

STANDING COMMITTEE ON PUBLIC ACCOUNTS
April 26, 1994

The Chairperson: — I want to welcome all of you. We have new members in our Public Accounts Committee, and I want to welcome you as well. And take the time to feel comfortable about asking questions and being free to do that.

We have a fairly open and forthright kind of a committee here. And we have a considerable amount of latitude and we take and consider each other's views as points of view, and sometimes they're debatable and sometimes they're not. And sometimes the committee takes the point of view that even though they may be debatable, they . . . if they are debated, only become confrontational with a political slant. So we have an open forum for discussion. And a lot of things we arrive at on the basis of consensus and we will do that as much as we possibly can.

To begin with, I'm going to ask the auditor to go through the chapters that deal with his observations before we go into the departments. I think I'll ask a question about how you want to handle it. Do you want to handle it a chapter at a time? Because I know that there's certain chapters that kind of overlay each other, and I think it might be better if we had an overview from 1 to 8, and do it that way. Or would you like to have it one at a time and then take it piecemeal and deal with each as we go along?

I'm open for suggestions, even by you, Mr. Auditor. Open to suggestions.

Mr. Koenker: — Why don't we just leave it in the auditor's hands? What do you think would be the most efficient way to proceed at this point?

Mr. Streliaff: — Well what I was thinking about doing is to give an overview of several main themes in the annual report and then be prepared to answer questions as we move through chapter to chapter, and pausing at some of the recommendations that are in each of the chapters.

The first seven chapters are general chapters and there are a few recommendations in those chapters. The more specific recommendations and findings and work begin with chapter 8.

The Chairperson: — Okay, that's fine. I have no problem. If I have the committee's approval, we'll do that. You give us your overview and then we'll go back to chapter 1, 2, 3.

Mr. Streliaff: — Thank you. This is my fourth annual report. And I'd like to review four key themes in this report. The first theme continues to focus on the Importance of the summary financial statements of the province as a key decision-making and accountability document. We still are focusing on that.

The second deals with what we believe are significant Improvements that we think can be made to the information provided to legislators, to the Legislative Assembly.

The third theme relates to more specific findings that we discovered in our examinations that relate to improvements that we think are required in more specific organizations related to financial management and reporting and systems, new systems development.

And the fourth theme is that I do think that practices are moving forward in a general sense; I do see that as I move from organization to organization. And I really do think that it's the elected officials that show the lead in moving practices forward — the Public Accounts Committees, the Crown Corporations Committees, the ministers that I meet with from time to time; that when they're focusing on moving forward or opportunities to improve, it happens. And I think it has been happening in this past year. It certainly has made a lot of the work of our office easier to move forward.

So the first theme is again the importance of the summary financial statements as a key planning, managing, and accountability document. Chapter 3 of the report provides an overview of the summary financial statements and provides the . . . we now have a three-year trend that we can look to, and specific amounts that relate to the assets, liabilities, revenues, expenditures, and annual deficits, and accumulated deficits of the province.

I still continue to urge all legislators and the government to use those statements when you try to understand how the government finances work. Those are the statements that certainly I look to when I'm trying to piece together where the government is moving to and how it's been doing in a financial sense over the years. And so that's in chapter 3.

I continue to be concerned about the emphasis on the financial statements and financial results of the General Revenue Fund, as it's an important component, but it's only one component of the government; and that the summary statement provides the overview and is essential for understanding how the government finances work.

The second theme that we have in the report deals with what we think are important improvements in the accountability information that is received by the Assembly, that we think improvements can be made.

We talked about four specific improvements. The first one is a complete financial plan where we've . . . Right from my first report — so this is the fourth report — in my first report I mentioned the importance of that happening and we still stress the importance of a complete financial plan, thinking that the decisions that you face are just far too important to be made in the context of incomplete information.

Second point in terms of improving the information that you receive is related to the pension management responsibilities of the government, and therefore of you. Chapter 4 provides an overview of the pension plans managed by the government. They're

significant. They vary from plan to plan. There's significant unfunded amounts. They're measured in an inconsistent way. And for quite some time now, I've felt that this is going to be one of the key issues of the future and it certainly is moving that way across Saskatchewan and across Canada and elsewhere.

The third item that we're pointing out in terms of improving the information that can be provided to you as legislators relates to the information framework of objectives criteria, to determine whether objectives are achieved and future financial implications of all the significant investments and commitments. That was something that was recommended by the Financial Management Review Commission and something that we're still thinking is very important for your understanding of and assessing the performance of significant investments that the government is managing.

I noted last week that the Crown Corporations Committee actually is moving a bit forward in ensuring the government does provide that committee a similar kind of information on significant transactions that take place within 90 days of those transactions happening. The information that they were talking about in the Crown Corporations Committee has some of the components of the information framework that we advocate in page 5 of the report on paragraph .12.

So that was interesting to see the committee moving that way. From what I can sense from the discussion and the motions that were put forward at that committee, they're moving into a more proactive, future-orientated mode.

And the fourth item that I thought that information should be provided to you is how the government's doing on implementing the recommendations of the Financial Management Review Commission. We'll be monitoring and providing a more specific report. If you remember in our last annual report we laid out all the 42 recommendations of the commission and gave a status report. Well we think that a status report should be, once again, provided by the government and then we'll report on that report.

The third theme in our annual report focuses on the more specific opportunities to improve financial management, reporting, and systems development within the government, within specific government organizations as we move from . . . as our office moves from government organization to government organization.

Many of the chapters in our report, particularly beginning in chapter 8 and thereafter, deal with some of the issues that we believe should be brought to your attention so that they move forward in terms of being handled and resolved.

Some of them relate to clearly defined objectives, and that relates to the Crown Investments Corporation and how they oversee their responsibilities and trying to identify what are the objectives of the individual

corporations.

The second one relates to complete and timely budgets and interim reports required in various organizations. I guess it relates to the chapter on CIC (Crown Investments Corporation of Saskatchewan), also SIAST (Saskatchewan Institute of Applied Science and Technology), and Justice.

The third item, in terms of more significant problems and issues that we came across during the year, relates to transactions among government organizations, where you're moving debt or assets from one government organization to another organization and creating gains or losses along the way. That relates to SaskTel and SaskPower and also CIC as the oversight group.

And the fourth item within the specific issues that need to be looked at a little bit more carefully relate to what new information systems are introduced by organizations. And the examples of organizations that need to focus better on how they manage the implementation of new information systems relate to such organizations as SIAST and Justice.

The last theme in the report is that — and I do see practices, management and accountability practices moving forward, and again I'd like to emphasize the importance of the elected officials setting the tone of moving practices forward — that when the elected officials decide the change should be made or improvements moved forward or issues resolved, it happens. Very much so.

And both in this committee, the Public Accounts Committee, the Crown Corporations Committee, the various elected officials that I've met over the last year, when they decide to do things, it really is a more positive result. And so I certainly encourage all elected officials to continue to be proactive in encouraging better practices.

In chapter 1 we review some of the examples where we thought practices have moved forward, and a lot led by elected officials. The usefulness of annual reports is improving with the guidelines that have been initiated by the government at the . . . supported by the Public Accounts Committee.

The task force on how to examine the audit system is moving. I met yesterday with that task force at their invitation and I think the chair and vice-chair of the Public Accounts Committee meet with the task force later in the week. But they're moving forward. They meet weekly for a full day, and that's a pretty significant time effort by a group of six very senior people. So they're treating it with a lot of due care.

The Crown Investment Corporation, I think, has moved forward practices. I, particularly in the past year, appreciated the more proactive attitude the corporation has taken in providing information to the Public Accounts Committee and the Crown Corporations Committee.

And Department of Finance introduced accrual accounting into the General Revenue Fund, which is an important step forward, a difficult step as well. Department of Health moving forward their accountability framework within the district health boards is a significant move. And we're working with quite a few of the organizations in examining management systems and practices in a more in-depth manner which all is, I think, very good.

So the four themes that we have in this report relate to again focusing on the summary financial statements, the overview of the government, both in a reporting sense and a planning sense. We think that it really would help, or more focus on the financial results and activities contained in those summary reports, will help you understand what's going on and also hold the government accountable.

The second theme relating to information that can be improved that would benefit your work. The third theme relates to specific issues and problems within specific organizations of government. And the fourth one relating to practices are moving forward.

So that's my general summary of the work and sense of where we . . . the summary of the work of our office for the year. Are there any questions on that general summary?

Ms. Crofford: — Thank you, Mr. Chair. I just want to ask a question about point .21 on page 7. It's this topic that I keep raising, and I'm interested to see that you've made a comment here that the Department of Justice has established an audit committee which is useful to departments managing decentralized revenue-raising and spending programs.

Can you give me little more information on an example of the type of programs that would apply to in the Department of Justice?

Mr. Strelieff: — Well the department . . . Mr. Members, Ms. Crofford, the department is decentralized. They have court offices right across the province. It collects revenue right across the province. It has, I think, \$170 million of expenditures, over 2,000 employees, and we think that . . . They've done two steps.

One is that they've appointed or developed an internal audit function within their department so that the internal auditor goes around to the various court offices and regions to find out how the revenue collection operations are going. And there's also how the spending programs and services, how they're going from organization to organization. The internal auditor prepares reports on their findings and moves those reports to the audit committee that's formed of senior managers within the department. It consists of the deputy minister of Justice as well as a few of his senior officials.

And the reports of the internal auditor go to that audit committee and the audit committee then has the responsibility of dealing with it. So it provides a forum

for moving management practices forward. And in a decentralized organization where there's lots of different branches and lots of employees with revenue collection as well as spending on programs, that's a pretty useful function.

Ms. Crofford: — Would that be analogous to universities, tech institutes, municipalities, and other types of third-party funding?

Mr. Strelieff: — Sure. Our chapter on SIAST, I think in the chapter we've noted the importance of an internal audit function. The organization, SIAST, has recently established that function. They have four different campuses with the head office in Saskatoon. And again to monitor practices from campus to campus, that would be an important role, the internal audit function.

The board of directors of SIAST also has a subcommittee that forms . . . that's called . . . I don't know if it's called the finance audit committee or the audit committee, but it does have a responsibility to oversee the financial management of that organization.

The University of Saskatchewan has an internal audit department that they use to monitor the activities of their various departments, colleges. The University of Regina I don't think has yet. They were talking about one but I don't think they've done that yet. In our reports or discussions with them we pointed out that that would probably be quite useful and that if they did establish an internal audit function, they could discuss and share practices with the same function at the University of Saskatchewan.

The University of Regina does have an audit committee. I met with them in the last two or three months to talk about the audit planning for the year and also audit results and issues.

Ms. Crofford: — You mentioned that in the Department of Justice the deputy minister is on the audit committee. Would that be the case in these other circumstances or are they more independent?

Mr. Strelieff: — They'd be more independent in the sense that in most of the Crown agencies that have a board of directors, the board of directors would . . . part of them would be on the audit committee. Maybe the CEO (chief executive officer) or the deputy minister or the president may be an ex officio member of the audit committee, but the main substance would be the boards of directors that are appointed by cabinet. So it's more external to the department.

The Department of Justice doesn't have a board of directors in a similar way that the SIAST would have. But yet given the structure of the department, it seems useful that they have actually moved forward the idea of an audit committee and are using it.

Ms. Crofford: — And my final question there would be, how was this initiated? Was it the department that just decided to do it?

Mr. Strelloff: — My understanding, it was the department that initiated it. I think they've had some issues that surfaced in the department over the last few years, and they wanted to put more focus on making sure those issues don't happen in the future.

Ms. Crofford: — Thank you.

The Chairperson: — I have a question along on the same line. I had that marked down in questions that I was going to ask as well. I was going to raise it from the Department of Justice's perspective as well too, that the Department of Justice had some problems in some of its offices that caused them to do that. And I guess this question would be from me to Mr. Kraus.

What other agencies could be motivated to do the same sort of thing where they have an internal audit committee? I was speaking to the Canadian auditors last year one day, and I noted from them that . . . conversations that I had with them that in the Department of Agriculture — because that's the issue we were talking about — they do internal audits on crop insurance for every one of the provinces. And that comes together as a part of what the auditor then takes a look at. It's a control function. And does the comptroller have those kinds of functions within the departments as well as other Crown agencies that you look at, to see whether there is money spent and received in a forthright manner?

Mr. Kraus: — Well I guess I could just generally say that internal audit hasn't developed as extensively as perhaps it could. I'm not just certain at this point in time how many departments should have internal audit functions. And just as a bit of background, you know, we did change our legislation; the government changed its legislation.

The Financial Administration Act was changed about two years ago now, I guess. And about 18 months ago I introduced, was able then to introduce a different style of auditing from my office. And what I'm developing myself is an audit approach that would still contain some of the old elements of the audit that we used to perform, this audit prior to payment. But we've got more post-audit features now than we had before, plus I'm able to go out and take a look at some of the programs that we never could before. We always relied on a piece of paper coming in through the mail.

And as you can imagine, when you're buying goods and you have a purchase order and you have an invoice and you have other things, you can check, sitting at a desk, to make sure that most everything happened okay. But there are many programs where the piece of paper doesn't tell you very much other than the fact that they paid so and so, somebody who's authorized signed off, and things like that.

So in order to really make a proper evaluation of the internal controls and make sure that the program is being managed economically, efficiently, and perhaps to some extent effectively as far as the financial management processes go, the only way you

can do that is to get out there.

And we're beginning on that road now. We've been doing it for a year and a half, and we are looking further at how we might expand the sort of typical internal audit, operational type function. Along with that — I'm going to get to the point that you asked — along with that I would like to examine across government, and I'm talking departments here really at this point, where these internal audit functions exist.

Now we know there's one in Justice, but in addition to that there are some very specific audit groups. Social Services will have some people that are devoted to, I guess, the social assistance plan. And you mentioned there might be something in Agriculture, and I know some of the other departments have specific . . . there are auditors devoted to specific tasks. The question is: should there be more internal audit functions like Justice has?

At this point I'm not sure, but I would like to look at that. I know in the past — if you have the time to listen to this — auditing is one of those things that's very important. It helps management make sure that its objectives are being met. But when times get tough — and people have thought they've been tough for many many years, off and on — it's often the first thing that's cut. And so in some cases there could have been audit functions in departments that have come and gone.

I know even in Justice it would be difficult for them . . . it's difficult to maintain the resources for this activity. I'm sure they intend to do so, but it's always something that's challenged.

So the long and the short of it is, I think that internal auditing should be expanded. I'm just not sure where yet. I know myself I'm going to try to provide as much as I can centrally, but there may be some of the bigger departments that are decentralized that I could not be expected to cover off myself — like Justice. And while I may audit some of the programs in Justice, there's probably merit in them continuing to have their own resources to audit their own decentralized operations.

It's a long answer but . . .

The Chairperson: — I think it's important in this discussion because I think it does two things. It puts into place a sense of responsibility by the individuals to deal with someone else exclusive or apart from — I should put it that way — apart from the department providing the administration function and somebody else saying this is the process that you have to use in delivering that, and it's an outside individual doing it.

I often get concerned about individuals being responsible, then you have a checker and somebody checking the checker and somebody checking the checker who checks the checker. And you can . . . every one of those functions gets to be more expensive. And I agree with you and that's what you have to be, is somewhat cost effective in delivering it.

But I look on the other hand, people say, I want to know whether this is being spent right, and I as a legislator need to know that myself. And whether I'm in government or in opposition, that would be, I believe, a function that I need to know and understand as well.

Mr. Kraus: — Yes. What we find with some of the audits . . . It's interesting you . . . As you say, we want to move away where we're just simply checking this and checking that and checking this. And perhaps . . . and I'm talking about the audit function, and not necessarily in adding any value as an auditor, because we're just not looking at the right things.

So what you do find though, is when you go and look at a program and the way it's delivered, you can find sometimes that the people out there that are checking aren't doing a very good job of checking, like they might as well not be bothered. So that's why, as you say, you want to make sure that they are administering the program efficiently and effectively. It's no good checking for certain things and not really looking for the right things in the first place.

I also want to point out with Justice here — and I suppose you may be inviting them in to talk to you — but as far as the deputy minister chairing that audit committee, as the auditor pointed out, there isn't a board of directors so that's about as independent and as senior as you can get in Justice. And I think the deputy is to be commended for that because what can happen is internal audit functions report only to the manager whom they audited. So if they audited a particular area they would report to the executive director of that area. Well then it's often up to the executive director of the program to decide whether or not he or she will implement the changes that have been recommended by the auditor. And that sometimes means that audit reports and audit recommendations sit on the shelf for awhile.

With the deputy minister taking responsibility for this he can make sure that if the auditor has found important problems and has some suitable recommendations that his management people are going to respond to it. And that's why it's quite important for an auditor to be able to report to the highest level of management. And I think the Provincial Auditor would probably agree with me on that.

Mr. Strelieff: — Yes I do, Gerry. It also helps the internal auditor in terms of: when they go out to the various regions, when the various regions know that they report to the deputy minister, there's a little bit more attention.

Ms. Crofford: — Yes, I'm just going to echo some of your comments, Mr. Chair. Because I think what's happening here — or potentially could happen in the audit area — is the same as what's happening in other areas of government is for years, authority and responsibility was drawn out of the community and embedded in government. And as a result I think we've developed a bit of a parent-child relationship

with communities where the government would sort of tell people they must or mustn't do certain things and the community itself didn't necessarily embrace responsibility for the decisions that they were making.

And now we're going in the other direction where we're asking communities to embrace the responsibility for the decisions they're making. And I think in the audit analogy, asking the people who are actually spending the money to really fundamentally embrace responsibility for how that's being done, rather than this time-lag of being audited and then the auditor tells you you must do some things and then, you know, some period later you actually implement that, to me it's a notion of moving that feeling of accountability and responsibility closer to where the action is.

So I don't know how that could be developed in the audit area, but I see it as being analogous to the other kinds of changes taking place in government where there's an attempt being made to embed that real sense of responsibility as close to the service level as possible, so that there really is some effective use of resources and some real feeling of responsibility in the communities that spend those monies rather than kind of the whole notion of going hat-in-hand to government and saying either we need more — and that could be for various reasons — either it got blown or things didn't turn out as expected or, as we've seen lately in the unfortunate circumstances around the Metis Society audit, you know there's a range of things that happen.

But the problem with those things is they happen after the fact, and it's the idea of moving it closer to where the decisions are actually being made.

The Chairperson: — I think that you're right. I look at business, for example. And if I went back 20 years in looking at some of the major trucking industries which my family were connected with. They had the head office in Winnipeg and they knew what Vancouver was doing on a daily basis. They knew what Toronto was doing; they knew what Montreal was doing. If I go to sell a bushel of wheat in my elevator, head office in Winnipeg knows exactly . . . the Canadian Wheat Board know exactly the volume of grain purchased, the grade it was, every detail of that. The fellow just pushes in the buttons.

We haven't become efficient in government in those areas like the private sector has. And I think we need to take a look at that sort of thing in developing how we do that. Because like we don't have to send a person out there to do it when we have functions available to us on an immediate basis through computerization. And I'm not saying that we go spend a whole lot of money on computers today, but that's the kind of thing that is a permanent attachment to an audit function, and I think it needs to be recognized. I think the majority of these kinds of offices already have that — those capacities. We just need to . . . not centralize them but pull the information together to someone who has the responsibility to make sure it works right.

Mr. Serby: — I just have a question on your audit committee. Is the audit committee that we're talking about here a compilation of folks who are from within the Department of Justice? Or are there people external to the Department of Justice who were seconded in for a period of time to participate in the audit function.

Mr. Streliaff: — Gerry's on that audit committee, so there's a . . . or ex officio or a member of. So there's one external member to the department. Gerry would be able to speak better to this.

Mr. Kraus: — Yes, as you know, the audit committee I don't believe is very old, perhaps a year and a half or so, and it consists primarily of the deputy minister and his senior management team, I think. The associate and assistant deputy ministers sit on the committee as well as the executive director of administration.

And they asked if I'd be prepared to sit on it for a while, just because they're getting it going and they are very serious about trying to improve the natural management processes. And so I agreed to sit on it. There could be a conflict of interest once in a while for me, but still I . . . but I'm the only one from the outside, so to speak. But it's all senior management within Justice that really forms the nucleus of that audit committee.

Mr. Streliaff: — I often thought that departments should have an external audit committee, just like Crown agencies or corporations have, but I've never . . . there's no practice that way and I've never been able to sort of focus on what the benefits would be and what would the problems would be.

Social Services could have a group that would consist of some of the agencies that they work with. Some senior legal financial advisers. It would be an interesting perspective that would be brought to the department. And each department could have the same kind of advisory audit committee. But it's just not practised, and it's not practised anywhere as far as I know, like right across Canada.

Mr. Serby: — I asked the question, Mr. Chairman, only from the point of view that, as Mr. Kraus has already indicated, that when you recognize this as the first government to be involved in an audit committee process, I think of the work within the Department of Social Services that I've had some experience with over the years. And they do have and have had for a number of years, an audit system that would go about the province to the various different regional offices and examine the operations of those particular regions — actually pull the files physically and examine them to see what kinds of work is being done on them, both from a program point of view and from a financial point of view.

So that process has been there for some time, but it was done, it's done primarily by their own, internal folks. And I know that not only was it restricted to the operations of regional offices, but also from time to

time you'd find these folks from both the . . . depending where the funding came from, the provincial or federal government, you would have folks from the audit departments actually doing audits on non-government organization.

So I wonder if this really is, you know, a first, unless there are a series of objectives that have been set out by this committee that are different from what existed . . .

Mr. Streliaff: — In the sense of a first, you described an internal audit function that the Department of Social Services has, or had.

The first would be if that function reported to an audit committee, either within the department or an external audit committee where their recommendations, findings, conclusions could be addressed and moved forward rather than reporting at a lower level. So the first part in terms of Department of Justice is that the internal audit function reports to an audit committee that is at a very senior level and therefore can move forward change.

The Department of Social Services is rethinking a bit how they carry out their internal audit function. We are a bit involved in that. We're working through an interchange of staff. One of their senior people is working with our office right now on some projects within our office, and then one of our — it's a six month secondment — one of our people is going to go back into their department with the person from Social Services to re-examine how they carry out their quality control function. And that will be a six month or longer secondment back, which is an interesting . . . for our office it's a first and I think it has a lot of promise.

Mr. Serby: — Good. Thanks.

The Chairperson: — Any other questions on this issue? Okay.

Mr. Streliaff: — I went through a general discussion of the main themes in our annual report and now we can . . . well if there are any questions, if there are any further questions on the general, we could move to chapter 1.

The Chairperson: — Go ahead.

Mr. Streliaff: — So chapter 1 touches on some of the general themes that I already referred to. The introduction again stresses the importance of a complete accounting and then notes that there has been important steps forward with the summary financial statements that have been issued for three years, and chapter 3 provides a summary of that.

Again I view the summary reports . . . and all big organizations, particularly private organizations, have a summary financial statement and also plan that they use for managing and planning and holding people accountable. It's very important for understanding what's going on.

And then we point that there still is the problem of the unrecorded pension liability of \$3 billion which we address more specifically in chapter 2 and again in chapter 4.

We then move to the complete financial plan needed; then arguing that to understand the resource allocation and public policy issues that are being moved forward by the government, you need to have all the pieces together, both in a planning sense and in a reporting sense, so that you can see the changes that are being made that affect education, health, energy, or insurance, or telecommunications, that really are interrelated. Or as new taxes or user fees are changed, deciding which tax or user fee to change is a difficult issue to assess without having it all on the table at the same time.

And also some of the key decisions related to maintaining the infrastructures of schools and hospitals and also telecommunications and power systems, that are all interrelated. And that we argue in the first 10 paragraphs that the Assembly would benefit if they received a complete overview of the financial plan of the government.

Any questions on that point?

Mr. Koenker: — I must say, when I read this I didn't quite understand what you were . . . how this would be put forth in practical terms and concrete terms. I'm new to the committee, the Public Accounts, but I'm . . . maybe you could elaborate on section .5 there. The complete financial plan that is . . .

Mr. Strelieff: — Well go to page 23; 23 shows the total revenue and expenditure of the province. Now it shows the actual results of how much taxes in the general programs area, and in agriculture, in transportation, and then in the user-fee enterprise area. It shows the revenues, expenditures.

While a financial plan would . . . a complete financial plan would have a column, another column saying: plan. And at the beginning of the year you would get that saying, well here's what the government plans to do in terms of its revenue, expenditure initiatives. And in taxes we plan X billions of dollars in natural resources, agriculture, interest costs, transportation. In energy here's what we plan to do, in insurance, telecommunications, and SEDCO (Saskatchewan Economic Development Corporation) activities.

So it could be as simple as having that picture provided at the beginning of the year as, here's our government's intentions in terms of what we plan to do in this next year.

Mr. Koenker: — Doesn't the budget accomplish that?

Mr. Strelieff: — Well, if you look at page . . .

Mr. Koenker: — It forecasts the taxes, sets out tax policies . . .

Mr. Strelieff: — Page 26. The schedule in 26 shows the budget that you're presented focuses on the Consolidated Fund, or it's now called the General Revenue Fund. So you can see the budget estimates. That's what you get now. You get the total revenue of the government that is moved through the General Revenue Fund is 4.49 billion, but you'll see that the actual revenues of the government are about 8 billion.

So the financial plan that you receive now focuses on one component; provides the strategy for what the government plans to do within the General Revenue Fund. It's an important strategy, an important component, but we . . . In our view you need the overall financial plan to see how that strategy that's moved forward within the General Revenue Fund relates to what's happening right across government.

Mr. Koenker: — So when you're talking a complete plan, you're talking about going beyond the Consolidated Fund and that budgetary provision.

Mr. Strelieff: — Yes, the Consolidated Fund or General Revenue Fund, now called the General Revenue Fund, is one fund of the government — one important part of what the government's going to move forward in the year — but it's only one part of it, and that it doesn't provide that overview that if you look at page 23, it's . . . You don't receive a financial plan that is that comprehensive, is that complete.

And our point is how do . . . when you receive the financial plan that you get now or receive now, how do you determine what's happening among the different organizations of government; or, for example, should the government in its financial plan may be proposing various revenue initiatives through the General Revenue Fund, but doesn't present to you the general revenue . . . or the revenue initiatives planned through other organizations; or they're proposing expenditure programs through the General Revenue Fund, but you don't see the expenditure programs carried out through other government organizations.

So we're just moving forward and continuing to emphasize the need to put it all on the table at the same time so you get a better understanding of what the government plans to do in a year, and therefore you can hold them accountable for that plan as well.

Mr. Cline: — Yes, I want to ask the Provincial Auditor, and this is probably very simplistic to you, Mr. Strelieff, but when you're talking about a financial plan of the government, whether it's departments or Crown Corporations or the two combined, that is sort of a fluid plan, I would guess, as opposed to a fixed plan? In the sense that you have a plan which is based upon certain assumptions and/or policy objectives that you have, but as you move forward, notwithstanding what it says in your plan, your assumptions may change by experience or your policy objectives may change either by election or by the government changing its mind. And so the plan is very much a fluid document in that sense, I would suppose.

Mr. Streliaff: — As in any organization or any person that has to plan — here's what we plan to do for this next year, it's our best guess at this point — but things will change, but it gives a starting point. It says: here's where our direction is and as changes happen during the year, we will explain them. We've decided to carry out a new initiative in Social Services and we didn't put that in our initial plan, because perhaps the need wasn't there and something had changed during the year. And we thought, but something has changed during the year and we changed course.

Mr. Cline: — Okay. Because I just want to put this in perspective for myself and for everybody looking at this in this sense: that it is good to talk about a financial plan. I mean I don't think any reasonable person would disagree with that. But I think we ought not to get carried away with thinking that if we have a financial plan, we thereby have solved all of our problems in the sense that I would describe it in exactly the same terms that you use — that is, it's a best guess. That's what it is.

I'm not criticizing your notion of a financial plan. I'm just trying to say that it's . . . we ought not to be lulled into some false sense of security because a government comes up with a financial plan, in the sense that it is a best guess; that's what it is.

Mr. Streliaff: — It's more than a guess. As an organization, we're planning, we're directing our resources, our people, to move forward in a manner that's consistent with the financial plan. Something may change, but you need to know where you're going in the first instance to identify a change that has happened. And then when a change happens you realign the troops and away you go.

Mr. Cline: — Yes. I'm not being critical of the concept. I'm just expanding a bit on the fact that it involves guesswork, number one. And number two, it is subject to a lot of change and should be subject to a lot of change.

But I'm not taking issue with you if you say that you've got to have some of your best guesswork and actuarial evaluation and planning so that you have some idea where you're going in the future. I don't disagree with that. I just want to, from my point of view, I just want to say the word, financial plan, sounds a bit more exact than it really is.

Mr. Streliaff: — It's a management tool that you use to manage organizations.

Mr. Cline: — Now my next question is . . . I don't want to belabour it because Mr. Koenker talked about it. But in terms of the government itself, what is covered by the budget, the government has a financial plan, which is the budget. Your point is that it's not complete because it doesn't bring in the entire Crown sector.

Mr. Streliaff: — And other organizations, yes.

Mr. Cline: — Okay. Now in the budget the Finance minister said last year and this year, something like well, we've got this deficit reduction plan of . . . you know, last year it was 600 million, then 300 million and now 190 million and they want to balance the budget in a few years. That is sort of a multi-year financial plan, I would assume, based upon certain assumptions that the Finance people make in terms of their revenue and expenditures.

Mr. Streliaff: — For one component of the government.

Mr. Cline: — Okay. Now this business about bringing the whole organization of the government in. That is actually something, as I understand it, that is a result of our previous recommendation is being studied by yourselves — that is officials from your office, Department of Finance, and CIC. Is that correct?

Do you know when the three of you will be coming up with some report to our committee? I'm not trying to rush you. I'm just asking for information as to when that might happen.

Mr. Streliaff: — Some of my staff met with people within the Department of Finance last week to talk about moving the project forward. Our office has been doing background work.

Our first target in terms of trying to focus in on the financial planning and budgeting of government is to focus on a financial planning document, what information would be useful for the Assembly to receive in a financial planning document. And the first step is to identify the criteria. What do you look to and look for in planning documents. And that would involve surveys and discussions and negotiations with all sorts of groups within the government.

I think that we'll have some draft criteria that we'll be moving forward to the government, certainly by the fall, and then hoping that in the spring we would say, now here's what we believe are useful standards, benchmarks, to assess a financial planning document.

But on these projects there's a lot of interaction with a lot of people, and on this one is quite an important document. So we will err — if we err — we'll err on the side of a lot of consultation with a lot of different groups to make sure that our views that come out at the end of the day are useful and can move practice forward.

And also by providing draft criteria or draft benchmarks and having them discussed by all the groups responsible, it gives the opportunity for experimentation to happen before we go too far — which is good.

Mr. Cline: — The other issue I want to talk about is in relation to this business of the financial planning of the government as a whole. And I was very interested to see what the Crown Corporations Committee was talking about. And I think that's something that we have to consider at this committee. And I'll tell you

why.

I think we have to think about the role of the Legislative Assembly. The Public Accounts Committee, which is created by the legislature, is a standing committee. The same with the Crown Corporations Committee. Because I get confused sometimes and I think we all do, in terms of what is the role of the Public Accounts Committee vis-a-vis Crown corporations? And what is the role of the Crown Corporations Committee vis-a-vis Crown corporations? And I think this issue may present us with a good opportunity to delineate some roles and responsibilities and try to avoid some of the overlap that we have.

Now first of all, I want to get your reaction to this. See you can say that well, we should have a financial plan for the government as a whole, and I assume that you think it should be presented to the Legislative Assembly. And you can assume that that increases accountability because the opposition and maybe other members of the Assembly will in estimates go through the, you know, statements on the departments and the Crown corporations, if you had a financial plan and so on.

But the reality is that the time we spend in the Legislative Assembly to go over the finances of government itself — leaving aside the CIC Crowns — doesn't always, you know, doesn't always lend itself to a thorough, detailed, sophisticated analysis of the finances of government. I mean the opposition can pick and choose certain things according to their agenda.

Now first of all, if you have this financial plan, is public accountability necessarily guaranteed by that process taking place in the legislature, or can the committees play a role, and in particular with respect to the Crown Corporations financial plan, the Crown Corporations Committee? In other words, is there one way to do it, or are there alternative ways to do it?

Mr. Strelieff: — I think it still makes sense for the Assembly to receive the overview of how the finances of the province are and how the financial plans are moving forward in the future.

The Legislative Assembly may choose to only vote on and debate a component of that financial plan. And they may choose to . . . you may choose to decide that another component or components be referred to standing committees or other committees for discussion, debate, understanding, challenge. So how you organize the debate of it, I'm sure there's all sorts of alternatives that you can move forward using the Public Accounts Committee, the Crown Corporations Committee, other kinds of standing committees that you may want to use. But it still doesn't take away from having the overview of how . . . the financial activities carried out through the Workers' Compensation Board, the Department of Education, SIAST, the SaskPower, Department of Health; how they are all interrelating and how it ends up being the financial picture of the province. And then, having

that picture, then you can deal with components in a number of different ways, including making more effective use of standing committees.

Mr. Cline: — Well in terms of a kind of value for money approach or an effectiveness approach to the Public Accounts Committee and the Crown Corporations Committee and ensuring accountability — if that's what we're trying to do — through some kind of reasonable evaluation of planning, does it make sense for the Public Accounts Committee to sort of be looking at . . . I mean they may have the mandate to look at everything, but to be trying to concentrate on the finances of government itself and the Crown corporations and having the Crown Corporations Committee also looking at the Crown corporations.

Or should we be saying to the Crown Corporations Committee that in view of their recent motions, maybe they should take responsibility to look at certain things and we should not restrict ourselves, in terms of our jurisdiction, but concentrate on things that they're not concentrating on?

I'd like to know if you've given any thought to the relationship between those two committees and what role, in a practical way — not in a jurisdictional way but in a practical way — they might play.

Mr. Strelieff: — I have thought about it. I've often just wondered what the specific purpose of the Crown Corporations Committee is, more recently — and I noticed the chair is here — more recently, last week they are, to me, carving out more of a specific role for that committee.

And my understanding of the direction that it's going is that they plan to focus on, as a priority, on organizations that receive the significant revenues or resources from outside the General Revenue Fund as being their starting focus, which include Crown corporations and Liquor Board and Workers' Compensation Board and Crop Insurance.

And they seem to be moving in a more forward looking manner, trying to discuss with the organizations what their business objectives are, key performance indicators, and how are they measuring up to those objectives and performance indicators and how are they planning to move forward in the future.

And so they're talking about the future. So they're not concerned, or less concerned about the year under review idea. And their prime document that they're looking at is the annual report of the organizations, the corporations.

That is different than what this committee has done in the past. This committee has focused on the year under review. If something happens under the year under review, it moved forward a little bit but not too much; and the focus, the starting focus, has been on our annual report, rather than the annual report of the organization.

And so there seems to be a demarcation in terms of roles happening. And I sense that the change in roles are happening because in the Committee of Finance the plans of the departments are debated and discussed; the plans of those organizations that obtain revenues, significant revenues outside the General Revenue Fund, are not.

So the committee is thinking, well we'd like to have some scrutiny over that and they're . . . my sense is that they're thinking, well the Crown Corporations Committee could be a useful forum for discussing the business plans of CIC and the corporations.

So it seems like they're carving out a different role and the nature of who speaks, who's called in; the minister comes in, which changes the dynamics of the meetings. And so there are some, sort of, working relationships that are different from this committee. It seems like the committees are carving out separate, kind of, and useful roles. I know there still seems to be an overlap in terms of some of the issues that are brought forward to the table, but the core, the starting points, seem to be different.

Mr. Cline: — I think what the Crown Corporations Committee is doing is positive; I think it's forward looking.

I just wanted to suggest two things and get your reaction. The first was that sometimes to have that kind of detailed analysis in a committee I think is actually better in terms of public accountability than what may occur in the legislature. Because you're not necessarily going to get around to looking at very much detail in the legislature, in that forum — point number one.

And point number two, I suppose thinking about it, if that kind of planning is part of the financial plan that you're talking about is to occur, I suppose it would logically occur if it was at a committee level, at the Crown Corporations Committee, in the sense that I'm not sure that it would fit in with the mandate of this committee, you know, to look at the *Public Accounts*. We're sort of looking backward, and based on experience, trying to make resolutions that affect us in the future, but we're not engaged in financial planning as much, it seems to me. Well thank you very much.

Mr. Upshall: — Well thank you, and actually I'm on the same topic. As another rookie of the committee, I'll probably ask a number of questions that might be obvious to some. The General Revenue Fund has a CIC component, right?

Mr. Strelieff: — The General Revenue Fund has a CIC component?

Mr. Upshall: — Right.

Mr. Strelieff: — If the CIC itself . . . CIC has two components to it. One is CIC, when you think of it as sort of a consolidated group that has all the SaskTel, SaskPower, SEDCO. And then there's CIC that manages specific investments, the NewGrade,

Bi-Provincial . . .

Mr. Upshall: — As far as it relates to the General Revenue Fund.

Mr. Strelieff: — That component that manages the NewGrade, Bi-Provincial, has a link to the General Revenue Fund. If the General Revenue Fund . . . a couple of years ago they voted them some money so there was a link to that part of CIC. Or if that part of CIC provides some money to the General Revenue Fund, there's a link for that component.

Mr. Upshall: — Right, and the Crowns must have a management plan. In fact I know they do have management plans of their own. They have an annual budget which is an internal budget, right?

Mr. Strelieff: — I hope so, yes.

Mr. Upshall: — Okay. That's the obvious way that business works. They have an annual report, they have an annual audit, and they have an annual visit to the Crown Corporations Committee. I guess my point is that, in your report on page 18, it says on .07, the last sentence:

Some of these enterprises (when you're talking about Crowns basically) carry out activities that compete with private sector companies, e.g., Saskatchewan Government Insurance sells property insurance.

Now I understand why, in a sort of like an unreal situation, why we would want to see the big picture for government, including the Crowns. But I think there's a problem with that in that Crown corporations, for example SGI, have to compete in the business world. I think we would create a real — and I want your opinion on this — we could create a problem for the operations as a business, whether it be SGI, SaskTel, potentially, you know, I mean with deregulation.

And there are other competitive components of the Crowns if we were to get into presenting the financial plan on the table, you know, before the fact, before they could carry out their business in private, which they have to do in order to compete in some circumstances.

And that's the problem, that's the worry that I have. I hope that you can alleviate those worries, because I think we have to have some independence for the Crowns in order to be competitive, because the Crowns have two roles. The Crowns have a role to give the service for the best possible price and also to, if there's any revenues left over, turn it back to the Consolidated Fund for the benefit of the people.

But in order to do that, they'll have to have some independence, I think. And I guess I want you to respond as to how your image of a financial plan would affect or not affect the independence of the Crowns, which they need.

Mr. Strelieff: — Well if you go to page 23, if you had a column on the left-hand side that said, planned revenues, expenditures, revenues, expenditures, at that level of aggregation, I don't know how that would impair anybody's competitive advantage. It would certainly help you understand how it all fits together. But I don't know, if we had the planned revenues and expenditures of SaskPower and SaskEnergy on the left-hand side there, at that level of aggregation . . .

Mr. Upshall: — Okay. No, I understand that. And let's say the plan for SaskEnergy was for a revenue of \$50 million, okay? And let's say we have another winter like we had last winter where — only more severe — where had it not been for our reprieve later on, we probably would have been buying on the spot market at probably five or six times a gigajoule than we bought when we store it in cabinets. And then all of a sudden the planned revenue goes shoo!

And my point is then that somebody, maybe the auditor, will say, well SaskEnergy's business plan wasn't very good. What I'm saying is this is a business, and a business is separate from government. And the business relates to government by the fact that they try to do two things: provide a service, provide revenue if they have revenue at the end of the year after expenses and R & M.

And I don't know that we want to get into trying to control them when in fact we can't control them, and try to judge them when in fact we don't know all the factors that have come in before the fact where we can sit down after the fact and judge them.

And that's the point that I worry about and trying to . . . and will that affect the Crowns as to how they operate? Will they be as honest with us with their financial plan? They might say, you know, we'll have a negative revenue just because they want to protect themselves — zero.

You know, I just don't . . . I wonder really if by trying to pull them into the government picture where they're an arm of government, but a business, that we won't affect them negatively. I don't know that we can agree or answer on that, but I really worry about that.

Mr. Strelieff: — Well I think in a general sense you would affect them positively because there's a clear statement of what we plan to do during the year on the table and as an organization. That plan has to be put together in a fairly rigorous way because we're publicly presenting it. And when changes happen during the year, as they happen in education, agriculture, social services, interest costs, and energy, insurance, telecommunications — changes happen.

Mr. Upshall: — But they have a plan. They have a budget. Within their management plan they have an annual report, they have an audit, and they come before the Crowns. And I'm not going to belabour this, but they have a plan. And I just think by bringing them into the big picture, I mean at the end of the day they put their . . . what they have after their reserves and everything else, they put their earnings into the

Consolidated or General Revenue Fund.

Mr. Strelieff: — How do you assess their performance without a plan? I mean you get the actual results. Let's say, if I can remember what they plan to do, which is one measure of performance, if what they plan to do isn't what actually happened, well there would be reasons for it — it got colder than we anticipated, interest rates got higher, energy costs got lower. Just like in Agriculture or Social Services, those events happen. But it's a way of understanding more of where the direction is going and then being able to ask questions on what happened during the year and why are results better, or worse, or the same.

Mr. Upshall: — Right, that was a good question. I think you would assess our plans the same way that a shareholder of IPSCO would assess IPSCO's plans.

Mr. Strelieff: — But IPSCO has a clear career performance target — return on investment, net income. That same clear performance target isn't quite as clear for many of the user-fee enterprises.

Mr. Upshall: — Well I would disagree, in that the performance target is to supply the service at the least possible cost, at the same time maintaining the viability of the company, and returning any extra back to the province.

I mean it's not as clear or pointed as return on investment, I agree with that, except that if you look at the Crowns and their position according to other Crowns across Canada, they're doing a good job and that's another way you can assess them — private to public.

But at the end of the day, I think the plan is whether or not this Crown Corporations Committee, the auditor who looks up the company and the annual report — and I agree that they have to be scrutinized possibly a little more in Crown Corporations Committee; it tends to be maybe political at times — but I can remember times in the past when Crown Corporations . . . and they did a tremendous job at figuring out what went wrong with a certain Crown, why a certain Crown paid more dividend than it earned, you know, things like that. I mean those questions were asked and those questions were answered.

Mr. Strelieff: — That might have been the plan to . . .

Mr. Upshall: — I'm not going to say that.

Mr. Strelieff: — I mean that might have been, and therefore that's part of assessing whether that's a good plan. Your responsibility in terms of . . . that is the Legislative Assembly, to assess whether that's a reasonable course of action to happen in a specific organization, should the . . . I mean, and understanding the future of some of our Crown corporations. The amount of dividends reinvested in a corporation versus move to the Crown Investments Corporation or versus move to the General Revenue Fund — those are important policy decisions that I think are important for you as legislators to know

about.

Mr. Upshall: — I just wanted to bring that up and I understand your opinion, and I hope you understand mine. But I think it probably will get more discussion, so I leave it there.

The Chairperson: — I have Mr. Serby, and then it will probably be 10 o'clock, and Mr. Koenker. If we keep our observations short we can limit it to that and then come back next week and do our continuation of the same discussion.

Mr. Serby: — Mr. Chairman, my comments were going to be along the same line as what Mr. Cline's already asked. And I appreciate that your committee has already met, and my concern was whether or not your committee has come together—the one that was going to look at the measurement of the performance, the committee that was established . . . that we talked about establishing I think a year ago, with CIC.

Mr. Strelieff: — The roles and responsibilities of auditors and the audit system.

Mr. Serby: — That's right.

Mr. Strelieff: — I see. That task force, which is I guess jointly sponsored by my office and CIC, has met about five or six times. They've got four or five meetings to go, and their target as far as I know still is to have a report by the end of May. And they meet about weekly for a full day.

Mr. Cline: — Just a point, Mr. Chairman. I think Mr. Serby is talking about the working group referred to in paragraph .31 on page 27.

Mr. Strelieff: — Oh, sorry.

Mr. Serby: — Yes. That's the one I am referring to.

Mr. Strelieff: — On the working group in .31, not much has happened in terms of working together. We've met with the president of CIC; we've met with the deputy minister of Finance; and earlier last week the people on my staff who are working more specifically on the project met with the deputy secretary to the Treasury Board or . . . Mr. Dotson, what's his . . .

Mr. Kraus: — He's associate deputy minister.

Mr. Strelieff: — Associate deputy minister of Finance, who is in charge of the Treasury Board staff and the budget process. So they're still coming to grips with the scope of the project — just what should it be focused on.

For example, the recommendation from this committee earlier was pretty broad in terms of the whole budget process and it has a lot of facets to it. It has the external and internal process to get the budget together. On the other side it has the authorities — what goes to legislative groups in terms of getting authority. And where they're focusing on is, what

should the financial plan . . . what information should be in the financial plan. So they're still at a very early stage.

Mr. Serby: — That was my question. Who's responsible to ensure that this committee sort of drives itself or moves ahead? What process is in place to ensure that there's some initiation that this moves on?

Because I think that it's incumbent, possibly on this committee, to ensure that that process continues, because we'll have this debate forever, I think, around this table until such time as we get a better appreciation of what might be acceptable, collectively, to ensure that we move away from your statement which says that the financial plan is incomplete.

I think that we can only accomplish that by making sure that that committee begins to address the issues that we've been identifying here now for a couple of years.

Mr. Strelieff: — Well I think that comment helps; that question helps. Maybe our office has slowed that down a little bit in terms of getting some . . . We've had to do a fair amount of background homework to find out what's going on across the country and now we're coming out saying, okay now, let's meet and begin in an active sense.

Again we hope to have some specific proposals with a lot of advice by the next spring. So this committee is one mechanism to ride herd over moving this project along, by demanding it to perform. And I get that message, and I'll go back to my office and translate that message to the group that I have working on that project.

Mr. Serby: — Then I would ask the question then. In chapter 1.06 you make the statement again that currently the government presents the Assembly with an incomplete financial plan. Basically is it that you make that statement from the point of view that you have a broader appreciation and understanding of what the financial plan should be in terms of government reporting, and you make it from that intent; or do you recognize in fact that this committee that I just spoke about a minute ago, when it gets up and going and fulfils its full responsibility, this particular phrase might come out of there?

Mr. Strelieff: — I anticipate that a complete financial plan will be provided at some stage in the next years, because it's an essential planning and decision-making and accountability document. And as that happens, that sentence I'm sure would come out.

Mr. Serby: — Okay. So it's there only today because you have a difference of opinion of what some people believe is a complete financial plan versus what you believe is an incomplete financial plan.

Mr. Strelieff: — I don't remember anyone arguing that the financial plan presented to the Assembly is

complete. I don't remember anybody saying that in any group that I've met with. I think most or all have said yes, it doesn't represent the complete story, but the tradition in the past has been to focus on the activities that are being carried out through the Consolidate Fund or the General Revenue Fund.

That has been the practice. Yes, it's incomplete. And perhaps over the years it gets to be a smaller portion of what the government is moving forward, and smaller as the years go along. But it is . . . I mean I don't know, I don't remember anybody saying that it's not incomplete.

Mr. Kraus: — Just one point there. It may not provide the detail that the auditor would suggest, but one could argue that everything is tied off to some extent in that CIC, either as a subsidy from the General Revenue Fund or as a dividend being received from CIC into the General Revenue Fund, is at least accounted for. I mean, what you're saying is you'd like to see all of that opened up and more disclosure.

But the net result of CIC, whether it requires a subsidy or can pay a dividend, is fed into the GRF (General Revenue Fund) or the Consolidated Fund. So in that sense it's all tied together, perhaps not as complete as you'd like to see, but everything in the end is accounted for here after a fashion. And I think that's fair to say.

The Chairperson: — Ladies and gentlemen, I think that I would like to cut off the discussion because we have members leaving who I think are going to be wanting to be a part of this. I want to be a part of this as well, a part of this discussion. Mr. Serby I don't think is finished. I will keep the material on hand and we can take off from there next Tuesday. And that way we can continue the discussion perhaps uninterrupted; collect your thoughts and put them together.

I will take a motion for adjournment and then reconvene next Tuesday at 8:30. Thank you for the time.

The committee adjourned at 10:01 a.m.