimes live in their cottages and then there would be . . . they'd be attached to some community that would be providing school and other types of services, how is that worked out between the parks and the municipalities in terms of charging for those services?

Mr. Shaw: — It's not worked out at this point in time and is, in fact, an issue.

Ms. Crofford: — I would think it would be.

Mr. Shaw: — The Minister of Municipal Government has recently instituted a task force to look into these kinds of issues and that task force, I believe, is in the process of making some recommendations now. I just don't have all of the details or information. But there is definitely a difference between taxes, fees, and charges paid by a cottage owner in a recreation . . . or cottage area outside of a park compared to an individual who leases a cottage inside a park, and in fact was the basis upon which certain fees in parks were increased in this past budget.

First of all, our attempt was to make the parks more self-sufficient, but it also recognized this difference between lessees inside parks and owners of cottages in recreation resorts outside of parks.

Ms. Crofford: — Okay. The other question is just on page 197 in the budget information here under the

operating subsidy for the commercial revolving fund. I just note that in the estimates it had 2.6 million and the actual, 4.0. What was the difference attributable to between the estimated and actual? Was that kind of an open-ended fund or . . .

Mr. Shaw: — This is in the operating subsidy to the commercial revolving fund?

Ms. Crofford: — Yes.

Mr. Shaw: — Mr. Chairman, we require access to our files to provide that information. It may have some relationship to the Echo Valley Conference Centre. I think, for the year in review under discussion here, there was an expectation that the conference centre would only be operated for approximately six months; in the event it was operated for the entire year. So that the department commercial revolving fund was actually underbudgeted for that particular purpose.

That's what we think may be the source of the difference, but we'd have to provide the committee with a more detailed examination of the . . . We'll have to come back to the committee on that.

Ms. Crofford: — Thank you, Mr. Chair.

Mr. Sonntag: — If there's any other members have any other questions, I'm willing to defer. I just have a couple very general . . .

The Chairperson: — Go ahead.

Mr. Sonntag: — Anybody else, just in the interest of time?

I'm just curious, management services, what would that be primarily made up of?

Mr. Shaw: — It's primarily . . . for example, Mr. Blackwell, current configuration, department of management services, human resources branch; financial services branch, systems branch, and a number of other administrative services and functions are grouped within the overall title of management services.

There can be various configurations but primarily it's the central service activities and functions of the department.

Mr. Sonntag: — That quite adequately describes it. I'm also curious then, under "other", it lists 17 million. What would "other" be made up of?

Mr. Shaw: — We don't have the document that you're looking at, Mr. Sonntag.

Mr. Sonntag: — This is just under the auditor's report. It lists under expenditures 17.6 million estimated and then 17 million actual costs. I'm just curious what's comprised of the category listing of "other".

Mr. Shaw: — It looks as though the way that the

auditor has aggregated the figures is . . . I'm not sure whether or not it's following the subvote structure of the department and would include all of the other operations. I mean that's a trite answer but we'd have to go through our expenditure plan and subvote structure and give you a complete breakdown.

Mr. Sonntag: — I'd be curious to know just — it's not important — just three or four of the largest ones or . . .

Mr. Shaw: — Branches such as wildlife, fisheries I'm not sure of forestry — regional parks, and operating grants. There is a large diversity of programs, as you know, in the department. We'll come back to you with a complete breakdown of that as well.

Mr. Sonntag: — It doesn't have to be very detailed.

Mr. Strelieff: — Mr. Chair, members, page 222 of the *Public Accounts*, volume 2, page 222, page 222 of the *Public Accounts*, volume 2, has a more specific breakdown of what constitutes the 84 million.

Mr. Sonntag: — That's fine as far as I'm concerned. Thank you very much.

The Chairperson: — Any other questions?

I have a question on the fish and wildlife development fund, \$2.28 million. Would you be able to provide me with a list of the people who received those funds and what they were spent on?

Mr. Shaw: — Yes, we can.

The Chairperson: — And in a general sense, was the money given to individuals or organizations in an overall view.

Mr. Shaw: — Yes, Mr. Chairman. Generally it's spent on habitat development and habitat protection. So generally it's related to . . . it can be purchase of habitat and expenditures related to the enhancement of habitat but we can provide . . . and there are some salaries of some department staff who are directly related to the wildlife branch's activities and habitat development and protection would be covered there as well. But we can certainly provide you with a detailed breakdown of expenditures of those funds.

The Chairperson: — I'd like that, and also like to have from your perspective which gets the more money, the fish or the wildlife and is . . . well, answer the question and then I'll get another one.

Mr. Shaw: — I believe this would be my sense, although I haven't seen the figures for the year under review, but my sense would be wildlife habitat receives the majority of the funds but I don't believe that there's a huge disparity. But I'll come back to you with information broken down as you have suggested; you might like the information through fisheries, habitat and wildlife habitat.

The Chairperson: — Right. Include in that, if there

were land purchases for that. And related to that I had a question raised with me whether there was an opportunity for individuals to bequeath to the department or any department in government for lands that they wanted to have for wildlife habitat lands. And if you could at some point provide me with that information as well I'd appreciate that and then I'll pass that along to a constituent of mine.

Mr. Shaw: — Mr. Chairman, I'd like Mr. MacLennan to provide you with a preliminary answer to that question and we'll give you a follow-up later.

Mr. MacLennan: — We actually have a number of bequeaths of land in the wildlife development fund. A few were even made into game preserves. But there definitely is a method of accepting land under a variety of caveats through a bequeath.

The Chairperson: — What I would like you to do when you provide me with that information is provide me with details about how it could be done, the implications of the caveat, and whether the land actually transfers itself as an asset of the wildlife development fund, and whether you can operate on the basis of only a caveat in relation to that or whether you can transfer the assets.

Mr. MacLennan: — I would say one other thing is that in situations we've encountered where the landowner wants his land to continue in wildlife habitat but does not want it to essentially be transferred directly to the fund, the other organization is the Saskatchewan Wildlife Federation which has acres for wildlife. And I know that they have accepted a number of bequeaths which essentially is more of a long-term lease, or not really a lease because there's not money changing hands but the land is essentially bequeathed to them as an organization rather than to the government. So there is that other option as well. But I will definitely provide you with the information on it.

The Chairperson: — Okay. The individual also wanted to know whether the fund had permanence. And he raised the point with me about some bequeaths that had been made to the university for a long period of time and then had been sold. And I don't know whether that's a fact, but that's what his concern was, that once it had been given to the fund, that it would not then move out of that and the permanence was part of what he wanted to know about.

The other question I have in relation to the wildlife development fund is, are any of those monies taken in with licences? Is that a part of where this money comes from?

Mr. Shaw: — All of the money comes from the sale of licences. In fact statutorily, 30 per cent of the revenues which the province takes in from the sale of licences flows to the fund and is a source of funding for these projects.

just some preliminary information for you, Mr. Chairman, from the statements of the fish and wildlife

development fund. In the year under review the expenditure was about \$3.4 million and it looks as though expenditure was evenly split between land purchases of about a million which is for wildlife habitat enhancement, which is wildlife 1.2 million and fish enhancement about 1.0. So it's about 2 to 1 in terms of wildlife habitat investment and fish habitat investment. But we will come back as you had requested with some specific details.

The Chairperson: — Okay, could you also provide the acres, the amount of acres that were purchased?

Mr. Shaw: — Absolutely.

The Chairperson: — The question I have regarding that is, is there any hunting allowed on those acres or do they have different parameters, rules?

Mr. Shaw: — I'll ask Mr. MacLennan to answer that one again.

Mr. MacLennan: — There is a variety of situations. There definitely is a large number of those acres that do allow hunting. There are some that are in game preserves and then absolutely no hunting at all. It depends on the situation. And as I said, on a bequeath situation if, for example, the request was that it be put into a refuge or whatever and no hunting be allowed, then that's what's done.

The Chairperson: — Okay. We haven't concluded item no. 24 as yet. Can I have the committee's perspective of what that item dealt with?

Mr. Cline: — I would suggest that, Mr. Chairman, that we note that the matter referred to has been clarified and resolved by the 1993 amendments to The Natural Resources Act.

The Chairperson: — Okay. Then I have room for more questions. If there are none, then I will ask someone to move that the hearing on the Department of Natural Resources be concluded, subject to recall if necessary for further questions. Mr. Sonntag.

I want to thank the department and their officials for coming here today and providing us with these answers. And then I will ask the committee to reconvene at 1:30 and we will proceed at that time with more business.

The committee recessed for a period of time.

Public Hearing: Department of Municipal Government

The Chairperson: — In heading for the discussion we're going to have this afternoon, I want to point out to the witnesses that we have before us of the Community Services department that you are required to answer the questions as they are given to you, and that no answer can be held against you in a civil action, and you have the same privilege as a member in this discussion. And any answer that you cannot . . . you're required to give the answers and any

answer that you don't have the information on here can be provided back to the Clerk's office with 15 copies and we will distribute it from there.

Mr. Reader, would you introduce your officials and then we will ask the auditor to speak to some of the issues in the overview that he has given from his report and then we will go into questions by the members.

Mr. Reader: — Thank you, Mr. Chairman. I'm pleased to introduce my officials. Ron Styles, the associate deputy minister, housing; Ken Alecx, associate deputy of culture; Bill Werry, director of the recreation branch is over here; Ron Davis, the assistant deputy minister, municipal services, is back here; Nick Surtees, the executive director of protection services branch; Larry Chaykowski, director, finance and admin.; and Don Harazny, director, human resources.

The Chairperson: — Thank you, and Mr. Strelieff.

Mr. Strelieff: — Thank you, Mr. Chair, members. Chapter 10 is the Department of Community Services, page 93. We note that the Family Foundation became part of the Department of Community Services during '93, and we've combined the two in the financial overview on page 93 which shows the range of management responsibilities that the department has to manage.

The next page, 94, paragraphs .04 and .05 set out the assurances that we provide about the department's management responsibilities. As you can see, there's a wide range of assurances in terms of how the department and foundation is managing their Consolidated Fund appropriations and revenues as well as how they are ensuring that the special funds and agencies set out in paragraph .03 are also managing public money in a prudent manner. As a result, the report in the remaining paragraphs focuses in on issues that we've identified as we've moved through in our examinations.

The first one relates to paragraphs .08, .07 to .13, which relates to compliance with The Fire Prevention Act and what happens to unspent revenues. The second range of issues relates to the administration of the Sask Lotteries trust fund where there's a number of issues related to the department's instructions to Sask Sport in administering that trust fund.

The next issues relate to the Sask Arts Board which begins on paragraph .38, which deals with some of the payroll and reimbursement of expense administrative practices and systems development.

The next range of issues relate to the Saskatchewan Centre of the Arts pertaining to how the board of the centre has carried out its responsibilities, the issues related to internal financial reporting, staff training, and a number of other administrative practices.

The next set of issues relate to the Saskatchewan Housing Corporation and that relates to the authority to initiate the home improvement program in 1986.

We question whether the corporation had the proper authority. Accordingly, ongoing interest rate subsidies in our view lacked authority. That issue has been in existence for a few years now with varying legal opinions to support different positions.

The last organization that the department oversees is the Saskatchewan Archives Board, and the issues that we point out there relate to late financial statements and inventory records of their equipment.

Now in terms of an update since this report was issued, we note that related to the Saskatchewan Arts Board, beginning on paragraph .46, we note that all of our recommendations pertaining to the Saskatchewan Arts Board have been resolved and those relate to paragraphs .46 to .49, .55 to .59, .63 to .65.

As far as the Saskatchewan Centre of the Arts is concerned, we note that most of the issues in our recommendations have been resolved, and those ones that have been resolved relate to paragraph .75, paragraph .80, .86, .89, .91. And the issue related to .96, recommendation in paragraph .96 is a compliance issue so it's an issue that because it's already happened, it can't be resolved.

The Saskatchewan Archives Board, beginning on paragraph .112, the recommendations in .121 and .122 have been resolved. The recommendation in .117 relates to a compliance issue on late financial statements.

On the Saskatchewan Lotteries foundation, which is near the beginning, paragraphs .14 to .37, we note that the department, recently the department has sent a letter of instruction to Sask Sport which is consistent with our recommendations. So we look forward to in the future that when we examine how those trust funds are managed, that these issues will not exist.

And that's a summary of our report. Are there any questions about it?

Ms. Crofford: — Yes, I don't know if it's appropriate, Mr. Chair, Mr. Strelieff, but I guess I'll raise the question that was raised in a previous discussion. When these organizations have their own independent boards, as I think the lotteries trust fund does have its own independent board, how do we get involved in the auditing of their reports? Is it because that money is considered to be public monies?

Mr. Atkinson: — Ms. Crofford, you're talking about the Saskatchewan Lotteries trust fund? As I understand, the Saskatchewan Lotteries trust fund is a fund established by the department or by regulation, and that fund is administered under a direction by the minister. It's administered by Sask Sport for the department. So in that context it's public money and is subject to audit by us.

Ms. Crofford: — Well maybe I will pursue that just a little bit because their board would have an auditor bring the report to them and they would scrutinize that. And then we bring it here again and we scrutinize

it again? Is that a fair representation then?

Mr. Atkinson: — I think under the regulations the department requires the Sask Sport, the person who's managing that trust fund, to report back to them. The requirements that they have, I would imagine one of them is to have an audited financial statement, and that financial statement should be given back to the department to show how they've administered that public money for the department.

Ms. Crofford: — So when our Provincial Auditor audits, is he auditing only that auditor's report, or do you go directly into the accounts of the trust fund?

Mr. Atkinson: — Mr. Chair, Ms. Crofford, for the purposes of this report we looked at the work that was done by the auditor who was appointed by Sask Sport to examine the lottery trust fund for the minister. So we looked at what that auditor had done. We didn't examine directly the accounts and records of the lotteries trust fund that were administered by Sask Sport.

Ms. Crofford: — Okay, thanks very much.

The Chairperson: — Any other questions of the auditor's office?

Mr. Strelloff: — Mr. Chair, members, with me today is Brian Atkinson. He's a senior person in our office and was responsible for the carrying out of the Sask Lotteries examination.

Mr. Serby: — Just one question, Mr. Chairman, to the auditor. Seeing that we're concentrating a bit on the Saskatchewan Lotteries trust fund, I note that you haven't indicated at all that there has been any recommendation or: — what's the right word I'm looking for here? — agreement as to addressing point .20, which is your recommendation alongside yourself and the department. My understanding is that there has been some work done in that area of which you were a party to. It is . . .

Mr. Strelloff: — Mr. Chair, members, recently, or I did say that recently the department has instructed, has sent a letter of instruction to Sask Sport, which is very consistent with all our recommendations. So in that letter of instruction they would deal with the recommendation in paragraph .20. We've looked at the letter of instruction and we're quite satisfied with it and hope that Sask Sport will adhere to the instructions provided by the department.

Mr. Serby: — So that includes, Mr. Chairman, then all of the recommendations?

Mr. Strelloff: — That's right. Yes, it does.

Mr. Serby: — All of the recommendations. Good, thank you.

The Chairperson: — We're going to deal with the first item as recommended by the Provincial Auditor on page 95, item no. .12. It says:

The Department should propose changes to the Act to end the need to set unspent revenue aside or the Department should set the unspent revenue aside.

Mr. Reader, would you have some comment on that explanation?

Mr. Reader: — Yes, thank you, Mr. Chairman. I think I'll get Larry to do that for you.

Mr. Chaykowski: — Those amendments have been made to The Fire Prevention Act and to the regulations to make that consistent, so that the fees are deemed to be a tax so that it's consistent. So there have been changes to the Act and the regulations.

The Chairperson: — And when did you do that?

Mr. Chaykowski: — The regulations came into effect November 5 of '93.

The Chairperson: — Okay, as we've been going along, we've been noting how we should address them in our review for the Legislative Assembly and does the committee have some observation about item no. 12?

Mr. Cline: — I think we should just note in our report, Mr. Chairman, that amendments were made in 1993 to The Fire Prevention Act and the regulations to comply with the recommendation.

The Chairperson: — Okay. The next section deals with the Sask Sport and it's been indicated that all of the recommendations have been dealt with under that section and I guess my question would then be: would that include item no. 20, .27 and .28 and .30? Okay. Could you address those for us, Mr. Reader?

Mr. Reader: — Yes, that's correct, Mr. Chairman, they are included and I would get Ken to speak to those.

Mr. Alecxe: — Yes, a letter was sent from the minister to the Sask Sport Inc. and they have agreed to send such financial statements and to arrange their financial statements in such a way as to comply with the Provincial Auditor's request.

The Chairperson: — And when was that done?

Mr. Alecxe: — That letter was sent in September.

The Chairperson: — September of '93?

Mr. Alecxe: — '93.

The Chairperson: — Is that sufficient, ladies and gentlemen of the committee, for the report?

Mr. Cline: — I think so, Mr. Chair. I think we should indicate that the department has instructed Sask Sport Inc. by letter, which is consistent with the Provincial Auditor's recommendations, to comply with the recommendations .20, .27, .28, .30, and .35.

The Chairperson: — Then item no. .46 under the Saskatchewan Arts Board; that item has been acknowledged as being okay and all the items to .65 under that. Is there some suggestion by the committee how those should be handled? Should we do that the same way?

Mr. Cline: — I would think so.

The Chairperson: — Okay. Then noted. Then we have the Saskatchewan Centre of the Arts; we have .75 and .80, .86, .89, .91 have been complied with. Has .96 been complied with, recommendation no. .96?

Mr. Reader: — Mr. Chairman, I'm advised that the management has complied.

The Chairperson: — Would you be able to give me a date on that when you received notice of that?

Mr. Alecxe: — We have a copy of a letter dated November 4, 1992, to the Hon. Ned Shillington with the response of the Centre of the Arts to the audit memorandum for the year ended March 31, 1992.

The Chairperson: — If the auditor doesn't find those things complied with then . . . like what we have gone through is a number of things that have been changed and you have left it at the discretion of the agency to respond in a positive fashion. Do you have any way of requiring them, other than their willingness to participate in that change? Are you going to go back and make sure that they do those adjustments that have been noted by you and the auditor, and make sure that they comply?

Mr. Reader: — Mr. Chairman, it is difficult for us to supervise the management of institutions like that. It hasn't been classic in the past that we would do that. I think that we would rely on the auditor's statements to ensure compliance. But we have assurance in that letter that they have and will comply.

The Chairperson: — Okay. Do we have an observation by the committee in relation to items under the Saskatchewan Centre of the Arts?

Mr. Cline: — Note, Mr. Chairman, that the recommendations have been complied with.

The Chairperson: — Okay. Then we have Saskatchewan Housing Corporation and the item of recommendation is no. .108: Sask Housing should propose a change to the Act to clarify this matter. And would the deputy minister relate to us the position that the department is in in relation to that.

Mr. Reader: — Thank you, Mr. Chairman. With your indulgence, I'll have Mr. Styles speak to that.

Mr. Styles: — The most recent call for legislation, we put forward proposed amendments to the Act to remedy the situation. The proposals were not accepted by cabinet in the context of the upcoming

legislative session. We would endeavour to take it back in the next session, probably the fall sitting, if there is one.

The Chairperson: — So this matter has been postponed for the '94 session; is that the way I understand it?

Mr. Styles: — Only for spring session.

The Chairperson: — And so it hasn't been acted on. Can you give us some detail as to what it is that we're speaking about?

Mr. Styles: — There's been disagreements I believe for about six years now, between our legal advice and legal advice provided to the Provincial Auditor's office on whether or not our objects are broad enough to encompass the home improvement program we started in 1986.

Given that disagreement, there was no move to act on changing legislation until about a year or year and a half ago when we began to have a look at the objects. We're actually looking at a broader change to the legislation governing the Saskatchewan Housing Corporation in a number of areas. This would simply be one of those changes.

The Chairperson: — Okay. Are there any questions by members, of this issue? Does the committee have a view as to how this should be put in the draft of the recommendations to the Assembly?

Mr. Cline: — The auditor notes that this was reported on in 1990 and 1991. And I'd like to know what the committee decided in those years, if anything, when it was discussed at that time.

I see at page 241 of the reports, minutes and verbatim, vol. 26, Mr. Van Mulligen says:

Can we perhaps take the position on this one that the committee notes the concerns of the auditor and also notes the government's position and certainly encourages the government in future where it's contemplating programs to ensure that these are clearly provided for in legislation.

And I take it from the transcript that that position was basically agreed with. So we might note that the committee did deal with this same question before and covered it in a subsequent report to the legislature. I don't know which report that would be, but the Clerk . . .

Mr. Vaive: — It might be the committee's last report on the auditor's 1990-91.

Mr. Cline: — Yes, and I wonder if we shouldn't make reference to that, the fact that the committee reported, and say that the matter appears to still be outstanding.

The Chairperson: — Okay. Would the committee find agreement with that? And would you give us that page

again, Mr. Cline?

Mr. Cline: — Yes, it was page 241, which is November 26, '92.

The Chairperson: — Okay, we'll note that and do it that way.

The next item is under the Saskatchewan Archives Board, item no. .117, and that deals with the statement that, recommendation:

The Board should prepare and submit its financial statements to the Department of Finance by the required date.

Does the deputy minister have an observation about that?

Mr. Reader: — Yes, Mr. Chairman, I think I'll get Mr. Alecxe to report on that.

Mr. Alecxe: — They have their statements prepared by the University of Saskatchewan. Because of that . . . or the University of Regina, I believe. Because of that difference in year ends, they've had difficulty in providing statements to the Provincial Auditor within the time frames required. In order to overcome that they have instituted some accounting software and done some things to speed up the process administratively that they think will ensure that such statements are provided on time and will comply.

The Chairperson: — Okay, if there is no mention of it next year, we probably will note that that's what's happened. Do we have agreement by the committee that we accept that observation as the legitimizing of .117? Okay.

Then we have the item no. .121 and item .122 which have been noted that they have been acted on by the department.

My question to the members then, are there any other questions that relate to the Community Services that are outside of the purview of the direct report of the Provincial Auditor that you would like to address to the deputy minister and Community Services branch?

Ms. Crofford: — One question under the Sask Arts Board, .39 on page 99, what are the sources of revenue for the board? It mentions the Arts Board revenue. What kind of revenues does the Arts Board have?

Mr. Alecxe: — The Arts Board has revenues through rental of its collection. It has a substantial permanent collection that it keeps in trust for the public of Saskatchewan and that is rented out.

Ms. Crofford: — So that would sort of be the main . . .

Mr. Alecxe: — That's the main source of revenue. There are also some donations.

Ms. Crofford: — And the one other question I had was

under . . . well it's way back here under page 94, .03.

The Department and the Foundation are also responsible for the following special purpose funds and crown agencies:

and I just wondered, New Careers Corporation, is that still under that wing or has that moved now?

Mr. Alecxe: — No. It's not under us, no.

Ms. Crofford: — Okay, thanks. That's all, Mr. Chair.

The Chairperson: — Any other questions? Then I would have the committee give me the motion to deal with this as soon as I find it, the motion to . . . I have here:

That the hearing on the Department of Community Services be concluded subject to recall if necessary for further questions.

Do I have a mover? Mr. Serby.

I want to thank the deputy minister and his officials for their time that they spent here today and their preparation for their work for the committee and go back out into the cold.

The Chairperson: — Ladies and gentlemen of the committee, we are going to await the arrival of the Gaming Commission and they will be here as directly as they can. They were scheduled for 3:30 so they will . . . I have an observation by Mr. Van Mulligen and Mr. Kraus.

Mr. Van Mulligen: — I want to go back to Agriculture and Food and just to reiterate the point that I made this morning and whether or not that might form part of the report to the Legislative Assembly. The committee noted a concern about the accountability and reporting relationships of I believe it was some nine funds which are nominally administered or receive administrative support from the Agriculture and Food Products Development and Marketing Council, in view of the fact that the source of revenues for these boards comes not from government but from producers, and in view of the fact that producers elect the boards to run those boards.

The Chairperson: — I think your observations are reasonable to include. However I just want to make one observation about this. Some of these are almost brand-new and some of these are cutting new turf with . . . and I'll use the sheep marketing one as an example. There are a lot of people who do not like that. And yet the majority of the people who voted for it do like it.

Then we have an ongoing problem that they didn't convince enough people that they were doing good enough jobs so they withheld their fees or their . . . for whatever reasons, those were some of them. And so what do you do in relation to that?

Or you've got the vegetable marketing group, which is

a very small group and doesn't have a whole lot of money to work with. So who puts that together for the department? My personal suggestion would be that the department organize an internal audit that deals with that and then have the council supervise that. But that's only an outside observation.

I'm not sure that the auditor would agree with that but he's here and he can make his own observations. And then we'll go to Mr. Kraus on another issue probably.

Mr. Strelloff: — My understanding is that the department is examining the accountability relationships with the department, the council, and the boards that are set up. And if they can be clarified that's . . . it's not really the accountability relationship. The council helps these boards ensure that they manage well. And by bringing that to their attention, that helps ensure that the council does their job. And yet each of the boards are accountable to a separate community. And that's an important part of their responsibilities as well.

Mr. Van Mulligen: — Some would say because they fund it, it's the primary responsibility.

Mr. Strelloff: — But also as a legislature, you've assigned the responsibility to the council to make sure that they oversee these boards.

Mr. Van Mulligen: — Right. So I would have concerns about the council and make sure that it was operating as it's intended to do. But it doesn't necessarily follow then that I would of necessity do an audit of each of these groups and have their financial statements privy to the Assembly.

I mean, for example, one of the other functions of government, whether it's the Provincial Secretary or the Department of Justice, we grant status to various charitable organizations and membership organizations to enable them to conduct operations and activities within the province, pursuant to which they have to file an annual statement along with some audited report and the like, and therefore I guess the Provincial Secretary has some responsibilities to make sure that these groups abide by these regulations.

But it doesn't then follow that in pursuit of that, that every organization, every charitable organization, must then be audited by the Provincial Auditor and have financial statements submitted to the Legislative Assembly so as to satisfy ourselves that they are in fact operating in accordance with the regulations and the rules as laid down by the Provincial Secretary.

Mr. Strelloff: — Is it your main concern that we're examining them or that they . . .

Mr. Van Mulligen: — Both.

Mr. Strelloff: — And that the financial statements . . .

Mr. Van Mulligen: — Yes. I view it as somewhat excessively proprietorial and paternalistic.

Mr. Strelloff: — Boards have asked us to examine these things, in terms of motions of these boards, and also there's an order in council on one of these things that asked us to examine them. So we're not sort of out there doing it on our own; we have been requested . . .

Mr. Van Mulligen: — Yes, I know, and I don't say it just necessarily . . .

Mr. Strelloff: — If boards want to hire firms and spend their money that way, fine.

Mr. Kraus: — I guess where I was coming from . . . Was it this morning we were talking about that?

A Member: — Yes.

Mr. Kraus: — Yes, it seems so long ago. These things aren't necessarily that well thought through even by the departments, in all fairness. And if they sat down and thought it through they might agree there is an accountability, of course, from one group to the other.

But again, are these individual marketing boards accountable to the legislature directly? As we have talked about, there's departments providing funding to many organizations, whether they're school districts or an arts board, in turn to a charitable organization and I don't think you would expect that these different layers as you go down in the funding would all be accountable back up to the legislature. I mean they're accountable back to the people that provide them with the monies and in some cases that's as far as it goes, and/or they're accountable to their constituents, whoever they might be.

And I would think that if Agriculture thought it through they might not agree or not think that what is happening now is appropriate. I still think there has to come a time when the department's responsible to make sure that the council is doing its job and there is proper accountability from the council to the department. But for the department to go beyond that, again I would agree it's probably paternalistic. It may be a waste of taxpayers' money and so on. I don't think people have necessarily sat down and given it enough thought, and that's not a criticism; it's just sort of a fact.

The Chairperson: — There's another point that I would like to raise. It's one that was raised by Mr. Scott this morning in that the boards have a significant amount of power and they each can use that power and the council must in its own way make sure that that power isn't used to excess or that it is also living up to its requirement in the power that it has delegated to other sectors.

Now that is also a part of what I see and not extending itself directly into finances, but it can express itself in finances in relation to that board that the council is responsible for.

And you can see that in the sheep one, you can see it in the vegetable one, and you can see it in the building of the canola one. They have more money and they

can hire people to do the kinds of things . . . and they have more people included in it, but they also have the power to impact a greater group of people.

So that's a part of what they need to be checked up on. And I agree with Mr. Kraus that they should delegate that responsibility to them and then . . . that's not only implied but it's told; you live up to these standards and requirements. And then it will flow through that their accountability is in their power and in the compliance to that power and in the finances. At least I would see it that way.

Mr. Van Mulligen: — It just struck me as an odd arrangement that a body which is funded by its own members as distinct from government, whose activities are governed by a board which are elected by them, but somehow it follows that their financial statements should end up before the Legislative Assembly and that we would somehow be involved in auditing their books. It just doesn't . . .

The Chairperson: -Well from historical background

Mr. Van Mulligen: -Yes. Well there was a time when we appointed the representatives to administer. And I can see there would be some reason then, inasmuch as we appoint, that maybe we should keep an eye too on the spending of those activities.

The Chairperson: — On the cattle marketing deductions one, that is appointed by the government. But they've got, I would say, 25 to 35 years of experience in dealing with the issue. Some of these others have not. And that's a part where I see the role of the auditor in establishing some of the criteria, that he did set the pattern for them to achieve. And that maybe should be done to the council and saying, live up to your responsibility.

If it would please the committee, we could probably recess for a brief time, and then when the Gaming Commission appears on the scene we will discuss with them the report of the auditor.

Oh, and Mr. Kraus has another item. I'm sorry.

Mr. Kraus: — I'm sorry to hold the committee but I had heard mention again yesterday of capital assets or public assets or the government's assets. And I know most of you have seen this; it's a document going back to '57. It's called "Changes in the Form of Accounts". But there is a small section — and I've taken the time to highlight the section in each one of these; I'd like to hand it out to the members if I could — which explains what capital assets are or fixed assets are in government context and why it's been determined for a good long time why you shouldn't record them on the balance sheet of governments.

And this issue is going to become a very major issue for governments. The Public Sector Accounting and Auditing Board has a project under way. I don't think anybody denies that capital assets could be accounted for perhaps in some different ways. But I

have this feeling that there are quite a few people, including accountants — depends on which side they're on of the issue — think that these things should be put on our balance sheet and depreciated. And there are many people who would like to see it there because it would eliminate the accumulated deficit and, wouldn't it be wonderful, we wouldn't have one. We could go out and borrow more money. We don't have a problem, I guess.

But the point is this thing lays it out fairly clearly as to why you want to think twice about doing that. And just because it was written in '56 or '57 doesn't mean it still isn't as good today as it was then. So I'd just like to distribute this thing. You may have it, but I just highlighted a few paragraphs for you.

The Chairperson: — Thank you, Mr. Kraus. I'd appreciate that.

Mr. Van Mulligen: — Like those freeways in L.A.? Are they assets now or liabilities?

Mr. Kraus: — I think they've hit the liability category.

The Chairperson: — We'll adjourn until the Gaming Commission gets here which . . . they've been phoned. They'll be here directly.

Mr. Van Mulligen: — Directly?

The Chairperson: — Well that's what they told us.

Mr. Van Mulligen: — By 3?

The Chairperson: — I expect so.

A Member: — Adjourned to 3 o'clock?

The Chairperson: -Well, try and be in here before 3.

The committee recessed for a period of time.

Public Hearing: Saskatchewan Gaming Commission

The Chairperson: — I want to bring the meeting to order again and I appreciate the fact that the Gaming Commission updated their schedule to accommodate us and I want to say, at the beginning, that there are a number of things that I need to make you aware of.

And the one is that when you are asked a question, you are required to give an answer. You are, in that same option, protected under the same rights of privilege as a member of the Assembly and civil action cannot be taken against you in relation to that information that you provide. And any questions that are asked and you want to provide a written answer to, we ask that you supply 15 copies to the Clerk's office and then they will distribute them to the members of the committee.

We first of all have . . . I don't know whether Mr. Innes is the head? Mr. Nystuen is going to . . . Would you introduce your officials and then we will go from there.

Mr. Nystuen: — My name is Gord Nystuen. I'm the acting president and chief executive officer of the Liquor and Gaming Authority. On my right is Dave Innes; he is our vice-president of licensing. On my left is Dick Bailey. He is our vice-president of corporate services; and on my extreme left is Colleen Laing. She is our manager of financial services.

The Chairperson: — The auditor will outline some of the issues that he's raised with the Gaming Commission and then we will deal with the items. At his conclusion, we'll deal with them.

Mr. Strelloff: — Thank you, Mr. Chair, members. Chapter 26, page 217 deals with the commission's activities in March 31, 1992 when they were a standalone organization. As you know, they're now folded into the operations of the Liquor Commission, the Liquor Board.

The first paragraphs deal with the . . . paragraph .03 deals with the assurances that we're providing you as of the year ended March 31, '92; that their financial statements that are provided to you, you can rely on; that they've complied with all significant financial authorities except for the matter that we reported in paragraph .08; and that their controls as a commission are reasonable except for the matter that we reported in paragraph .13.

So paragraph .04 to .08 deals with, in our view, the commission is collecting a commission of 2 per cent on the value of cash and non-cash prizes and our understanding of the legislation is that they should be collecting a commission of 2 per cent on cash prizes only. That's the substance of the recommendation in paragraph .08.

And then in paragraph .13 and the preceding paragraphs we express concerns about the commission's ability to ensure that the returns they receive from licensees are accurate and that the licensees use the proceeds for authorized purposes only. And we are suggesting that the commission establish audit procedures to look more rigorously at the accuracy of the returns and what the licensees are . . . or the gaming proceeds are being used for. And that's a summary of our chapter.

You may want to ask the commission to explain or to outline some of the issues they face in terms of having to manage those issues well to be successful in the future. Thank you.

The Chairperson: — We will deal with the items as they've been presented by the auditor. The first one deals with:

The Commission should establish rules and procedures to ensure it applies the license fees prescribed by the Regulations.

And I'd like to ask the president of the Gaming and Liquor Commission to outline what if anything has been done in relation to those items.

Mr. Nystuen: — I guess with reference to the issue of the cash prizes versus all of the prizes, firstly we have taken the necessary steps to change those in regulations so it now does reflect both cash and non-cash prizes.

In discussing this issue with staff, apparently the intent in the past has always been that we would assess the licence fee on all prizes, not only cash and non-cash. So this was consistent through time. And indeed we've made the change now.

In context, the magnitude of this question referred only to the raffle prizes and not bingo and break-open tickets and those other gaming, I guess, opportunities. And raffles reflect largely only 3 per cent of all of the gaming activity in the province at this time.

The Chairperson: — Any questions from the committee? Is your suggestion that raffles were the only ones — that's 3 per cent . . . have you got a volume of dollars that that . . .

Mr. Nystuen: — Yes we do. With regards to the fiscal year in question, the prizes totalled \$7,074,435 under raffle.

The Chairperson: — And you collected the 2 percent fee for that 7 million?

Mr. Nystuen: — Right. The nuance that was different is that some raffles had prizes of cash and cars or a quilt or whatever. Indeed we collected fees on the value of all of the prizes; whereas the regulation . . . the auditor deemed that it was only on cash prizes that we should have been collecting those fees.

The Chairperson: — The \$7 million has to do with the value of the prizes, not with the amount of money returned to . . . or the consequence of the 2 per cent?

Mr. Nystuen: — Right. The total fee collected was \$167,834.

The Chairperson: — Okay. Any questions of the members? How do the members perceive that we want to handle this one?

Mr. Cline: — We could indicate, Mr. Chairman, that the commission has seen the regulations change to comply with the recommendation.

The Chairperson: — Okay. I think that may be in reverse to what the implication of the regulations . . . I would read this that the regulations be changed to the . . . as it applies to the licence fees, that it's somewhat different perhaps than what you suggested. I . . .

Mr. Cline: — Well the way I . . .

The Chairperson: — But I'm not sure that I disagree with what you're saying but that . . .

Mr. Cline: — I think the point is, or my point would be, Mr. Chairman, that the auditor says the

commission should establish rules and procedures to ensure it applies the licence fees prescribed by the regulations. But I assume that if the regulations change, as long as the commission is complying with the regulations, that that is the main concern here. And so although they've dealt with the matter by altering the regulation, it seems to me that the point is they're complying with the regulatory requirement.

The Chairperson: — Did the . . . when did they change the regulations to comply?

Mr. Nystuen: — July 21 of '92.

The Chairperson: — July '92. Okay. And since then you've been operating on the basis that you have the authority to collect for all the prizes. Is that correct?

Mr. Nystuen: — Right.

The Chairperson: — Okay. We can do that, Mr. Cline, and that one is dealt with.

The other one deals with item no. 13 — the commission should establish audit procedures to ensure the accuracy of licensees' returns and to ensure licensees are using gaming proceeds for authorized purposes. The response from the Gaming Commission.

Mr. Nystuen: — We have done a number of things to directly respond to the purpose and use of funds, most directly with regards to the audit function. We have made a staff position and filled it as of January of '93 of an auditor that would fill this role of ensuring that the returns are indeed accurate and do reflect not only the amounts of money but also the purpose of the funds.

Secondarily to that, as of July 1 '93, the Liquor and Gaming Authority . . . or the Gaming Commission and the Liquor Board have joined together. The Liquor Board also has auditors, so we have a significantly larger audit department that can also overlap into this area and provide these services.

The Chairperson: — Ms. Haverstock has a question.

Ms. Haverstock: — I understand that you have improved the situation as far as the purpose and use of funds. But my question goes back to something that I raised some two years ago — that the whole premise upon which these audits are based is that the information that one is starting out with is accurate. And that's what I have had the greatest concerns about.

I asked questions and have continued to ask questions about the audit control procedures of the Gaming Commission. And I guess what I'm looking for today is some reassurance, because I would like to know that some of these concerns have been taken care of at the beginning stages so the numbers being dealt with are correct.

In order to accurately assess the precise revenues collected at, for an example, a bingo event there must

be first and foremost a foolproof inventory count of any bingo paper in the hands of the operator. Any audit performed without this information is going to have to rely entirely on the integrity of the person supplying those initial inventory figures.

I want to know what your commission has put in place to ensure that a complete inventory control exists and perhaps you can explain when and how this was implemented and at what cost.

Mr. Nystuen: — With regards to the questions about bingo halls, certainly there is a significant concern about the accuracy of reporting. The procedure that this administration has undergone to ensure that indeed the information at the bingo hall is as accurate as possible began in the fall of 1992.

At that time there were steps taken to create something called a bingo association model where we were in a period of transition from having a private hall operator largely manage and conduct the game that was deemed to be unlawful by the Keystone case in Manitoba, where we instituted a structure that very similarly follows with the model run by the K of C (Knights of Columbus) charities in Saskatoon where the charity themselves are in management and control of the facility and indeed all the gaming.

That was the first step in order to try to lend significant more comfort with regards to the numbers that are achieved in bingo halls, and does this accurately reflect the business that's carried on there.

At that time, or during the past year from October of '92 until October of '93, we have been working as the Gaming Authority with those charity associations, making sure that they do have firstly a democratic structure, that they do represent the interest and benefit of their members, providing them with information about how indeed the management of a bingo event and a hall works, so that they can better reflect and be of their own, I guess, confidence that the numbers that are being achieved in their hall are indeed accurate.

The second phase to that was this fall when we instituted some further alterations to the situation. Largely the alterations that we looked at this fall dealt with the contract and services between the charity associations and the private management companies that have been providing some services to them. Those contracts are still in the negotiation phase and haven't been finalized.

But largely what we have been doing is aiding the associations to draw more and more of the authority that the Keystone finding in Manitoba states that they must have, back into their realm of control.

Part of the discussions that we have, also began since November, is some standardizing with regards to pricing and inventory controls with regards to bingo paper in the halls. It's extremely difficult to have inventory controls and have those reflect to the dollars out the other end of the bingo hall if you don't have

some pricing mechanisms that does not allow free bingo paper to be given to customers. Because then you'd say, well this is the paper we had but we gave it all away. How do you reconcile that?

So we put in a number of those steps to address the issue of precisely who is in control, what is their interest with regards to being in control. And secondly, how do we reconcile the fiscal amounts achieved in the hall with regards to inventory.

Ms. Haverstock: — Perhaps we can walk this through a couple of steps so I know whether or not I've had an answer to my question. Do we in Saskatchewan, or do we not have a technical inventory control system for bingo paper?

Mr. Nystuen: — The technical mechanisms which we've been using are, firstly, that the rules outlawing the duplication of bingo paper have also been instituted. And then further to that we have control mechanisms with regards to the requirement of serial numbers and then consecutive selling of serial numbers. So that in any one instance, if we were to show up in a facility, we'd be able to know what they have had in inventory, how the paper has been distributed, and indeed their reconciliation with regards to serial numbers on what they should have versus what they have gone through, reconciled to the fiscal amount that they've said they had gained in their facility.

Ms. Haverstock: — Can you tell us at any given time how much bingo paper there is at any particular bingo hall, and what the numbers are — the serial numbers are?

Mr. Nystuen: — We currently do not have a mechanism that registers the inventory of all sales from suppliers in Saskatchewan to bingo halls.

Ms. Haverstock: — I guess that's the point I'm trying to make. We're not talking about \$1,000, \$10,000, \$100,000 — we're talking big, big dollars here. And in B.C. (British Columbia) they have a technical inventory control that can tell you right from the manufacturer straight through to the bingo operators, and can keep track at every given moment what paper has been used.

And I guess this is something I raised a couple years ago, and I'm rather curious as to why it hasn't been addressed. Because it can't be addressed in here. I mean it hasn't been addressed in part because I don't think that people understand the intricacies that are involved with being able to make sure that this kind of internal workings . . . it has such an impact on whether or not monies are being appropriated. It all equals money in the end.

And I'm wondering, you're talking about associations, rather than physical counting of inventory, are controlled by your Authority. And I guess I'm wondering, after this period of time, why that hasn't been put in place.

Mr. Nystuen: — I guess most certainly one of the pieces that we have dealt with — and I don't want to underplay the significance of this change — is moving from a private hall operator whose profit significantly is affected by how much of the gaming revenue is reported or not. Indeed, with the amounts of licensing fees that we have had remitted to the government since we have been more closely following the play and the regulation of the industry, suggest that in the past certainly there may have been lots of sales going on before unreported. I don't want to suggest that there are . . . the system that we have in place is foolproof because I would defy any system to be that good.

The question about whether or not we should have from supplier to gaming establishment control and inventory is an aspect that we have looked at and most certainly is one that I think that we'll be pursuing in the near future. One of the questions that comes to ourselves in this matter, though, is we have a number of suppliers in Saskatchewan and is there a bias from one supplier to the other by putting in controls of this nature?

The previous administration had a similar problem that existed with regards to Nevada tickets, is that it was very difficult to control the number of Nevada tickets sold in this province. So what they did was they created a monopoly and contracted it out to a private supplier to garner the kinds of controls for that system that is required in this gaming industry. Indeed we are currently looking at that model as well.

I don't want to say that we don't believe that there is a concern. It's just a matter of addressing it in a fashion that we can decide which is the most appropriate format to solve those concerns without undue stress on the industry.

Ms. Haverstock: — Well I guess this begs the question, are you in control or not? And that's really what this is about, it's about being accountable for all of this flow of monies. And what falls from that question, what follows from it, is, you know, how much revenue is being lost while your department is trying to figure out what to do?

And you use Nevada tickets — I don't want to get distracted here — but you use Nevada tickets as an example and that's like comparing apples and oranges because it has not changed; that policy has not changed under your administration. There is still only one supplier in the province of Saskatchewan for Nevada tickets and they don't have serial numbers.

So what we're talking about here is being able to keep on track with accountability from beginning to end. And since it's done in other places, I'm wondering why it is not done here.

Did I hear you correctly in saying that this is something which is being addressed by government after two years and whatever and that indeed it will take place? Because if I may, I'll quote; I won't quote myself but I will quote the Hon. Mr. Mitchell, who

held the position as the minister in charge, and he says:

The system is a reporting system, the reports being made by the charities as a condition of their licence. And we accept them at their word, and we accept that the figures that they give us are correct; and the numbers that we report, that we have, and the revenues that we accept are on the basis that these reports are accurate. That's how we've been working it up to now.

And that was in February of 1992. So is that how we are still operating?

Mr. Nystuen: — I guess there's a couple of questions that certainly we should address. And one is that previous to October of '92, there was only, I believe, one hall in Saskatchewan that was being run by a charity, where indeed the management and all of the decisions and all of the paper and inventory controls were being controlled by the charity that has been authorized by the Criminal Code to carry on this gaming activity.

In all other instances we had — other than municipal bingos which are only a part-time event — we had private hall operators that aren't authorized by the code to carry on bingo and largely we're in control of all of these operations.

What we have seen in the last number of years is moving from that model of having private hall operators largely run and control the game and control the inventory of paper to last year when we had the inventory and control of the paper was now the responsibility of the charities. I believe those are the remarks that the minister, Mitchell, was referring to.

Further to that, we are looking at other mechanisms by which we can facilitate the industry. And one of the questions that you haven't asked, but is relevant in why this has not merely happened as quickly as what you may see is in order, is that in the bingo industry the current technology has something like only 10,000 different random faces available. The randomness of the game and the ability of players to compete for the prize is dictated by the 10,000 faces. If there are 10,000 faces out on an event, certainly you'd have a winner.

What we are also looking at is how we would structurally change with the computer systems that exist today to have more than 10,000 random faces, which would again increase the ability of any player at any given time to win the event. And that's one of the other pieces to this puzzle that we're trying to incorporate into the whole question of paper and inventory control, because largely there isn't a printing company in North America that deals with anything other than the 10,000 faces.

And what we're seriously looking at is can we bring this kind of industry to Saskatchewan where we would

be offering bingo paper in a fashion such that we might become a supplier to other markets outside of our boundaries in an economic development fashion. And indeed this just doesn't happen as quickly as one might like.

Ms. Haverstock: — Just go back for a moment and make comment on something that you said. You said that this is now the responsibility of the charities and I'm suggesting that as far as Public Accounts is concerned it's the responsibility of the Gaming Authority.

One of the things that has happened and is happening in other parts of Canada — and I'll use British Columbia as an example again — they have the system I'm talking about. It was developed by Saskatchewan expertise, that system that we're talking about that British Columbia uses, which I put forward to you and I feel like I'm still kind of waiting for an answer.

I want to know why there can't be reporting that goes on on a daily basis to the Gaming Authority from every single hall, because that can be done in British Columbia. I want to know why there can't be balances provided with suppliers, because that goes on in another province, and on-line computer systems controlled by you, the Gaming Authority. That's what goes on in another province as we speak. And I just would like some assurances that it's going to happen.

Mr. Nystuen: — I guess with regards to the issues that you put forward with regards to on-line computer systems and the control that they offer in daily versus weekly reporting, because it's weekly reporting that we get right now, the question that we have to ask for ourselves is, is there a material difference in the numbers that we get from daily reporting versus weekly and is there something that's happening and why weekly or daily is better.

The question about the electronic gaming devices and the electronic bingo that British Columbia has, the Department of Justice tells us that under the Criminal Code, for this to operate it be a necessity that the government owns electronic gaming or bingo machines.

We have had interest in this province to look at that kind of model here. The question that we have is, is it a good use of our funds as government to go into another form of electronic gaming and change away from bingo, or from bingo and paper?

A side issue to that also is the effect from British Columbia, is that they say that yes, we do have some electronic bingo, but that only takes up maybe 10 per cent of the bingo market because many of the players still want to play on paper. So if we're duplicating a system, what we have to be certain of is that there is a need to duplicate and that there's some portion of the market that will be incremental in sales for this to happen.

And then the second issue about the responsibility of

the charity association is indeed the Criminal Code outlines that charities can be licensed to run gaming events. Indeed they have a responsibility once they have that licence to carry on that game within the confines of the Criminal Code. Our responsibility is, to the best of our ability, to make sure that they are complying with that code. And indeed we have done some significant things, I believe, in the last couple of years, to ensure that they are more in parallel with that code than they ever have been in previous time. However to say that we are in complete satisfaction that we have the kinds of controls in our system today, you know, there is always room for improvement.

Ms. Haverstock: — Well I guess we'll have to disagree on one thing here. I am mostly concerned with accountability; that's what we're really talking about here. And in B.C. they are not primarily into electronic bingo. What I am concerned about and what I have been raising is about bingo paper, which is what I've been using as an example in B.C. is regarding bingo paper, not electronic bingo.

And I'm talking about an inventory control system which is tracked by computer. And I'm thinking that after this period of time I don't understand why the Gaming Authority has not taken responsibility to ensure that we have a better system in Saskatchewan. There's been ample time. We've had a lot of expertise from our own province that has gone elsewhere. I'm sure that they're all located there now.

And I'm just wanting some assurance that this is going to be dealt with because my question was . . . in fact I go back to my original question: what have you done to put in place an assurance that the complete inventory control system exists; and can you explain when and how it was implemented and at what cost?

So I can assume from what you stated to me that there's not a complete inventory control system that exists, therefore it has not been done. You can answer when and how and we won't know the cost because that hasn't been done. is that correct?

Mr. Nystuen: — What I might say is that we have addressed certain areas of inventory control, one being the consecutiveness of the serial numbers with regards to whether we have every vendor of bingo paper in Saskatchewan as having an inventory control and have them fire their inventory or their sales records to us. That is not yet complete. We most certainly can look at that in the near future.

Ms. Haverstock: — I'll have one final comment, and I thank you for taking the time to have this repartee with me.

When we have evidence of members of charities in the province of Saskatchewan being charged with theft and fraud — people who worked as licensed inspectors, for example, for the Gaming Commission is what we're talking about here — doesn't this underline the need for foolproof controls?

Mr. Nystuen: — Gaming is an industry that has a

tremendous amount of cash moving through it. The system that any jurisdiction puts in to ensure that cash is not easily accessible to individuals who have either no authority but also individuals who have abused their authority, is always extremely difficult and it is very laudable to ever achieve a perfect example.

My history comes from the banking industry. I worked with the Bank of Montreal. We had absolutely onerous controls with regards to safeguarding of cash. We still had people who would steal thousands and thousands of dollars annually from our system.

What you need to do in this industry, as in all financial industries, is the utmost that you can to protect the interest of the charities, of the government revenues at source. But there is a limit to the amount of money that you can spend in having people watch watchers.

And indeed we are moving in a direction to provide what we think is increased safeguards for the government. And indeed the collection of our fees during the last year with a level . . . or a stagnant growth in the number of dollars in gaming but in higher collection fees, I believe is a tribute to the work done by the people in our organization in enforcing the rules and also in collecting the licence fees that are due to this organization.

Ms. Haverstock: — I guess that's really what I've been talking about, is utmost controls. And I am under the impression that the utmost controls have not been put in place for the protection of the people of this province, and that's why I'm raising this.

I do have one final question. I want to know if you indeed have had proposals put forward to deal with this particular issue.

Mr. Nystuen: — With regards to the control of bingo paper?

Ms. Haverstock: — Yes, inventory controls.

Mr. Nystuen: — We have had a proposal put forward to look after this by a third-party group that would see a significant amount of profit flow from this enterprise to that third-party group. What we have communicated to them is that there are many issues around the control of bingo paper. And prior to awarding any contract to a supplier to grant them a monopoly, that we would firstly need to decide what the parameters of their work would be, and then further to that, make that contract available to other people who may have the skills and ability also to provide that service if the government so chose to go to the market for that.

Ms. Haverstock: — Have you asked for submissions then?

Mr. Nystuen: — No we haven't.

Ms. Haverstock: — Why is that? You haven't worked out the parameters yet?

Mr. Nystuen: — Because as I said earlier we aren't that far in the process to be in a position to ask for a submission.

Ms. Haverstock: — Okay. Well I'm interested in knowing when you're going to do that, because I think the whole gaming issue is one which is very sensitive, and I don't have to tell you about it. But it's things like this that make it particularly sensitive. I mean there are lots of people in the general public who happen to know how the systems have been misused and abused. And I think it's incumbent upon the Gaming Authority to be able to ensure that these potential problems are addressed. When you talk about utmost controls I'm under the impression that we're not there yet by far.

Thank you for your time.

The Chairperson: — Any other questions? I have a couple. How many suppliers of bingo paper do you have?

Mr. Nystuen: — I believe we have three that are still in business. One of them has control of . . . well, control of the market — has something like 80 to 90 per cent of market share. And then we have a couple of small, peripheral suppliers who are in and out of the business.

The Chairperson: — How many forms of gambling have we got in Saskatchewan?

Mr. Nystuen: — Forms of gambling? Would you be referring to raffles, bingo?

The Chairperson: — Right.

Mr. Nystuen: — I believe there are five. There is raffles, bingos, we have exhibition casinos, we have Nevada tickets, and VLTs (video lottery terminal). Horse racing as well — so six.

The Chairperson: — Six. How many dollars, going back to the year under review so that you have some specifics, how many dollars applied to each one of them?

Mr. Nystuen: — In bingo, 125 million. Raffle, 15.5 million.

The Chairperson: — 15?

Mr. Nystuen: — 15. Casino, 36 million. Nevada tickets, 94. And there were no VLTs in the year in question.

The Chairperson: — In the year under question, was there anything in the horse racing?

Mr. Nystuen: — The Gaming Authority isn't responsible for the horse racing. I could give you a rough estimate. It is something like 17 to \$20 million.

The Chairperson: — Okay, how many dollars does the government get in return for all of this activity?

How many dollars do you receive as revenue?

Mr. Nystuen: — The licensing fees for the year in question are 5,018,974.

The Chairperson: — Under the 2 per cent, how much do you receive?

Mr. Nystuen: — The 2 per cent on . . .

The Chairperson: — Bingos.

Mr. Nystuen: — Yes, it was 2.6 million for bingo. And I think before I mentioned 167,000 for raffle.

The Chairperson: — Is 5 million the total volume of dollars received out of \$250 million worth of gambling?

Mr. Nystuen: — Yes.

The Chairperson: — Can you break down . . . And that's bingo only provides you with . . .

Mr. Nystuen: — 2.6.

The Chairperson: — 2.6.

Mr. Nystuen: — The break-open is the other significant one, 1.7 million.

The Chairperson: — That's on Nevadas.

Mr. Nystuen: — On Nevada tickets, right.

The Chairperson: — And that was '91-92 that brought that much money in.

Mr. Nystuen: — Right.

The Chairperson: — Okay, I won't ask questions that lead into the next year because that's not the mandate, and so I won't ask them. But I raise the same concerns that Ms. Haverstock did in relation to these and what's the volume of dollars in return.

You made mention of one thing that interested me and that was that you indicated that there was some significant changes in flow of cash into the department or into the Gaming Commission as it relates to the volume of dollars when you changed the procedures. How much did that change as a percentage of the total?

Mr. Nystuen: — It's difficult to know that offhand without looking at exactly the period in time when the change occurred, but largely it dealt with bad accounts on bingo licensing fees. And so by moving to . . . I believe we're now on a monthly remittance, that we virtually eradicated bad accounts with charities saying well, we don't have the money to pay our licensing fee now. So with the monthly remittance we get it because they can't run next month's bingos unless they pay.

The Chairperson: — And when did they do that?

Mr. Nystuen: — I think it was in February of '93.

The Chairperson: — Okay. Are there any other questions from the committee?

Now what we need to do then is . . . I don't know, did I ask the question on .13? No, I didn't. Item no. .13, establishing audit procedures to ensure accuracy of licensees' returns and to ensure licensees are using gaming proceeds for authorized purposes. How do we handle that from the committee's perspective?

Mr. Cline: — If I could make a suggestion, I would suggest that we note that the Authority — I guess it's called now, is that correct? — is taking steps to comply with the recommendation but the committee would underline the importance of continuing to develop adequate inventory control with respect to bingo payment.

The Chairperson: — Do we have an agreement on that? Okay, we will note that in our report.

We want to thank the Authority for coming to discuss with us today their aspects of the Gaming Commission, and we want to also thank the committee for their questions. And I think you're excused. We have some business that we may or may not do after you're gone.

And what I need to have is someone to move that the hearing on the Gaming Commission be concluded subject to recall, if necessary, for further questions. Mr. Cline.

We have one Crown corporation tomorrow to deal with and we have three departments. I have had some . . . or Mr. Vaive had had some discussions with SaskPower Corporation. They have a significant group of issues that they need to deal with under the . . . in the auditor's report, and so they have tried to . . . they have been asking whether they needed to come here. And we dealt with SaskPower extensively in Crown Corporations and I was there as a member of that committee, but I know that we need to address some of the issues that deal directly with the auditor's report. And so we were firm in asking them to attend tomorrow's meeting to start with. And we will be dealing with that first off tomorrow morning.

And that is all of the business that I have before me. Is there anything that the committee wishes to discuss? We have a few minutes, if you wish to do that. If not, I would entertain a motion to adjourn. Thank you.

And we will see you tomorrow at 9 o'clock. And SaskPower Corporation, Energy and Mines, Education, and Economic Diversification and Trade are on tomorrow.

The committee adjourned at 3:50 p.m.