

STANDING COMMITTEE ON PUBLIC ACCOUNTS

October 27, 1994

Public Hearing: Department of Agriculture and Food

The Chairperson: — Just a couple of things before we get into the Department of Agriculture; the committee that deals with the roles and responsibilities of the private sector auditors and the auditors will be here at 1:15, so we will be convening with them at that time and if we complete Agriculture by 12 o'clock then we will have done that, if not then we'll pass it on to the next time we meet.

The time has come for us to tell you a little about what you have to do and what you can do and what privileges you have here firsthand, so I'll read that to you and to your staff.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action. In addition I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedom which provides that

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

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that you provide 20 copies to be submitted to the committee Clerk who will distribute them and record it as a tabled document.

So that's the preliminary things and we do that all the time for those people who have not been here before.

Mr. Furtan, would you introduce your staff here today.

Mr. Furtan: — Thank you, Mr. Chairman. We have Norm Ballagh the head of ACS

(Agricultural Credit Corporation of Saskatchewan); Laurie with Crop Insurance; Ken Petruic from the administration branch; Lorne Warnes from ACS; and Roy White who's with the agri-food council; Keith Hayward with Saskatchewan Crop Insurance; and Ross Johnson with administrative services. And we have a number of other people for specific programs outside if we need them, Doug Winsor, Hal Cushon, Harvey Johnson from communications; and Dick Leigh, manager of plans.

The Chairperson: — I want to also begin by saying I appreciate your willingness to attend here today. I know that it was on reasonably short notice. We thought we were going to run through the items of the agenda and that we would call you in the wintertime, but it got so that the agenda was abbreviated and we appreciate you coming in.

The first order of the business will be to ask the auditor's office to outline for us the points that he made in chapter 9 of the auditor's report, and Mr. Strelieff.

Mr. Strelieff: — Thank you, Mr. Chair and members. With me today are Rod Grabarczyk, is going to lead the discussion of the chapter, as well as Brian Drayton from Price Waterhouse. Price Waterhouse was the public accounting firm involved with the work at the Ag Credit Corporation and we're beginning with the practice of inviting representatives from public accounting firms where items within our report pertain to their work. And also of course Fred Wendel and Judy Ferguson and Kevin Taylor. So, Rod, could you provide an overview of what's in chapter 9.

Mr. Grabarczyk: — Okay, Mr. Chairman, members of the committee. Our report on the Department of Agriculture and Food is contained in chapter 9 of our report and begins on page 75. Firstly I'll briefly go through the highlights of the chapter.

On page 75 it shows the highlights of the appropriations managed by the department and the magnitude of expenditures made. As you can see the most significant items are the payments for the gross revenue insurance plan of \$131 million, and the payments to the Saskatchewan Crop Insurance Corporation of

\$140 million. The department also had revenues of \$10 million.

A more detailed review of the expenditures and revenues is included in volume 2 to the *Public Accounts* and pages 7 for the revenue, and pages 35 to 45 provide more detail of the expenditures.

Following along with the report, page 75 and 76 show that the department is responsible for a number of Crown agencies and special purpose funds. This chapter also contains the results of our examinations of these entities. For most of the agencies listed on page 75 and 76, we found the rules and procedures to safeguard their assets and comply with the legislation were adequate. Where this was the case, there's no further mention of the entity in the chapter.

Page 76 indicates we did not do sufficient audit work to report on the Agriculture Development Funds and the department's rules and procedures to safeguard and control their department's appropriations and revenues and assets of the Agriculture Development Fund, cattle marketing deductions fund, and the horned cattle fund.

It also indicates sufficient work was not done to report on the department and the Agriculture Development Fund's compliance with the authorities governing their activities. As well, sufficient audit work was not done to report on the reliability of the Agricultural Development Fund's financial statements. In 1993-94, we've commenced an examination of these items that we did not do in '92-93, and we'll be reporting that in a subsequent report.

We also cannot report on whether the Saskatchewan Crop Insurance Corporation complied with the authorities governing its activities because of delays in receiving information from the corporation. That will be reported in a subsequent report as well.

On pages 77 to 79, they include our observations of the Agricultural Credit Corporation of Saskatchewan. ACS has also an appointed auditor, and we relied on the work and the reports of the appointed auditor except where we disagreed with the appointed auditor's opinion on the matter set out in page 77. All points reported on ACS were reported by the appointed auditor, and the reports are

contained in Appendix II to our report on pages 3 to 5.

Page 77 reports that ACS lacked the authority to charge a 2 per cent fee on capital loans approved after 1987. This matter has been reported in past reports. There is a disagreement between our office and ACS on this matter, and both positions are supported by legal opinions.

The second point has been reported previously and requires ACS to prepare and attest a contingency plan ensured that it can recover in the event of a loss of information in its computers. We understand ACS was to implement a disaster recovery plan in two phases in 1993-94 and 1994-95 years. Our work for the 1993-94 is not complete to be able to indicate whether this matter has been corrected, and it will be reported in a subsequent report.

Page 79 indicates or relates to the Prairie Agricultural Machinery Institute which is a Crown agency administered by councils appointed by government. We note that the councillors did not control the affairs and business of PAMI, the abbreviated form for Prairie Agricultural Machinery Institute, for most of the year. The councillors must meet at least four times a year to manage the affairs and businesses of PAMI. The councillors' terms ended on March 31, 1992, and the government did not appoint new councillors until February 4, 1993.

Having conducted the 1994 audit of PAMI, we've noted that the councillors did not meet the required four times a year, and that will be reported in a subsequent report as well.

Continuing along, page 80 relates to the Tripartite Beef Administration Board which is a Crown agency administered by an appointed board. We noted that the board did not have directors to control the affairs and business of the board for the period September 1, '92 to May 4, 1993. In addition, the board's meetings on May 13, 1992 was its last 1992 meeting. The government appointed new directors on May 4, 1993, and there was no problem noted in 1994's audit in terms of the board's meeting and that there was a board in existence.

Continuing along in the report, in the chapter, we come up to page 81 which indicates that

the Agricultural and Food Products Development and Marketing Council is responsible for nine development and marketing boards. These boards were elected by agricultural producers and a list is contained on page 81. Further information is contained on page 82 and it provides some financial information about these boards.

We have reported two matters which directly relate to the council. The council was responsible to prepare an annual report to the Assembly, reporting on the activities of the producer-elected boards. We believe the council should include financial statements of the agency in its annual report.

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

These matters were reported in our previous report of March 31, 1992. And in your last report this committee noted the department is in basic agreement with the above points and will take steps to implement the recommendations of the Provincial Auditor's report.

In the few pages 83 to 86, report the results of examination of the producer-elected boards.

In general, the smaller the agency the more problem these agencies have. This is because they have few resources and staff to address these deficiencies. These boards need to help develop basic rules and procedures for the day-to-day operations and to safeguard and control their assets. They also need to understand the meaning of legislation which governs their activities. Most of the points we've reported on involve instances where the board did not follow the requirements of legislation.

In addition, there's a need for these boards to prepare basic rules and procedures to cover their day-to-day operations and safeguard and control their assets.

On page 83, a brief description of the Saskatchewan Canola Development

Commission is provided; and on page 84, observation that the commission did not table its annual report by the date required by law. The 1993 report was also not tabled in accordance with law.

On pages 84 to 86, a brief description of the Saskatchewan Sheep Development Board is provided, along with our observations. Our observations include a number of examples of non-compliance with authorities which have been reported previously.

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

That concludes our summary of this chapter.

Mr. Strelloff: — Thank you. Mr. Chair?

The Chairperson: — Thank you very much. The report deals with a number of recommendations by the department of . . . or by the auditor's office, and so we'll go through them.

The first one deals with Ag Credit Corporation. And I've noted that I believe this is the second year that they've talked about the 2 per cent capital loans, the 2 per cent over and above I think it's prime, or the cost of the . . . or the price of the borrowing to the client. Can you give us an explanation of that?

Mr. Ballagh: — Are you looking to officials?

The Chairperson: — Yes, please.

Mr. Ballagh: — Mr. Chairman, the 2 per cent fee is a one-time fee that's charged the client as 2 per cent of the value of the loan. As I noted and commented last year, we believe that the Act gives us the authority to charge that fee. According to a couple of Supreme Court decisions, to be classified as interest there has to be the essential element of day-to-day accrual. This fee does not have that provision; therefore we believe it is legitimately a fee. And the Act gives us the authority to be able to charge fees with respect to loans.

As the Provincial Auditor noted, there is supporting legal opinions on both sides of that argument. And our position is that there's no need for us to do anything further, that we have sufficient authority to do it.

The Chairperson: — Well yesterday we had a broad-ranging discussion about another item that dealt with an opinion, and you have broad-ranging opinions when it comes to legal opinions; that's the gist of it.

What we have to do is . . . If this keeps coming up over and over again, at some point in time you're going to have to either deal with it and move it off.

What problems would occur if you did have legal authority at this point in time, under the one opinion, to put it into place and make sure that you had it in place, and then give you the authority to do that?

Mr. Ballagh: — Well I guess the legal opinion we have now, which has been supported by the Department of Justice, our own lawyers, and Finance as well, indicating that we do have sufficient authority to charge the fee, that we don't need to do anything further.

The Chairperson: — What are you going to do to solve the auditor's problem in relation to this?

Mr. Ballagh: — We are working on some other initiatives with respect to interest rates. I guess we're prepared to sit down with the Provincial Auditor when we're a little bit further along in that process and see if we can't find some common ground on this issue.

The Chairperson: — I think probably this is going to come up every time; and I don't believe it's our responsibility to fix it, but we have to have at some point in time a resolution to the matter.

If you don't, at some point in time someone is going to take it to court and then it will be decided, not on the basis of whether it was good for the corporation or bad for the corporation; it will be decided by another court which will determine exactly what it is. And then the implication to ACS will be significant if it goes against that ruling. If it goes for it, it will have made no difference but it will still have cost you something in order to deliver that.

That's why I think you should put it together to resolve the issue.

I don't believe I recall last year's recommendation in relation to this, but I believe that what you need to do is to make sure that it doesn't have to come up to this committee's attention again. And if that's . . . Maybe what you should do is spend the time in hiring legal opinion to correct the matter instead of having legal opinion that will tell you that it's legitimate in its context.

And from that point, what is the implication if you would change it? Is there any?

Mr. Ballagh: — Potentially there is, yes. I suppose if we were to seek an order in council or regulation amendment that would clarify it, there is the possibility that a subsequent interpretation could be that the fees that had been charged to that point in time were in fact illegal.

So I'm not sure, given the fact that the arguments that we . . . the legal opinions that we have now indicate that we are justified in terms of being able to charge that fee, that we should do anything that would jeopardize that position.

Mr. Cline: — I note, Mr. Chairman, that in our sixth report last year we dealt with the same matter because of course it had to come in the Provincial Auditor's report, and I'm looking at recommendation 44). And it says:

Your Committee discussed the recommendation in paragraph .124 that the Agricultural Credit Corporation obtained an Order In Council to approve its cost of borrowing rates. Your Committee notes that the Department has received legal advice from the Justice Department solicitors identifying this to be a fee and not an interest charge. The Department feels secure in this position and therefore the Committee agrees that it does not present a particular problem.

Obviously there's a difference of legal opinion between the legal advisors of the department and — I take it — Finance and the corporation and the legal advisor of the Provincial Auditor. I would suggest that we simply reiterate the recommendation we made last year, but in

view of the fact that the corporation is willing to sit down with the Provincial Auditor to see if they can reach a common ground, we note that the officials and the Provincial Auditor will be meeting to discuss this matter further.

The Chairperson: — The volume of dollars in relation to it up to March 31 that have been collected is \$2.585 million. This practice is going on today, I assume. So that's another year gone by. Is that up by \$500,000, or is that up by three-quarters of a million?

Mr. Ballagh: — Don't have the exact number, possibly is up 3 or 400,000.

Mr. Upshall: — Point of order, Mr. Chairman.

The Chairperson: — Yes.

Mr. Upshall: — I believe I just heard a recommendation, and despite the fact that you had ample opportunity when you were associate minister of Agriculture to correct this and hadn't, I think we should deal with the recommendation.

The Chairperson: — I'm not sure that that's a point of order. We'll deal with the recommendation . . .

Mr. Upshall: — Or procedure, whatever you want to call it.

The Chairperson: — I will just say to the Department of Agriculture that I believe that there needs to be a way that you deal with this. I don't need to see it coming up over and over again. As a matter of fact, it probably wasn't reported when I was associate minister of Agriculture, Mr. Upshall. And therefore I would have probably done something about it at that time.

Mr. Upshall: — I'm sure you would have.

The Chairperson: — The point Mr. Cline made is that it should be noted that the department and ACS and the auditor's office would be working to see whether there was going to be a resolution, I think is a good point. And we'll take it as that. And do we have agreement on that?

A Member: — Agreed.

The Chairperson: — Item no. .23 is a

recommendation again relating to ACS: "ACS should prepare a written contingency plan and test the plan." This has been reported three times, and would ACS be prepared to discuss that?

Mr. Ballagh: — Mr. Chairman, the plan has been tested and is operational. It was noted it was done in two stages in '93-94 and '94-95.

The Chairperson: — Okay, I'm . . .

Mr. Cline: — I think you should note, Mr. Chairman, that steps have been taken to comply with the recommendations.

The Chairperson: — Did the auditor's want . . .

Mr. Strelloff: — Mr. Chair . . . (inaudible) . . . any update on that?

Mr. Drayton: — No.

Mr. Strelloff: — So we're completing our examination.

Mr. Drayton: — We'll be completing our examination in this spring, in '94-95 year.

The Chairperson: — In regards to whether they have completed their contingency plan.

Mr. Drayton: — That's correct.

The Chairperson: — The recommendation from the committee would be what?

Mr. Cline: — That we note the department has taken steps to comply with the recommendation.

The Chairperson: — That ACS has taken steps to comply.

Mr. Cline: — Yes.

The Chairperson: — Okay. Is that agreed?

A Member: — Agreed.

The Chairperson: — Under the Prairie Agriculture Machinery Institute, there are a number of observations. One was that the councillors did not meet to deal with the . . . no that's a different one.

The resolution says that the government should make timely appointments of the councillors. The councillors did not get appointed at the correct time, and I believe they did not meet the requirement of the times to conduct their business as they should have. And would you like to give us an explanation of that?

Mr. Petruic: — Mr. Chairman, the appointment of the PAMI council was delayed while the government did a government-wide review of all boards and commissions and positions. The council is now in place and is meeting according to the regulations, and we intend to make all appointments timely in the future.

Mr. Cline: — I think we should note, Mr. Chairman, that the government has made the appointments, and the department has indicated that appointments will be made in a timely fashion in the future.

The Chairperson: — Is that agreed?

A Member: — Agreed.

The Chairperson: — Item no. 42 says the government should make timely appointments of directors, and that is also a concern. And is that the same as the other?

Mr. Petruic: — Yes, that board is now in place.

The Chairperson: — How long did you operate without the board?

Mr. Petruic: — I should get Doug Winsor. Excuse us for a minute. Mr. Winsor will be able to give exact details. Mr. Chairman, the board was not present for approximately 10 months.

The Chairperson: — Okay, have you completed all of the tripartite payments to various producers? Are you winding that down now?

Mr. Petruic: — I'll ask Mr. Winsor to respond to that; he's in charge of that.

Mr. Winsor: — All of the tripartite programs have been terminated. It's expected that the final rebates of beef premiums will be done approximately the end of November. We're really in this exercise, I guess, really waiting on the federal administration to do the final

calculations.

On the hog one as well, the wind-down in hogs is taking place. I think the feds expect to do that sometime by the end of December.

The Chairperson: — There's two parts of the beef plan; one had a significant surplus. Are those premiums being rebated to the producers by the province or by the federal government?

Mr. Winsor: — By the federal government and those payments have been made.

The Chairperson: — Those have been made, okay. Both in the cow-calf and in the feeder?

Mr. Winsor: — No, the cow-calf pay-outs have been made. Both the feeder and the slaughter payments are what we're still waiting to get final reconciliation between the federal people and our administration.

The Chairperson: — The reconciliation is on the amount?

Mr. Winsor: — Yes, and it . . . what's taking a little longer is, you may remember we went from a provincial plan to the federal plan, and there was some roll-over provisions there and there was a very complex set of calculations as to . . . we wound our program down slowly and phased in the other one. And there had to be an audit that the federal people did. So there's still a little bit of work to get that number close and I think we're just about there.

And it's the feeder amount and the slaughter amount, the premiums that are left over, that should be out by the end of November. And they're smaller amounts. The large amount from the cow-calf plan was sent out, I believe it was in June.

The Chairperson: — Okay. The hogs . . . there isn't a surplus there, is there?

Mr. Winsor: — The hog program in Saskatchewan went until July 1. In some provinces they actually terminated three months earlier than that. Various provinces did it in different ways.

In Saskatchewan we had a deficit at the beginning of the final quarter. One of the options would have been to set a small

premium to collect just enough to get to zero. I guess because there was some slowness nationally in getting the wind-down in place, we continued to collect the \$3 that we were collecting for most of the plan, and the deficit got to zero in the first month.

So the money that we will be sending back is really the excess above the amount that it took to get the account to zero. Other provinces had a surplus so some of them didn't collect any money in that final quarter. Some of them continued to collect and will rebate the whole \$3.

The Chairperson: — Okay. On the old Beef Stabilization Board, have you completed all of the aspects of cleaning that all up?

Mr. Winsor: — That's the old provincial plan?

The Chairperson: — Yes.

Mr. Winsor: — It's virtually wound down. We're still in the process of doing some administrative things. As you may remember, there was a large deficit there of money that was borrowed from the Consolidated Fund or the General Revenue Fund; that amount has never been formally written off. It's listed in the accounts as a non-recoverable loan. We're in the process now of formally writing that money off.

And then there's some assets related to that plan involving penalties that were assessed producers from defaults in the program.

There are a few liens against pieces of land that are still registered from the Saskatchewan Beef Stabilization Board. And those, to do the final wind-up, need to be transferred. And they'll be transferred to the department and will continue to be reported in the department accounts in the future. So there's still a few administrative things to complete in that wind-down.

The Chairperson: — And what was the liability in total, in a general way? I know that there's a lot of those kinds of things that you were talking about, but what's the liability of that?

Mr. Winsor: — The amount that was borrowed from the Consolidated Fund?

The Chairperson: — Yes.

Mr. Winsor: — I think the amount we're writing off is \$116 million.

The Chairperson: — 116.

Mr. Winsor: — I don't have it with me. I'm just trying to remember from memory. It's in that range.

The Chairperson: — Okay. The liens are going to be established. I know there were court cases in relation to that. In a general way, have those monies come back from those cases that were heard?

Mr. Winsor: — Most of the money that is coming in is money that's been arrived at voluntarily between producers that were in default and the board. The court cases of the money, once there is a judgement, is obviously due at that time. So those don't have any time payments on them.

The time payments are all . . . involve instances where people owed a certain amount of money. In most cases the board came to some settlement with those individuals and arranged for time payments. And those are monies that are still coming in.

There is still one court case outstanding with an individual that was assessed an amount. In the board's view, that amount was owing due to a default on the contract. He is still involved in a court case saying he doesn't believe that he owes that amount of money. The court date is set for December 4. And that's the last one, and we're hoping that will get resolved prior to it being transferred to the department.

The Chairperson: — Well I just know that the Department of Agriculture had a lot of work to do there, and they did a lot of work to bring that to the point where it is. And I just want to say that the staff there did a tremendous amount of work in doing it, and I just want to compliment you on that because it wasn't easy. Nor was the resolution of the problem easy, and I'm sure you would agree with that.

The volume of dollars that are outstanding in court — excluding the one that is still to go to court — and the court has already decided, do you have a volume of dollars that that would be?

Mr. Winsor: — I don't have it with me. I could get you that information.

The Chairperson: — Would you please.

The 116 million roughly — does that include any of the old pork?

Mr. Winsor: — No. The SHARP (Saskatchewan hog assured returns program) fund was separate from that. That loan was written off, I believe last spring. We finally wrote that amount off that was owing to the Consolidated Fund.

We still have one more step to accomplish with the SHARP fund to finally terminate that program, and that's to transfer the potential liability from some outstanding cheques which I think total 3,100-and-some dollars. The auditors have requested we keep those on the books until six years is up. So we're continuing to report that fund, but we would like to transfer those to the department and have them show up in the department liability so that we can finally terminate SHARP.

The Chairperson: — Okay. That was, what, \$31,000?

Mr. Winsor: — Thirty-four, I think.

The Chairperson: — Okay. What does the committee want to do with the Tripartite Beef Administration Board recommendation from the auditor's office that the government should make timely appointments of directors?

Mr. Cline: — Well I think we should make a similar notation, Mr. Chairman. Obviously the government should make timely appointments of directors. And I take it the issue was resolved by the appointment of directors, and I think we should simply make note of the fact that the issue has been resolved.

The Chairperson: — Okay. Agreed? Okay.

Item no. 48 says, or the recommendation from the auditor under the Agricultural and Food Products Development and Marketing Council:

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

Mr. Furtan, give us an explanation of the

response that you have to this.

Mr. Furtan: — Thanks, Mr. Chairman. I think Mr. Roy White here is the . . .

Mr. White: — Yes, Mr. Chairman. The council appreciates that financial statements would be a good option for its annual report.

A little bit of background. Traditionally the council has not included financial statements in its annual report to the Assembly, primarily because it's really not a requirement under The Agri-Food Act and the operations that are included in that Act. And traditionally the financial reports have been administered to council through its meetings and continue to be that way.

The council, based on the auditor's recommendation, did though in 1993 consider trying to get the financial statements in some form into its 1993 report. But at that time the audits of some of the boards had not been completed. And rather than hold up its . . . or be late on its report to the Assembly, it decided to move ahead without including the financial reports. And the council is interested in working towards including the financial statements in its annual report for 1994.

But also relevant in this discussion with the council, Mr. Chairman, is a report that's being . . . or a study that's being worked on now by Saskatchewan Finance regarding the new procedure, and taking a look, I guess, at the general relationship of the council and its boards and the auditor and the requirement to work in the public interest.

That report, the council is hoping to deal with or to receive, I guess, this fall and into the winter. My understanding is that it has not been completed yet but it can make a difference in terms of new ways and improved ways, I guess, Mr. Chairman, of improving the accountability of boards and commissions through its annual report as well as its daily responsibilities and procedures.

Mr. Kraus: — If I could, I would just add to that, that as we indicated last year when we met, or I guess it was . . . I can't remember if it was February or a little later, we indicated that our department should meet with Agriculture, review this issue, and then go forward to the auditor. It hasn't moved as quickly as I would

have liked it, but it's reached a point where we have a position with Agriculture. We, I think fairly soon, should be approaching the auditor.

It's interesting to note that all the work that we have done would indicate that these producer-elected boards are not government organizations. I believe there's probably a situation again where the Provincial Auditor's legal opinions might indicate otherwise, but the work that we have done would lead us to conclude the opposite. As you might appreciate, the producer-elected boards appoint their own membership . . . sorry, their own boards of directors. They provide all the money for their own operation. And it appears they are not government organizations as considered and defined by the Public Sector Accounting and Auditing Board.

Another interesting point is that we . . . and it doesn't necessarily follow that what one province does we should do the same. But Alberta has a model that's very similar; they have a marketing council; and they have producer-elected boards. And they view theirs as separate organizations. Again they consider those producer-elected boards to be fully accountable to the producers. The financial statements of these producer-elected boards are audited, but they're audited by various firms in the private sector.

And as you can tell, I would hope that what we would be concluding here is that we would be moving to the auditor having a discussion and hopefully arriving at a situation that's similar to what they have in Alberta. I don't know whether the auditor in the end would agree with this position that Agriculture and Finance will have, but that would be pretty much what we would be recommending.

Mr. Cline: — Mr. Chairman, we could make note of the fact that the council and — I take it — the Department of Finance and the Provincial Auditor will be having further discussions with respect to this issue?

The Chairperson: — I think that one of the things that should be noted in this recommendation that I think is significant and that is that the financial statements of these boards should be included; not that they would be demanded by law to be included but that they would give to the individuals of the Assembly clearer access as to where they

were and what they were doing. And I think that that's important. Not every one of them is relative to every member of the Assembly in rural Saskatchewan. However there is probably a need to have some balance as to how they're reporting, to have balance on when they report. And to give that dynamic, somebody has to say, here's the line and meet it.

And I guess that's what, I believe, what the auditor is saying here. They should include it in their report. I would even say that if they haven't met the requirement under law to have a financial report, that should be recorded as well. And time lines . . . and it's noted — and I believe it's accurate — the smaller ones have the greater difficulty in this. They also have less complications in relation to their financial statement; it isn't nearly as big. It doesn't take as much time. It isn't as onerous to be done. And so I think it's a good recommendation. I think it needs to be seriously considered.

Mr. Serby: — Mr. Chair, thanks. I'm not suggesting that this isn't a good recommendation and support the recommendation of my colleague, Mr. Cline, but I'd be interested in knowing . . . did I hear you say, Mr. White, that there isn't any taxpayers' funds or money that's actually . . . that goes into the council. So the management of this organization, in terms of its financial support, really comes from within itself. And if that's not the case, I'd be happy to hear that. Or do they receive some type of provincial funding here?

Mr. White: — Mr. Chairman, the council itself, the supervisory board is provincially funded. The agencies that it supervises — for instance, the Canola Development Commission — and the boards and commissions are all entirely producer funded and administered on behalf of producers.

There are funds going into these boards for the purpose of research and development that usually come through such things as applications to ADF (Agriculture Development Fund), but those accounts and those monies are accounted for through their separate systems. So essentially the administration costs of all these boards are funded and administered and accounted for directly to producers, Mr. Chairman.

Mr. Serby: — Okay

The Chairperson: — Just going on that a little further, the council is required to make sure that these boards operate under jurisdiction of their overview, or they are to provide the overview for those boards, regardless which one it is. They are supposed to make sure these things happen though, aren't they?

Mr. White: — Yes, Mr. Chairman.

The Chairperson: — The financial statements, their own reports to the board of directors, the establishment of the boards, election of officers and all the board — the council is responsible for that.

Mr. White: — The council is responsible for ensuring that the boards operate within the context of the regulations. And included in that, Mr. Chairman, are their responsibilities to make sure their financial statements and other protocols are on time and in the context of what they're supposed to be doing under regulations.

In terms of the council's powers to directly intervene when there's questions or incidences where they could do better, that's a little limited. And it does take some time, Mr. Chairman, to work to resolve some of the these situations.

Mr. Upshall: — I'd like to ask a question of the auditor. In light of the fact that these boards and commissions have no direct link other than being managed by the council or over . . . not managed but under the Act of the council, why is it necessary for this committee, whose mandate is to review the accounts of the government to the public to have the financial statements of — let's say — SPI (Saskatchewan Pork International) Marketing Group.

If I was a hog producer I'm sure I would be very interested in the financial statement if SPI. But is it . . . I just want for you to make the link for me, when you say the council should include its annual reports and financial statements, why is it necessary to have that here when we, the public, has no direct linkage to — let's say — SPC? It's a private marketing board basically under the jurisdiction of the Ag and Food Products Development and Marketing Council?

Mr. Strelieff: — Mr. Chair, members, as we say in our report in paragraph .50, The Agri-Food Act makes the council responsible for the administration of the nine boards. And to assess how it administers that responsibility, we recommend that the report of the council include the financial results of each of the boards. And in our report we note problems with management and administration of each of the boards that need to be handled. And The Agri-Food Act makes the council responsible, so there needs to be an oversight and a carrying out of that responsibility.

Mr. Upshall: — So if the mandate of the council is to oversee . . . Well the responsibility is to ensure the operations — is that what you're saying? — the adequate operations?

Mr. Strelieff: — Makes the council responsible for the administration of the nine boards so they're operating properly and then report on that responsibility to the legislature.

Mr. Serby: — Thank you, Mr. Chair. One further question. In the funding that the department then provides to the council for its management group, is there an agreement, some expectation that the council would provide the financial statements?

Mr. White: — There is no specific expectations of the council with respect to inclusion of financial statements, I guess, in the annual report. But there certainly is an expectation, Mr. Chairman, for the council to review all financial statements and reports of all its boards and commissions, financials, and their annual reports, financial and otherwise, and make any report to the minister where there is any question or any concerns that the department should be aware of. That's more or less the protocol the council uses to oversee the financial affairs of these boards and commissions. Does that answer your question?

Mr. Serby: — That does, thanks, it does. So does that then mean that if one of the individual boards chose not to provide what the auditor is suggesting or that you might be — and that you're supporting of course — what would be the recourse then of the council, seeing that there isn't any understanding and agreement between the funding source, which is us, and the folks who are responsible for overseeing the marketing boards, which is the council?

Mr. White: — That's a good question, Mr. Chair. And up until now we haven't run across that kind of situation. I can only speculate that if an agency were late and there was no sufficient explanation as to why that agency was either late or did not appear to council to be working in the best interests of its producers, its protocol would be to first directly discuss that issue with the agency and report the results of that discussion with the minister, along with a recommendation to resolve the situation.

In a situation where an agency continues to fail to meet the requirements and the resolution adopted by or suggested by a department, there's no direct way that I'm aware of, Mr. Chairman, for the council to take action other than by the minister's suggestion and ultimate hammer that the agency's existence be called into question and a vote take place on whether it should continue to operate.

Mr. Serby: — Other than if it were in legislation?

Mr. White: — I don't understand that question, Mr. Chair.

Mr. Serby: — Currently I think the way the legislation reads is that there isn't any requirement for the boards or the council, for that matter, to report their financial statements. Legislatively, that's not a requirement.

Mr. White: — Let me answer it this way, Mr. Chairman. Legislatively, through the regulations system, all boards and commissions are responsible to report, make reports to the council on time, according to their regulations. But in the Act there is no requirement for the council to transfer that information in its annual report directly to the Assembly. There's just no requirement.

But the council has noted that the Provincial Auditor's observations would improve . . . and I don't think the council is concerned with the auditor's observation that it would improve financial accountability. And the council has considered this, Mr. Chairman. But as I said before, we'll be most interested in taking a look at the results of Saskatchewan Finance's report in order to ultimately come to some sort of a new and improved system of accountability in the future.

Mr. Serby: — Good, thank you, Mr. White, I appreciate that.

The Chairperson: — Mr. Cline noted that council and the Department of Finance and auditor will be meeting to discuss the issue. That's the note that we have regarding number .48. Make a note of that and move on. Is everybody agreed?

Item no. .55 deals again with the council.

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.

Do you want to outline your response to that? No. .55.

Mr. White: — Yes, Mr. Chairman, council has on a regular basis, done several things to ensure that the boards are meeting the implementation of regulations and other responsibilities under the Act. In terms of the financial activities and operations of the board, the council reviews and attends small boards, all board meetings, and annual meetings on a regular basis. And reviews periodic and general financial statements and budgets of all agencies on a regular basis. And when necessary, if the council requests further information regarding any specific matters of financial control or budget estimates, the council meets for further information of it.

It meets on a regular basis with the representatives of the agencies to discuss any matters that do come up or the questions of what the council does and identify the . . . (inaudible) . . . that needs to be addressed, either financially, or current activities, or operations. And attends board meetings, annual meetings and as ongoing protocol of formal discussions with these agencies, ensure that council remains aware of the day-to-day activities of boards and is also aware of any situation where there is an improvement to be made in either operating or distributing reports.

It does, from time to time, recognize that some boards for instance and the smaller ones . . . some of the smaller agencies have developed, I guess, a reputation of not being as efficient and as well organized as some of the other

ones. The council notes that and is working towards trying with the agencies to improve their day-to-day activities as well as any other trials that come up.

The Chairperson: — Any questions in relation to no. .55?

Mr. Serby: — Do you . . . and I should probably know this but I don't. The make-up of the council, is there representatives from each of those marketing boards then that sit on that? How's that council made up?

Mr. White: — Mr. Chair. The council is made up of five persons appointed by order in council and there is no requirement in the Act for the members of the council to be . . . represent any of the nine agencies that are under its supervision. There is a requirement for the members of council, or the majority of the members of the council, to be producers. To the best of my . . . I don't have the Act in front of me but that's pretty well the only requirement of the membership of council. There's no, if I may add, Mr. Chairman, there's really no direct relationship between membership of council and membership of the agencies.

Mr. Serby: — What's our cost then in — the government's cost, the department's cost — in supporting the council? What's our financial commitment to that?

Mr. White: — Mr. Chairman, I really don't have the exact financial costs in front of me but I can make an estimate. And the estimate, based on a membership of five persons plus a professional staff, myself, and about one-quarter clerical staff, it amounts to in a rough ballpark for the total financial responsibility or cost of the council of around 80 to \$100,000 a year, Mr. Chairman. That's based on perhaps about 6 to 10 council meetings per year.

Mr. Serby: — And is that cost borne totally by the department and the government or is there some contribution there from any of these marketing boards?

Mr. White: — Mr. Chairman, it's entirely department funded.

Mr. Serby: — Okay, thank you.

Mr. Cline: — I think, Mr. Chairman, obviously everyone would agree that the council should monitor the activities of the boards and so on as the recommendation says. I think we should note the recommendation and that the council is endeavouring to take steps on an ongoing basis to comply with the recommendations.

The Chairperson: — Further under the council the item number .61 says:

The Commission (and it's to do with the Canola Development Commission) should submit its annual report by the date required by law.

Do you want to respond to that?

Mr. White: — Yes, Mr. Chairman, the council has noted that that is the case and has discussed with the commission ways to deal with this note. And the commission has indicated there were a couple of options, one was legislative. But the council in its discussions with the commission has been assured that the commission will do its best to meet its regulations of both, starting in 1994. And the council has noted that the commission did render its 1994 report and financial statements, though unaudited, to the council in the required time frame.

The Chairperson: — Do all of the agencies have their own appointed auditors?

Mr. White: — No, Mr. Chairman. Four, I believe, of the agencies have traditionally been audited by the Provincial Auditor and the rest, the other five, have their own private audit firms that carries out the audits and reports to that agency as well as to the producers.

The Chairperson: — I would take it that the Canola Commission does not have its own auditor.

Mr. White: — No, sir, it has been done by the Provincial Auditor.

The Chairperson: — Right. Can you give me the list of those that have their own?

Mr. White: — Okay. Do you have it there? That would be great.

Mr. Kraus: — Would you like me to read it into the record?

Mr. White: — Sure.

Mr. Kraus: — The Saskatchewan Broiler Hatching Egg Producers' Marketing Board.

The Chairperson: — These are the ones that have their own?

Mr. Kraus: — Yes, these are not audited by the Provincial Auditor but by private sector auditors. Saskatchewan Commercial Egg Producers' Marketing Board, Saskatchewan Chicken Marketing Board, Saskatchewan Turkey Producers' Marketing Board, and the Saskatchewan Pulse Crop Development Board. Those are five.

The Chairperson: — SPI has their own or uses the Provincial Auditor?

Mr. Strelieff: — We do that.

The Chairperson: — My question to the Provincial Auditor, does SPI pay for the audit?

Mr. Strelieff: — No, it doesn't. The funding for that comes from our vote.

The Chairperson: — Do you have any idea how much the audit would cost for the remainder of those that are audited by your office?

Mr. Strelieff: — I don't have that with me but I can provide that to the committee.

The Chairperson: — I'd like you to do that.

Mr. Strelieff: — So for the five that we do directly, you'd like to know what the costs of those audits are?

The Chairperson: — Right.

I note that the Hog has a board revenue of \$10 million, and that's fairly significant and the producers perhaps should be carrying that audit. Do the audit firms of the . . . Those that have their own auditor, are they paid for by their commission or boards?

Mr. White: — Yes, Mr. Chairman.

The Chairperson: — Item no. .61. Yes, Mr. Serby.

Mr. Serby: — I'd just be interested in knowing

how it is that some of the boards pay for their own audit and some we pay for. Like how is that decision reached, or was it reached some time ago?

Mr. White: — Mr. Chairman, that's a very good question. The answer essentially goes back to the way the commissions and agencies were established. Traditionally the . . . (inaudible) . . . boards were established with clear power in their regulations to appoint their own auditor and report financial statements through the council protocol.

The Hog Commission, the Sheep Development Board, the Vegetable Development Marketing Board are all agencies that traditionally or at one time the government . . . were commissions established under government and legislation, but were commissions that were not only audited by the government but were at one time getting financial assistance for administration purposes.

Over the course of the years these agencies have more or less continued to use the service of the Provincial Auditor to do its audits, but again and over the course of that same period these agencies have become financially self-sufficient. And it's a legacy more than a protocol, Mr. Chairman.

Mr. Serby: — Good. Thanks.

The Chairperson: — Item no. .61.

Mr. Cline: — I think we should make note of the fact that the commission is complying with the recommendation.

The Chairperson: —

The Commission (in .62) told us it is asking for a change to the Regulations. The Commission wants the Regulations changed to require it to submit an annual report within 150 days after its fiscal year end.

Is that being addressed or has it been addressed?

Mr. White: — Yes. This is with respect to the Canola Commission, is it not?

The Chairperson: — Right.

Mr. White: — Yes. As I mentioned previously, Mr. Chairman, the commission, when considering the observation of the auditor that it was unable to render its reports on time, had made that request to the council. And council, since that time, has discussed the situation with the commission and have agreed to see if it can — under the current structure rather than make a legislative change or regulation change — see if it can make it work. And as I noted the commission has rendered a report to the council on time in 1994.

It would be also noteworthy to recognize that, although the Canola Commission did render its financial statements and annual report to the council on time, those statements were not audited fiscal statements. That situation is expected to be covered off. When those financial statements are audited, they will be reported directly to the producer membership and to the council.

The Chairperson: — Item .61, is that agreed, to Mr. Cline's observation? Agreed.

The next item is under the Sheep Development Board. The Saskatchewan Sheep Development Board, item no. .70, states that they should fully document its rules and procedures.

I know they've had a great deal of difficulty with this one, and would you outline to us some of the problems they've run into and just give us the department's background on this statement.

Mr. White: — Yes, Mr. Chairman. The Sheep Development Board traditionally has been one of the agencies under the council's supervision that has had difficulty administering its activities and procedures according to its expectations under the Act. And I guess to make a long story short, Mr. Chairman, they are an agency that have very little revenue for the amount of activity, I guess, they provide to the industry.

What I'm saying is that their resources are limited, Mr. Chairman, and their management traditionally has not been absolutely capable of doing the job expected of them. They have had difficulties with obtaining secretarial and bookkeeping resources over the years. They've had trouble with secretaries, in keeping secretaries. Their general manager,

with all due respect to the commission, is an excellent manager, but when it comes to administration and financial and accounting procedures, they have not been able to do the job expected of them.

The council has recognized this for a couple of years now, Mr. Chairman, and has been working with the Provincial Auditor as well as the Sheep Development Board to establish a written set of guidelines and rules that the management of the Sheep Development Board can use as guidelines to ensure that the right things are done at the right time. And over the course of the summertime, the council has also been reviewing the activities of the Sheep Development Board to determine what kind of changes can be made to improve both administration and operations and also make it a little bit more financially viable.

There's a good deal of question, Mr. Chairman, as to whether the Sheep Development Board, because of the lack of revenue, is going to be in operation in 1995, Mr. Chairman. The council again will be doing . . . and the department will be consulting on ways to improve its financial viability. An important part of that will be two things. One is to make sure that they do try and implement the guidelines that the auditor has helped provide to them as well as the department. And the department is also considering . . . or in the process of dealing with a set of regulation changes or amendments to regulations that deal with a number of the auditor's concerns on how the board operates on an annual basis.

Mr. Sonntag: — Just a question. In terms of finance and resources, how onerous a task would this be?

Mr. White: — I didn't hear. Could you repeat that?

Mr. Sonntag: — With respect to resources, dollars and also people, how onerous a task would this be to comply with this recommendation?

Mr. White: — I'm not sure how onerous . . . I'm not sure of the context of onerous, Mr. Chairman, but the significant fact for the Sheep Development Board over the last year is that it is losing \$1,200 a month this year as compared to any other month due to some revenues it was getting to administer tripartite

program. And it's that \$1,200 a month that is placing their future in somewhat of a financial jeopardy. And unless they make some changes to save or come up with another \$1,200, they have indicated to me verbally that they may have to close their doors in the first few months of 1995 . . . (inaudible interjection) . . . Oh, to do the job right? I'm sorry, I didn't hear.

I believe their budget calls for approximately \$100,000 a year. In my personal view, Mr. Chairman, I would say, if they could get enough extra budget one way or another to get them a financial or an office administrator, that would cost another \$25,000 a year to do a good job, Mr. Chairman.

Mr. Sonntag: — Okay, thank you.

The Chairperson: — Has there been some resolution in the fees collected for marketing? Like I've had some people come to me and say that they're not going to pay their fees because producer X isn't paying his, and there's a whole lot of problems in relation to that. How are they dealing with that and is there a resolution to that?

Mr. White: — Two questions. The way they have dealt with that and are continuing to deal with that, Mr. Chairman, is they have in 1993 and 1994 engaged the services of a collection agency to try and obtain the fees that the board knows is owed to them.

Traditionally the board also recognizes that there are producers out there that do . . . or that the board is unable to identify, first of all; and second of all, unable to ensure that they register with the board and pay the amount of fees as required under regulations.

The bottom line, Mr. Chairman, is that although the board recognizes that there are producers out there that do slip through or are avoiding the system, there's no reasonable or no good way of getting them to comply with the regulation, Mr. Chairman.

That's one of the limiting factors that . . . In terms of the revenues that come into the agency, that's one of the factors why some producers who are currently contributing to the agency are concerned that the whole industry is not participating in its own development.

Mr. Koenker: — You mentioned some regulatory changes that are being considered by the department. Presumably these regulatory changes would begin to address some of these enforcement issues and some of the ability of the Sheep Development Board to function. Is that not correct?

Mr. White: — Yes, Mr. Chairman. Some of the changes, for instance, are a re-examination of how it could go about collecting the fees and the basis on which the fees are collected. Some of those changes will be made, or are expected to be made, Mr. Chairman.

There are also going to be . . . or up for consideration, changes to clarify what fees are expected to be collected. There is some confusion that the Provincial Auditor has observed regarding how the fees are collected and administered, and there'll be changes to clarify that as well, Mr. Chairman.

The Chairperson: — We'll finish Mr. Koenker's questions, and then we'll break for a break, and then we'll come back in 10 minutes after that.

Mr. Koenker: — I don't claim to have a thorough understanding of this whole issue. But the little that I understand it is that some of these regulatory changes offer a hope at least of addressing some of the auditor's concerns. And so I really encourage the department to pursue these regulatory changes. I think this is very, very important, not just to comply with the auditor's concerns but to facilitate development of the sheep industry in the province.

And there's a lot of potential there, and I just really commend you for the work that you're doing in this regard and hope that you can produce something that will address both the auditor's concerns, but even more importantly, help to develop the sheep industry here.

The Chairperson: — Okay, let's take a break and be back in 10 minutes.

The committee recessed for a period of time.

The Chairperson: — . . . Development commission or board. In your establishment of how many sales you need to make or a dollar volume to be required to submit that to the board, do you have a minimum requirement?

Mr. White: — Mr. Chairman, we haven't done an analysis in the last couple of years regarding what the charge would have to be on a per head basis to put the board into a black on a sale-by-sale basis.

To the best of my recollection, the last analysis we did . . . and things have improved. The actual cost of marketing one lamb was around \$10 a head. And the actual . . . What the board was getting at the time was \$2 a head for that transaction. Over the course of the last — I think — three or four years, that ratio has improved considerably, and the board has dealt directly with acknowledging that that's one of the ratios or one of the problems that's causing them to have a lack of sufficient revenue.

And we haven't done an analysis lately, Mr. Chairman, but I would say that cost is getting fairly close to even now, in terms of the returns on services required to market on a lamb basis.

Noteworthy, Mr. Chairman, is that the board does not market all lambs; it only markets those lambs that are offered to the board.

The Chairperson: — Okay, you were taking a \$10 . . . they were taking a \$10 . . .

Mr. White: — No, sir.

The Chairperson: — That was the cost of the board.

Mr. White: — Yes. They were taking a \$2 check-off per head, Mr. Chairman, I think what amounted to \$2. And the actual cost, when they determined the time and the other costs of putting a load together, it cost them about \$10 a head.

The Chairperson: — On the dollars that are required by an individual to belong to the board, how many dollars or sheep do you need to have as a producer in order to . . . like, what's the minimum there?

Mr. White: — Ten sheep, Mr. Chairman. Ten breeding ewes.

The Chairperson: — Ten?

Mr. White: Yes.

The Chairperson: — What's a lamb selling for these days — \$25?

Mr. Upshall: — 35 cents a pound.

The Chairperson: — Good lamb will give you maybe \$35. And so the . . .

Mr. White: — I'm not sure, Mr. Chairman. I'm sorry, I can't answer that.

The Chairperson: — You're taking . . . well the board is taking out \$2 to market and what I'm looking at is the residual, what the producers have left. And that's some of the reason why there's difficulty in this one to establish, first of all, a willingness to participate and a willingness to generate income to go into a marketing board to have them sell their lambs.

And that's where lots of the people who are not included in this are selling them door to door and getting better return on that than having to go through the board and deliver all of that to pay someone else to administer the board's responsibilities. And that's a concern and it was a concern when they started, and there's many of them that don't care to become involved in that.

And that's some of the reasons why there isn't enough money to generate because there isn't a whole lot of volume. As a matter of fact, some ewes were probably selling for less than the lambs were, and that's another reason why it's created a problem. There isn't a fantastic amount of revenue generated out of the marketing of lambs in Saskatchewan. And so we are talking about a very fragile market opportunity for sheep.

Item no. .70 says: the Saskatchewan Sheep Development Board should fully document its rules and procedures. We've heard considerable from the department about that, and I would entertain a suggestion on how we move on item no. .70.

Mr. Cline: — Well from what I understand listening to Mr. White, Mr. Chairman, the board does not have an abundance of resources and is somewhat fragile itself. But I also heard him to say that the department was trying to work with the board to improve its rules and procedures and improve the strength of the board. And I don't think we should . . . I don't

argue with the recommendation but I don't think we should adopt a recommendation if it's going to create a lot of difficulties for an organization that may have problems complying with it.

I think it would be better to simply make note of the fact that the department is working with the board in an attempt to strengthen its operating rules and procedures.

The Chairperson: — I'm not necessarily going to disagree with that, Mr. Cline, but in my view and from my experience in . . . and I don't have sheep but I know people that do. It needs some rules because what's happening is that there are people who belong to the board and who market through there and do not want to discontinue doing that.

But they have a whole lot of difficulty when someone else who they know should be submitting their fees to the board and isn't. And they need to have some rules and regulations if they're going to . . . If sheep producers wanted to establish a board, which they voted to do, then they should have the rules set in place to monitor all of those things. And I think it's necessary to do that in order to establish a level playing-field for the producers, because they did vote to have this.

Mr. Cline: — I don't disagree with that, but I have the impression that there may be a problem with respect to the resources the board has available to it. And I just don't want to have us kind of setting them up for failure by saying that they should do something by themselves that perhaps they don't have the resources right now to do.

And the recommendation says that the board should fully document its rules and procedures. And from what I've heard, while I don't disagree with the recommendation, I think it might make more sense simply to note that the department is working with the board on an ongoing basis toward achieving full documentation of its rules and procedures.

Mr. Koenker: — I very much support Mr. Cline's observations. I really think we need to respect the reality on the ground with this particular organization and have realistic expectations of them. I don't think there's any question that part of that realistic expectation be that there are rules and procedures set out;

but we do have to be patient and understanding of their circumstances on the ground and not simply, as a Public Accounts Committee, put unrealistic expectations on them.

So I think we're saying, as Mr. Cline is saying, that there be rules and procedures but we also be cognizant of the reality that they're dealing with.

The Chairperson: — Agreed? Thank you. The next item of business is item no. .72: the Saskatchewan Sheep Development Board should comply with the regulations and marketing orders governing its activities. Alternatively, the Saskatchewan Sheep Development Board should seek changes to these regulations and marketing orders.

Could you outline for us, Mr. White, the reasons why they're not doing this, why they're not complying with the regulations. And indeed if they're not, then is that related to what you were talking about in item no. .70? Or is it a different one?

It talks about yardage, insurance, Saskatchewan Sheep Development Board:

. . . assessed fees for marketing goats. The Regulations governing the (board) do not provide authority to market goats;

. . . report did not contain its audited financial statements as required by the Regulations.

All of those kinds of things. Can you respond to that?

Mr. White: — Yes, Mr. Chair. There are a number of factors why the Sheep Development Board has been unable to live by the letter of law, if you speak.

One of the reasons is that both management and the membership of the board have different views as to what the regulations mean in terms of conducting annual meetings, in terms of the structure for collection of the check-off and marketing fees. Those things have been looked at by the board as well as the department. And some of the regulation changes that are being put forward, Mr. Chairman, deal with those kinds of shortfalls or

to clarify in regulation just what both the board wants, as well as address the auditor's concerns.

Other areas why the board has failed to comply, Mr. Chairman, again goes back to the lack of sufficient resource and its ability to focus and come up with a resolution, even with the council so far helping them to do so. The difficulty they were having this year and into the winter has a lot to do with diminishing revenue, and also some turnover on the board of directors itself.

So, Mr. Chairman, it will take some time for the board to . . . and I understand they are also currently reviewing the regulation changes that have been proposed and approved by the council last year. So again they're back to taking a look and reviewing as, where do these regulations actually meet their requirements.

The Chairperson: — Mr. Cline, will you take over? I have about five or ten minutes that I have to be out. I have some more questions about some other things in Agriculture. If you don't mind, I'd like to have that opportunity.

The Vice-Chairperson: — Okay. Does anybody have any questions?

Mr. Upshall: — Thank you, Mr. Chair. My question is about the current regulations and the ability of the board to assess penalties. Am I understanding correct that it is actually illegal to market outside the board without the check-off? Or is that simply a voluntary check-off?

Mr. White: — Mr. Chairman, the check-off itself — I'll just take one step back to explain. The check-off for the revenues that come to the board from producers are two things. One is what they call . . . has been referred to as a check-off. And that, I believe, is \$2 per breeding ewe that a person or a producer reports to the board. The other source of revenue is the marketing fee. And the board does charge a marketing fee for every lamb or ewe or goat that is marketed through that agency.

In a typical situation there may be a number of producers out there who do their own marketing. They would only pay that \$10 per ewe. There are a lot of producers that do market through the agency, and on top of that

\$10 per ewe, they pay the charges, the actual charges and costs of marketing that animal.

So the answer in short is that the producers are not required to market through the board but they are required to report all known breeding ewes. And those in excess of 10 are expected to pay \$10 a head a year.

Mr. Upshall: — So a lot of the problems that the board are having basically are due to the fact that the industry is fairly weak in the province and that they have limited ability to control that industry. Is that true?

Mr. White: — That is . . . I would agree with that, Mr. Chairman. Whether it's true or not . . .

Mr. Upshall: — And so we can regulate the industry to the hilt and it really won't make a difference on the industry itself, but it would make a difference on the accountability of that industry to the public. Is that . . .

Mr. White: — That's correct, Mr. Chairman.

Mr. Upshall: — I have no further questions, Mr. Cline.

The Vice-Chairperson: — Anybody else?

Mr. Sonntag: — Just — this is probably to the auditor — I note the annual general meeting wasn't held. Just a clarification. Is that that it actually was not held, or it wasn't held in a timely manner; wasn't held at all?

Mr. Strelloff: — That's at paragraph .71, Mr. Chair, members?

Mr. Sonntag: — Yes.

Mr. Strelloff: — Okay. We were reviewing some of the issues that we raised in prior years, and the phrasing is that it was not held, period. The one required by regulation was not held.

Mr. Sonntag: — I don't know whether you could answer this question. Who would likely be the attendees of an annual general meeting? Would it be just members from across the province or would it . . .

Mr. White: — Mr. Chairman, if I understand the question, under the regulations . . . And again this is one of the differences in

understanding it between the Provincial Auditor and the board. Their understanding of an annual general meeting is the combined completion of five regional meetings in the province. After those five regional meetings are complete, that would constitute, according to their interpretation of the regulation, an annual meeting.

What the auditor I think has observed, under their interpretation of the regulations, is that a separate annual meeting be held each year. And that, Mr. Chairman, has not taken place.

Mr. Sonntag: — Just for clarification. You're saying, as our Provincial Auditor sees it then the annual general meeting has never been held then?

Mr. White: — That would be correct, Mr. Chairman. It is noteworthy that this is one of the proposals . . . There is a proposal now to clear that up entirely under our amendment to the regulation.

Mr. Sonntag: — Okay. Thank you.

Mr. Koenker: — With respect to recommendation .72, I would suggest that we simply note that the department is working with the Sheep Development Board to change some of the regulations affecting the concerns noted by the auditor.

The Vice-Chairperson: — Any comments with respect to that? Okay then, is that agreed?

A Member: — Agreed.

The Vice-Chairperson: — Well that takes us to the end of the recommendations, but Mr. Martens wants to ask the department some other questions. And until he returns, are there other members that would like to raise points with the department or ask questions now that they're here?

Mr. Serby: — Thank you, Mr. Vice-Chair. I'd like to just for a moment go back to the issue that surrounds the . . . who pays for the audit and who doesn't pay for the audit. From this point of view, is there somewhere that there is a charge for the work that the Provincial Auditor does to those five boards that are audited? Does it show up anywhere as an expenditure to either the board or to the commission?

Mr. White: — Mr. Chairman, to my knowledge, and the Department of Finance may have a comment as well, the boards do not in any way charge back to producers the costs of doing an audit. That's done for free. Those agencies that have a private audit, those costs are noted in their financial statements.

Mr. Serby: — Okay. Just part of that. To those folks then who don't . . . who are provincially audited, nowhere does there appear then in either the commission's budget or in the board's budget a line that indicates the cost of doing that audit. Is that correct?

Mr. White: — To my knowledge, Mr. Chairman, that is correct. There is no . . . Traditionally for example . . . Okay, I'm speaking specifically and it's hard to verify that. It could be that SPI's financial statements acknowledge the costs of doing the audit. But normally I would expect in the sheep, or previously in the Vegetable Marketing Board, that that acknowledgement has not been there. That that's just to best of my recollection, Mr. Chairman.

Mr. Serby: — Has there ever been any suggestion by the commission to the boards that have the audits done by the private sector to look at having their audits done by the provincial office?

Mr. White: — Yes, Mr. Chairman, over the course of the last year or so, the Provincial Auditor has indicated both to the department as well as some of the agencies, that because of their resource constraints that they would have to decline conducting the audit for, I believe, the Sheep Development Board as well as the Vegetable Marketing Development Board, as two examples. And both of those agencies are making arrangements to conduct and pay for their own audits by a private auditor, Mr. Chairman.

So there is a trend, Mr. Chairman, for the agencies to adopt and fund their own auditing within the context of the regulations and the Act.

Mr. Serby: — Would it be fair to assume that those boards that were audited by the Provincial Auditor might be in compliance with the auditor's recommendation more so than those that were not? Would that be a fair assumption?

Mr. White: — I'm not sure what the question is, Mr. Chairman. If you could re-phrase?

Mr. Serby: — Okay, maybe I'll re-ask it. I think you identified that there were 5 boards whose audit was being conducted by the Provincial Auditor. The auditor's report indicates that there should be included in the annual reports financial statements of the development and marketing boards.

So I'm assuming that — and I'm just assuming this — that those boards that are audited by the Provincial Auditor, might in fact have been already in compliance with this regulation or with this recommendation, that they in fact might have been preparing their financial statements annually on time and submitting them with their reports. And those that might have had their audits done outside of the Provincial Auditor's jurisdiction were not. Would that be a fair assumption?

Mr. White: — I don't know if that's a fair assumption, Mr. Chairman. But if I may answer in another way, the boards that are, according to the council's observations, the boards that are done privately are usually on time in terms of the audits and all the financial responsibilities under the Act.

It is interesting that of the boards that are audited by a Provincial Auditor, those are the boards that, for a lack of a better expression, are some of the weaker boards with respect to fulfilling their obligations under the timing and the nature of their financial accounting activities.

So I guess to make a short answer long, Mr. Chairman, the council views the private audits as being accountable and quite reflective of actual goings-on in the industry. The council views the private audits as highly publicized to the producers, and the private audits are always accounted for in the annual reports of the agencies that use the private audits. And council also notes that of the thoroughness of the Provincial Auditor's work in terms of doing financial audits as well. The council is always pleased to note that the Provincial Auditor always makes an additional report when there's questions or if there's concerns with respect to operation and compliance with regulations.

The difference, Mr. Chairman, between the

private audit and the Provincial Auditor's work is our private auditors don't — to my recollection — don't usually pay a lot of attention to a board's compliance with regulations whereas the Provincial Auditor does.

Mr. Serby: — Good. Thank you, Mr. Chair. Thank you, Mr. White, I appreciate that comment.

The Chairperson: — Okay. Any more questions? Okay then, you dealt with .72? Okay. Thank you. I have a number of questions as it relates to the *Public Accounts*, details of revenue and expenditure, volume 2. In order to facilitate this, I have a number of questions of ACS and I was going to lead off by asking questions as it relates to write-offs.

In the year under review, would you be able to tell me how many loans were written off — the number of loans — and could you tell me the number of people who had their loans written off and the volume of the dollars that there were?

Mr. Ballagh: — Mr. Chairman, if you could just give us a moment while we get this together.

The Chairperson: — Right.

Mr. Ballagh: — Mr. Chairman, I can give you that information by number of client and dollar amount; I don't have number of loans.

For the year '92-93 — and I'll have to run this by program — the capital loan program, 99 clients for 5.261 million; livestock cash advance, 297 clients, 3,678,369; production loan program, 511 clients for 10,716,461. Spring seeding loan program, 35 clients for \$344,297.

The Chairperson: — How much was that?

Mr. Ballagh: — 344,297. And counselling and assistance for farmers, 168 clients for \$16,699,530.

The Chairperson: — What's the total of that? Do you have that?

Mr. Ballagh: — Unfortunately I don't have a total.

The Chairperson: — Okay. On the

counselling and assistance for farmers, how much is there left that still is outstanding for that program?

Mr. Ballagh: — A question of clarification, Mr. Chairman. I guess there's two aspects to that program. There's the guarantees that remain outstanding to lenders that haven't been claimed and there's the loans that have . . . the guarantees that have been claimed where ACS is holding the balance outstanding.

The Chairperson: — Can you give me both of them? Because they're reported in the book that way.

Mr. Ballagh: — As of March 31, 1993 we had a contingent liability for guarantees outstanding of approximately \$18 million. And of the claims that had been made where we were holding the loans, there was a balance outstanding of 69.81 million.

The Chairperson: — And on the . . . the bank ones was the \$18 million, right?

Mr. Ballagh: — Yes.

The Chairperson: — Okay. On the 69 million, is there an expectation that some of that money will come back?

Mr. Ballagh: — Mr. Chairman, those loans are fully booked for loss. In other words, the loss provision equals the balance outstanding. We are recovering about 10 per cent from clients.

The Chairperson: — Is there a requirement that the individual has to leave or go out of farming, or are there assets there that are being kept and circumvented by this 10 per cent? Or do these people leave agriculture then?

Mr. Ballagh: — The settlements that we're doing for the year under review essentially required the individual to have exited farming. I guess the legislation that's in place restricts the recovery that we can make under those loans in that the loans that were extended under the CAFF (counselling and assistance for farmers program) program were largely on the basis of chattel security, and the legislation restricts the recovery that any lender can make against equipment, livestock, those types of things.

The Chairperson: — You said there were — what? — a 297 loan clients that had their livestock cash advance not . . . that you had closed the book on them. Is that correct?

Mr. Ballagh: — That's correct, Mr. Chairman.

The Chairperson: — Because I had . . . 297?

Mr. Ballagh: — Yes.

The Chairperson: — For a total of \$3.6 million roughly.

Mr. Ballagh: — Correct.

The Chairperson: — In what format were the majority of those 297? Did they not have livestock, or wasn't there adequate livestock to pay off the loans?

Mr. Ballagh: — My recollection of those, Mr. Chairman, is that those would have been individuals who had declared bankruptcy, who had exited farming, who had disposed of their livestock, that type of thing.

The Chairperson: — And 3.6 million is not the value of the loan; 3.6 is the losses that you incurred in relation to those loans. Do you have the volume of dollars that would have been lent on the basis of that \$3.6 million?

Mr. Ballagh: — The best I can give you here, Mr. Chairman, is that the average loan that was extended under the cash advance program was in the range of 9 to \$10,000 — just slightly under \$10,000.

The Chairperson: — So the average would have been 29 million? Would it give you 29 million?

Mr. Ballagh: — Yes, I'm using that . . .

The Chairperson: — Using that extension?

Mr. Ballagh: — Yes.

The Chairperson: — Okay. In the loss provision on your production loan, how much have you got? In the year under review, how much do you have in that deposit at this point — remaining? Do you have 10 per cent on the production loan I believe that you had to bring into the ACS? How much would you have remaining on that?

Mr. Ballagh: — A clarification, Mr. Chairman. You're asking for the balance that's outstanding on the loss provision?

The Chairperson: — Yes.

Mr. Ballagh: — In the year under review then, the loss provision that remained was 91.882 million.

The Chairperson: — Okay. Did you require a loss provision under the livestock cash advance?

Mr. Ballagh: — Yes, Mr. Chairman. That was funded at 10 per cent of disbursement as well.

The Chairperson: — Okay, and how much of that is still there?

Mr. Ballagh: — Mr. Chairman, for the livestock cash advance, the balance outstanding in loss provision was 21.385 million.

The Chairperson: — Okay. Were you required to have one under the spring seeding program?

Mr. Ballagh: — Yes, my recollection again is that that was funded at 10 per cent of disbursements. And in the year under review, the balance outstanding there was, in the loss provision, was 4.262 million.

The Chairperson: — I don't recall this exactly, but there was none in the counselling and assistance — or was there a provision under counselling and assistance for farmers for loss outstanding? Because it didn't start in your department.

Mr. Ballagh: — I can't tell you how it was set up initially. When those loans were transferred to us, they came on the basis of being fully funded for loss.

The Chairperson: — So the department is dealing with that as a fully-funded loss component; is that right? Okay.

So you have . . . could you give me the total volume of dollars that you have in loss provisions in the Ag Credit Corporation?

Mr. Ballagh: — Mr. Chairman, it's 219.785 million.

The Chairperson: — Okay. And what's the total liability of . . . and this is the year under review, I take it?

Mr. Ballagh: — Yes. Mr. Chairman, could I ask Mr. Warnes to make a clarification with respect to the loan loss funding on counselling and assistance?

The Chairperson: — Sure.

Mr. Warnes: — Mr. Chairman, as I understand it, when we took that program over that loss wasn't funded. We took the amount over and we booked 100 per cent loss. All of the funding that we've received since then has been to cover the claims that have been made.

The Chairperson: — Okay. In 1993 what was the total portfolio ACS had?

Mr. Ballagh: — At March 31, '93, 782.839 million.

The Chairperson: — So that . . . let me first ask, does the Department of Finance keep that \$219 million in their pocket, or do you have that?

Mr. Ballagh: — ACS has it.

The Chairperson: — ACS has it.

Mr. Warnes: — Excuse me. Again to clarify if I may, Mr. Chairman. Of that 219, the 69 million that we have in the counselling and assistance for farmers was not funded. So that 69 is not funded, so that off the 219 would be what was funded.

The Chairperson: — So counselling and assistance, the Department of Agriculture took the counselling and assistance loan loss out of ACS's total loss provision; do I understand you right?

Mr. Warnes: — Sorry, would you repeat that, please?

The Chairperson: — You took 69 million out of 219 million for the loan loss, and Agriculture took that and gave you the whole program, and then you took the 69 million out of there.

Mr. Warnes: — No. Perhaps I can approach it this way: of the 219 million that we had, 150 of that was funded, the 69 was not funded.

The Chairperson: — Oh, I see. So that you then have 150 million in the hands of ACS and manage that account.

Mr. Warnes: — That's right.

The Chairperson: — Do you have a management that runs this portfolio for this investment? And do you have a way to monitor getting the best return on the investment? What kind of role does your Ag Credit Corporation play in that?

Mr. Warnes: — Those funds, as we receive them, are put into our operating account and used to cover any new lending and any repayment of debt that comes due. And anything that's left over, we have been currently . . . we've been investing in the short-term market because we have a bond that's coming due, for example, this year at the end of . . . in March.

The Chairperson: — Okay. So you're rolling this in order to maximize the best opportunity for ACS.

Mr. Warnes: — Yes.

The Chairperson: — What's the average cost on interest for this \$782 million that you have outstanding? What's the average rate of interest on that?

Mr. Warnes: — I don't think we have the details of that. If my memory serves me correctly, we're around eleven to eleven and a half per cent as cost of funds.

The Chairperson: — When the government provides us information, they've got long-term commitments and the cost, and the short-term commitments and cost. Do you have any breakdown on that?

Mr. Warnes: — I don't believe we have that here, no.

The Chairperson: — Would you be able to provide that for me with a little bit of the more exact value of the volumes of dollars that . . . let's say, you don't have to give me each loan that you've got, but give me the volumes of dollars and an average of the interest rate.

Mr. Warnes: — The average rate? The average rate on those loans?

The Chairperson: — Yes. Will you do that for me?

Mr. Warnes: — Yes.

The Chairperson: — How many new clients did you have in '92-93?

Mr. Ballagh: — Mr. Chairman, there was 224 new loans approved — we don't have clients — for about \$14 million.

The Chairperson: — Were those refinancing, or were they brand-new ones?

Mr. Ballagh: — No, there was an additional 1,691 loans that were refinanced for 52.2 million.

The Chairperson: — Okay.

Mr. Ballagh: — You could perhaps argue that since we had virtually all the farmers in the province as clients as to whether or not any of these were actually new clients *per se*, but they were new loans.

The Chairperson: — Right, I understand that. The 1,691 were . . .

Mr. Ballagh: — Refinanced.

The Chairperson: — Refinanced. Do you have a breakdown of where they occurred, the majority of them?

Mr. Ballagh: — They were largely out of the . . . well almost exclusively out of what we call the special loan programs: production loans, spring seeding loan, livestock cash advance, and counselling assistance.

The Chairperson: — Okay. And that 224 that went to new projects, what basically was the majority of money spent on?

Mr. Ballagh: — There were 35 loans for livestock enterprises for \$1.5 million, 70 loans for home quarter or home quarter improvements for \$2.5 million, 99 loans for debt settlement where we were assisting an individual to buy out his debt from another creditor after he'd made some arrangements there for 9.5 million, and a category of other — miscellaneous, if you will — for 20 loans for \$950,000.

The Chairperson: — Do you have in your records a division that talks about hogs and hog loans? Could you pull that out of that information?

Mr. Ballagh: — We don't have that here, Mr. Chairman. We can provide that for you, I believe.

The Chairperson: — Okay, what I'd like to do is have the number of loans that you have to hog producers and the volume of dollars as well.

Mr. Ballagh: — Mr. Chairman, I just realized I may have that here.

Oh, are you looking for loan approvals for that year, or how much we had outstanding?

The Chairperson: — Outstanding.

Mr. Ballagh: — Okay. We'll have to provide that for you.

The Chairperson: — Okay, that's fine. I'm asking it because there's serious problems in the hog industry at this point, and I just was wondering what . . . If you have . . . if it's just as easy to pull the number for current — if you wouldn't mind doing that as of the end of '94, it would just . . . may be just as easy.

The impact of Farm Credit Corporation's new package that they're offering to rural farm families — have you noticed an impact or a change in relation to ACS in lieu of that? Have you noticed a different kind of demand coming?

Mr. Ballagh: — Are you referring to the family farm transfer program they just announced?

The Chairperson: — Right.

Mr. Ballagh: — No, we haven't seen any impact of that at this point.

The Chairperson: — Okay. Was the Department of Agriculture involved in the discussions in relation to establishing that program?

Mr. Furtan: — No, Mr. Chairman, we were not.

The Chairperson: — I see. I think that's all the questions I have for ACS. On well just, I'm

sorry, one more. On counselling assistance, how many more clients do you still have outstanding in counselling and assistance that there is . . . I think I got the number but I don't think I had the number of clients.

Mr. Ballagh: — Mr. Chairman, there was 846 loans for \$69.8 million. Those were loans where we had paid out the guarantees.

The Chairperson: — And that's all that's left, is that correct?

Mr. Ballagh: — There would have been the guarantees that were still outstanding to lenders, and that was the 18 million figure.

The Chairperson: — Right.

Mr. Ballagh: — We had the number of clients.

The Chairperson: — Okay, good, that's fine. Thank you.

Under the farm stress management line, could you give me how many calls you had?

Mr. Furtan: — Mr. Chairman, we do not have that number with us.

The Chairperson: — Okay.

Mr. Furtan: — But we can get it for you.

The Chairperson: — Would you get that for me?

Mr. Furtan: — Yes. The number of calls.

The Chairperson: — Yes, to your farm stress.

I have a question as it relates to the PAMI, are we working on . . . Under the year under review there was an agreement that we had reached with Manitoba, I believe, and what are we at this point in time with PAMI and the participating jurisdictions?

Mr. Furtan: — Mr. Chairman, you mean as of today?

The Chairperson: — Right, if you don't mind.

Mr. Furtan: — No. We are continuing to fund PAMI as the Treasury Board minute, so I forget the exact number that's in our budget for this year but it's last year less, I think, the

schedule they're on in reduction. So that's in place. We're also working with PAMI to see if there's not a way we can inject more money into them on the development side for initiatives. And that's just being started. We're working with them.

The Chairperson: — In development of machinery?

Mr. Furtan: — Yes.

The Chairperson: — Or developing machinery to test the machinery? Or both?

Mr. Furtan: — Well a little bit of both. Some of the new machinery in value-added — for example, this flax stripper and those kinds of things — I think we're actually involved in trying to see if we can't get some money in to do that in the area of a number of commodities — fruits, for example. So we put money in to develop those machines as well as maintain their equipment in developing testing of other equipment. So we're doing both.

The Chairperson: — How many people are employed there? You might as well take it from the year under review because that's . . .

Mr. Furtan: — We don't have that information, Mr. Chairman, but we'll find it for you.

The Chairperson: — Well then you might as well provide it for currently. Can you do that for me?

Mr. Furtan: — Yes, we can do that for you, sure, surely.

The Chairperson: — Okay. Under the 4-H program, how much money did you give to 4-H in the year under review?

Mr. Furtan: — 271,000.

The Chairperson: — 271. What was the total cost of their . . . do you have an idea of what their budget was?

Mr. Furtan: — Mr. Chairman, on the farm calls?

The Chairperson: — Yes.

Mr. Furtan: — Farm stress line, the number of calls estimated to May 24 of 1993: farm issues,

2,053; farm family and personal issues, 677.

The Chairperson: — Do you have any idea whether there were more or less from certain areas of the province?

Mr. Furtan: — No, we have breakdown between male and female.

The Chairperson: — Okay.

Mr. Furtan: — Number of male calls, 1,653; females, 1,077. Disclosure, I can give you some information. Anonymous, people who wouldn't identify themselves: 1,055; and disclosure of name and location, 1,175. We also have information on the time of day, if you wish for that too.

The Chairperson: — No, that's not necessary. The process involved in assisting them afterwards, what kind of help did you provide to these; what opportunities did they have to not only talk but also get something that was relevant to their problem?

Mr. Furtan: — Well we have a network within the farm stress line with the RCMP (Royal Canadian Mounted Police), for example. We often deal with them if it's a serious emergency. For other agencies that are involved in various aspects of farm stress or family violence or finance, we work with local agencies, put them in contact with them. So there's a lot of activity in networking these people into their community support systems.

The Chairperson: — Do you have a breakdown on how much of this was financial and how much was . . . like you talk about farm, but how many of those were financial and how many of them were personalities or family violence?

Mr. Furtan: — No, we don't have a breakdown on that. But the trend, I can tell you, is that we're getting less financial concerns and more family, personal concerns. That's the trend of the direction.

The Chairperson: — Okay. Matching grants for international aid, you had \$250,000?

Mr. Furtan: — That's right.

The Chairperson: — Do you have a list of those projects that you match them with, and

also the agencies that you use in connection with that or that were used in connection with that?

Mr. Furtan: — Yes, we have the list here. It's a long list.

The Chairperson: — If you just gave us a copy we could transfer it to everyone.

Mr. Furtan: — Sure.

The Chairperson: — Okay.

Mr. Furtan: — It says the country, the description, and the disbursement for each one.

The Chairperson: — Okay. In projects, what generally were the projects for agriculture development or something like that? Could you give us just an overview?

Mr. Furtan: — Okay, I'll just read them, some of them, and we'll give them to you.

Community education centre, water and health, workshop for welders and electricians, water and sanitation, grass roots education and promotion, community organization project, block brickmakers, and so on. We'll just pass these to the . . . (inaudible) . . . see them all for himself.

The Chairperson: — Thank you. How many dollars were actually triggered for use in these projects by the involvement of this 250,000? What did this trigger in economic development there? Some of these will have had access to CIDA (Canadian International Development Agency) money as well?

Mr. Furtan: — That's right, Mr. Chairman. We don't have that. All we have is that we spent our budget of 250,000 and that was matched. And in some cases it's matched doubly; in some cases, perhaps just once under our regulations. So we don't have a total number for that.

The Chairperson: — Okay. Do you have where it had that happen to it? Like do you know where the . . . In the information that you have, if the agency came to you where they said that they would be able to get matched from you on what they've been able to donate, do you have them give you the information on

whether they can get it elsewhere too?

Mr. Furtan: — Mr. Chairman, we don't know that, if they could have gotten alternate sources, but we do know that they did match our money.

The Chairperson: — Right. Okay, under the ethanol production program — the major user of that is Mohawk, I believe — how far along the road are we in the agreement that we have with them?

Mr. Furtan: — Mr. Chairman, that current subsidy ends as of March of 1995.

The Chairperson: — March of 1995. Okay, and what will have been the total volume of dollars delivered by 1995, in your expectation? Well give me what you have till now.

Mr. Furtan: — Okay, a total for the year under review, 2,418,000. So if we multiply that by perhaps three, it'll be somewhere around 8 to \$10 million.

The Chairperson: — Okay. And that has all generally gone to Mohawk?

Mr. Furtan: — No. Agchem Biosynthesis, which is the one at Kerrobert, in the year under review got 562,000; Mohawk Oil Company got 1,055,000; and Poundmaker in the year under review got 800,000.

The Chairperson: — Oh I see. So it was disbursed in Poundmaker rather than to Mohawk. Is that because they had a separate part of the agreement, or was that alternative locations in their production?

Mr. Furtan: — I don't know the answer to that, Mr. Chairman. I do know they all receive the same rate, 40 cents.

The Chairperson: — Right, okay. Can you get that for me, whether that was all at Poundmaker that that happened, or whether it was at other places as well?

Mr. Furtan: — Yes.

The Chairperson: — That's a rate per litre, isn't it?

Mr. Furtan: — That's right.

The Chairperson: — And that was 40 cents?

Mr. Furtan: — That's right.

The Chairperson: — Do you get an assessment from Poundmaker or Mohawk as to whether they will be able to continue after the funding runs out?

Mr. Furtan: — That's a very good question. I believe the minister has already been spoken to by Poundmaker, but as far as I'm aware, there's no resolution to that.

The Chairperson: — Is there any other agency besides Mohawk that sells ethanol in their fuel, or any other Imperial Oil or Shell or are you aware of any?

Mr. Furtan: — I'm not aware of any, Mr. Chairman.

The Chairperson: — Okay. In your Ag Development Fund, would you be able to provide for me a list of those groups who were operating in the year under review, with their names, and also the new ones that you gave funding to in the year under review?

Mr. Furtan: — Mr. Chairman, we do not have that with us, but we can give you a list of the projects that were funded and how much money each one received.

The Chairperson: — Okay.

Mr. Furtan: — We have that, but not here.

The Chairperson: — Okay. Those that were funded because of a previous arrangement, and then the new ones. That's what I'd like to have.

Mr. Furtan: — That's right. I think we can give that to you up to 1994.

The Chairperson: — Okay, good. What's the focus of the new projects? Is it crop development; is it product development? What's the emphasis generally been for Ag Development Fund?

Mr. Furtan: — Well there's a number of things there. We have a program — I forgot the exact title — but it's a program that funds a lot of initiatives around food processing, small ones, for labels, etc. We just introduced that. That's

where they come in every month and they're awarded every month, so they don't have to wait. I think we have a maximum on that.

We're putting a lot of emphasis into the area of value added and diversification in herbs and spices, in fruit, in animal products, and in crop processing products. So there has been, Mr. Chairman, a shift away from, let's say, doing work on soil evaluation or economics simply to value added and diversification wherever it may occur. So that's the trend. We're trying to support the value added and diversification.

We continue to support the crop development centre and plant breeding at a high level. We continue to put money into animal breeding, but I would say there has been a change in direction to put more behind diversification and value added.

The Chairperson: — Okay. There's a new Buy Saskatchewan plant up there on the north end of Regina — what is it called, Price Club? — where they sell Saskatchewan products. Is the economic development fund or the Department of Agriculture involved in that?

Mr. Furtan: — I don't know, Mr. Chairman; I know we're not.

The Chairperson: — Okay. I will conclude with that for today on Agriculture. But I have one more question and it has to do with ostriches. How many ostriches have we financed then through ACS?

Mr. Ballagh: — For the year under review it would be none. I don't think we have financed any, but I'll check on that and provide it in the report with the other information.

The Chairperson: — That's pretty high risk, and I just noticed the other day that they were starting to talk about what they can use the bird for besides reproducing and that's ... (inaudible interjection) ... riding and other things. But that's good, but if you could give me that information.

I have more questions that I want to go through so what we will do with this is adjourn, and we will likely sometime in the new year have the committee meet again and then we'll continue the discussion if you don't mind.

Thank you very much for your attention here

today, it's been very good. And Mr. White is gone; he did a good job on his presentation here.

We will recess until 1:15 when we will deal with the roles and responsibilities committee report. Thank you for your attention here this morning.

The committee recessed for a period of time.

The Chairperson: — This afternoon's session, ladies and gentlemen, we're going to ask the members of the committee to introduce themselves a little later. And we are going to change the format here somewhat. The auditor is going to introduce the topic and deal with it, and then Mr. Cline, who is the vice-chairman of the committee, is going to take my place here and I'm going to sit over there, and we'll visit through the afternoon. And then we'll break for coffee and after that we'll introduce some resolutions in relation to the discussion we have, and I'll come back into the chair and we'll conclude with that.

I want to say that I appreciate very much the opportunity to meet with you. We have . . . I've waited a long time I think for this to happen, and I particularly liked and appreciated the opportunity that we had to visit with you when I personally visited with your committee. I felt it was an opportunity for me personally, and on the part of the opposition, to express some of the concerns that we had in relation to what was happening, some of the things that we thought could be done better, some of the things that we could perhaps see improvement on, but also some of the things that I think were being well done.

And through our discussion here this afternoon, I hope that you'll feel comfortable in outlining those resolutions or the recommendations that you've made to us, and I hope that you can have the liberty to discuss them as freely as you wish, and we will give you that opportunity.

Mr. Strelieff, would you introduce the subject please, and then Mr. Cline can take over and then he can ask you for your members' introductions.

Mr. Strelieff: — Thank you very much, Mr. Chair, and members. And thank you, members of the task force, for taking time out of your very valuable and busy schedules to meet with

us today. I certainly appreciate your considerable efforts.

As many know, I think everybody in the room knows, that in my previous reports to the Assembly I'd expressed considerable concern with the effectiveness of the audit system and there was much discussion and debate about the concerns and the issues by many people.

In '93, in 1993, the standing committee to me made an important recommendation, the Standing Committee on Public Accounts. After discussing many of my concerns and hearing from other people, they made a recommendation that the government work more cooperatively with my office by involving us in establishing the audit plans and by making sure that there's solid communications through frequent audit updates, and ensuring that we have sufficient time to comment on any final report prior to its public release.

Following that recommendation, and noting that it was concurred by the Assembly, and the direction was within the existing system, let's try to make it work more effectively. So I had many discussions with many people again following that. And finally I decided to approach the president of the Crown Investment Corporation and asking him to co-sponsor with me a task force to see if we could work within that framework and make the existing audit system, initially focusing on CIC (Crown Investments Corporation of Saskatchewan) Crown corporations, make that system more effective.

So from October '93 to about January of '94, the president and I sought and gained the support for the task force and for the terms of reference from this committee. Remember that we came in here from the Crown Corporations Committee, from the audit committee that was established within my legislation, and then we sought members from the task force.

We thought that we needed the different perspectives to come to the table, and the perspectives that we finally thought were reasonable were: from CIC which Mr. Richard Hornowski is representing that perspective from CIC subsidiary Crown corporations; and Mr. Mrazek is from SaskEnergy who represented that perspective; Mr. Bundon from Deloitte and Touche in Saskatoon representing the public accounting firm perspective; and

Brian Atkinson from my office representing my office's perspective.

We also then needed a chair, and thinking very hard and quickly we came up with Dr. George Baxter who agreed to chair the task force and see it through. Also we needed a secretariat to the task force and we asked Judy Ferguson from my office to serve that role.

So we got the task force going; the terms of reference were agreed to by the various groups. And we also asked them to operate within a document called *Building Consensus for a Sustainable Future*, thinking that the issues at the table were dear to many people's hearts and that they would have to come to a consensus, that no particular view really would carry the way.

And we asked them to operate within that document, within the notions set out in that document and carry on. During March to June they did that and I'm sure we'll be hearing about the many meetings that they've held and the many discussions and serious considerations of the issues that they were addressing.

When the task force report was released in June, the president of CIC and I agreed with the conclusions and recommendations. We're planning to implement them; we actually are implementing the recommendations. In my view the task force report provides a useful framework for strengthening the system. The framework envisions an audit system where government managers, public accounting firms, and my office are working more closely together in establishing audit plans, resolving key issues, and agreeing on reports.

My office will be joining the public accounting firms that audit — committee meetings — of each of the Crown corporations in establishing audit plans and in agreeing on reports, presenting those reports to audit committees. That's already started. We've gone through two of those meetings in the planning part with audit committees. And the appointed auditors are going to be joining us at these committee meetings when there are issues and corporations and agencies that are on the agenda that are being discussed. And this morning you saw Mr. Brian Drayton from Price Waterhouse as being one of the first times that

we've brought representatives from public accounting firms to this committee.

The task force also recommends that the process be evaluated in each of the next two years by my office and by the president of CIC and that the results of those evaluations are reported to all the key constituents. We have circulated a draft evaluation proposal that we're working on. The evaluation questionnaire follows the recommendations of the task force to make sure that the recommendations are being complied with.

And in conclusion, just once again I certainly appreciate the efforts of the task force. I think they've had an interesting array of problems to sort through. I personally would've liked to have listened to some of the discussions because I've gone through similar kinds of discussions both within my own head and with people in my office and within this committee, and the issues are very, very interesting.

So in conclusion, thank you very much. I think — the recommendations I support and the conclusions I support — and I think it does provide an opportunity for a much-needed, new beginning for the audit system and a strengthening of the audit system as it serves you as legislators. Thank you, Mr. Chair.

The Chairperson: — Thank you.

Mr. Cline: — Good afternoon. I'd like to join with Mr. Martens in thanking you for taking the time to come and see us this afternoon, especially given the fact that you were also in the building on Tuesday, I think it was, and to thank you also for the very extensive meetings that you've held I think over 16 days, and talking to a lot of different people, including Mr. Martens and myself, who had the opportunity to make presentations.

And I'm sure the members will have some comments about the report and some questions for you but, Dr. Baxter, as chair, I'll leave it to you to lead us through this and let us know who you wish to speak to different areas. And so with that, I'll just let you start.

Mr. Baxter: — Thank you. On behalf of the task force, I'd like to thank you for the invitation to meet and to discuss our report. This meeting does give us the opportunity to ask for your endorsement of our recommendations. I'd

like to start by introducing the task force members.

On my extreme left, Brian Atkinson from the Office of the Provincial Auditor; Mr. Strelioff has indicated that Brian represents his office in these discussions.

Next, Mr. Bob Bundon, a senior partner in the Saskatoon office of Deloitte & Touche, chartered accountants, and Mr. Bundon represents the appointed auditors in these discussions.

On my right, Wayne has already identified Ms. Ferguson as the capable and able secretary to the task force, without whom our report wouldn't have been possible. And she's from the Provincial Auditor's office.

Greg Mrazek, controller of SaskEnergy, representing the Crown corporations individually that are involved in this process.

And sending regrets today, Mr. Richard Hornowski, who is otherwise detained in other Crown Investment Corporation business. And he represented CIC in this process and indicates and sends with his regrets the support of CIC for these recommendations.

Mr. Strelioff has given you the background to the creation of the task force. With your permission, what I would like to do is to just overview the process we followed, the conclusions we reached, and the recommendations that we have presented in this report.

After that, I would like to ask Mr. Atkinson, Mr. Bundon and Mr. Mrazek to update you on what is happening in their constituencies with respect to this report, or what is about to happen in the case of what is being planned. And after that, we would be pleased to answer questions.

As you're aware, the task force was formed in February 1994 at the initiative of the Provincial Auditor and CIC, and we were to provide recommendations on how the current audit system for CIC and its subsidiary Crown corporations could function more efficiently and effectively.

We held 16 days of meetings. We received presentations from a number of persons and

groups. We consulted with the Law Clerk of the Legislative Assembly. We followed a consensus approach in our deliberations, and the conclusions and the recommendations we present here today have the full consensus of the task force.

Our terms of reference are set out in page 51 of the report, and I don't propose to read through those, but I would like to just read to you the opening paragraph, the objective of the task force.

We were:

To recommend how the current audit system for the Crown Investments Corporation of Saskatchewan ... and its Subsidiary Crown Corporations should function within the context of existing legislation, (with the) recommendations of the Standing Committee on Public Accounts, (the) Canadian Institute of Chartered Accountants ... standards, CIC's guidelines and annual guidelines provided to Appointed Auditor's by the Provincial Auditor's office.

That framed our terms of reference.

Specifically we were to address some key issues. Basically these were to look at the roles, responsibilities, and duties of auditors — both the appointed auditors and the Provincial Auditor — with respect to CIC and its subsidiary Crown corporations and with respect to the Legislative Assembly. We were to determine how best the recommendations of your committee could be implemented, what process should be followed to resolve any disagreements, and what standards of independence should apply to auditors of government organizations.

And all of that was the basis of our mandate and the basis from which we work. In addition, any recommendations which we put forward were to be made within the existing legislative framework that was currently in place, especially The Provincial Auditor Act. And we were to recognize CIC's desire to utilize appointed auditors. So again the basis, the framework, the starting point for our work.

In our deliberations, the task force identified three factors which were contributing to the

existing audit system being less than fully efficient and effective. These three factors which we identified were: a complex government management structure, complicated legislation, and a lack of specific professional guidance for some aspects of auditing within the public sector.

Let me make a few comments on these key factors. As you are currently and utterly aware, there are a great many stakeholders and parties involved in the management of government activities. Involvement of CIC, of boards and committees of the corporations, of the Executive Council, and of the Assembly, coupled with a responsibility system that is not easy for the uninitiated to decipher, makes auditing of CIC subsidiary Crowns a complex undertaking.

There are numerous pieces of legislation which influence the scope of the audit and the responsibilities of the auditor. Understanding and interpreting these influences and developing an effective audit approach is a formidable task.

And finally, while accounting and auditing standards for the private sector are well established, standards for the public sector are in a developing phase. There are areas and questions of audit activity where the auditor can only resort to what I term a best judgements approach. In these situations, differences in interpretation can result.

Now in addition to these three factors, the task force also identified a lack of agreement among the parties involved in their overall interpretation of the audit system, and also the lack of a process to support effective communication among all parties involved in the audit.

As a consequence of its deliberations and discussions, the task force reached certain conclusions regarding the audit system for Crown Investments Corporation and its subsidiary Crown corporations. These conclusions, which form the basis of our recommendations, are set out in sections II, IV and V of this report. I don't propose to recite all of these conclusions, but I'd like to identify three which I believe had the most impact on our deliberations.

These three conclusions were that:

(1) the Legislative Assembly has created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan;

(2) the duties and responsibilities of the Provincial Auditor, as defined in The Provincial Auditor Act, apply to the audits of commercial Crown corporations, either directly or through reliance on appointed auditors;

and thirdly,

(3) that audits, whether performed by the Provincial Auditor or the appointed auditors, ultimately must satisfy the needs of the Assembly.

Now based on its deliberations and discussions and on the conclusions reached, that I've just identified, the task force achieved consensus on a fairly extensive set of recommendations. These recommendations were directed at the Provincial Auditor, at the appointed auditors, the management of the CIC subsidiary Crown corporations, and the audit committees of the Crown corporations.

Again, I propose not to recite these recommendations in detail but to identify what I believe these recommendations attempt to achieve. We believe these recommendations, which are directed at facilitating auditor agreement on the nature, scope, and extent of the audits, and at reaching agreement on the form, content, and a protocol for reporting, can and will promote and accomplish the following. And I've identified six thrusts of our recommendations.

(1) Communication and cooperation among all the participants at all stages of the audit process. The detailed procedures we set out for the planning and conduct of the audit are aimed at bringing all the participants into the process in a cooperative manner.

(2) Reliance by the Provincial Auditor on the work and reports of the appointed auditors. If the Provincial Auditor can be satisfied that the audit has been performed by the appointed auditor, according to accepted professional standards, then the Provincial Auditor will rely on the appointed auditor's work and on his reports and opinions.

(3) An approved reporting process with

consistent information. By this we mean that the reporting process works to ensure that all participants in the audit are involved in discussions of matters of substance that will be reported before the reports are made public.

(4) Timely reporting to the legislature by both the appointed auditors and the Provincial Auditor. Timely reporting, we understand, is something that has not always happened.

(5) More informative reporting to the standing committees of the legislature. Our recommendations are aimed at ensuring a cooperative approach by the Provincial Auditor and the appointed auditor in providing information to the standing committees and are aimed at ensuring that the committees do not receive conflicting information.

And lastly, and in general,

(6) Providing an overall audit process which is both efficient and effective from the standpoint of all parties to the process.

Mr. Chairman, those are my opening remarks. I'd like to then ask Mr. Atkinson, Mr. Bundon, and Mr. Mrazek to let the committee know where their constituencies stand on this.

The Vice-Chairperson: — Thank you.

Mr. Atkinson: — Thank you, George. Mr. Chair, committee members. I'll briefly keep my comments to the changes that were necessary in our office to implement the task force recommendations and the current status of our process of implementing those recommendations.

When the task force reported in June of 1994, the first job in our office was to develop policies that would reflect the task force recommendations. Our office policies changed significantly in two key areas.

First, our most senior people, our directors and executive directors, will be directly involved with the government managers and the appointed auditors in those audits. The executive directors and directors are responsible for recommending auditor's reports directly to the Provincial Auditor.

Secondly, our policies for documenting our

reliance on appointed auditors changed significantly. Because of the increased communication and coordination between our office and the appointed auditors, we will now use check-lists extensively to document our reliance.

After we developed our new policies, the first thing we did was to present them to the appointed auditors and we did so in a meeting held very near the end of September. We had a good meeting and the appointed auditors had some excellent suggestions for us. As a result, we amended our reliance letter and we also amended some of our reliance check-lists.

Another thing that happened at that meeting was we distributed for their comment an evaluation form that we were going to use at the end of the process to evaluate the new audit system. As a result of that meeting and our new policies, we now have these new policies in place in our office. They will be amended if necessary after they've been field tested at the end of this current cycle at the end of this year.

Just a few comments now on the current status of the recommendations within our office. First of all, I'd like to say our office is applying the task force recommendations to all CIC Crowns. We've contacted all the appointed auditors for those Crowns and we have completed almost all our preliminary planning meetings.

As Wayne mentioned, for two of the CIC Crowns the appointed auditors in our office have met with the corporation's audit committee. I'm informed that those meetings went well and the audit committees support the recommendations of the task force.

In addition, our office plans to use the task force recommendations for the other Crown corporations, the ones that you probably know best as the Treasury Board Crown corporations. The appointed auditors seem to support that approach, and we hope the government managers will also support that approach.

In summary, our office is implementing the task force recommendations now whenever the government appoints another auditor. We believe the task force recommendations will significantly improve the auditing system in

Saskatchewan and our ability to serve the Legislative Assembly. Thank you.

The Vice-Chairperson: — Thank you.

Mr. Bundon: — Mr. Chair, members of the committee, ladies and gentlemen. Representing the appointed auditors sector, I have attempted to get some information from the various appointed auditors that are just now beginning to work with the suggested procedures that are within this report.

I hope you appreciate that the planning of audits, etc., and the process and the protocol which we have suggested in here, is just now coming into its implementation. In contacting some of the firms that have proceeded to participate in it, I have found them to be cooperative. They have agreed that they are fully behind the process at this time, and we will have to work through this this year to really find as to . . . or to finalize, to see how well it has worked.

At the present time it is going well; it has been accepted. The cooperation between the Provincial Auditor and the firms, as I received information from the firms, has been very strong and that's to be appreciated. So hopefully the recommendations that the task force has suggested will be followed throughout the year, and we certainly look forward to a much better relationship.

The Vice-Chairperson: — Thank you, Mr. Bundon.

Mr. Mrazek: — As George Baxter mentioned, I'm the controller of SaskEnergy. Therefore, as a member of the task force, I represented the subsidiary Crown corporations of Crown Investments Corporation. As the subsidiary Crown corporations are of course entities that are being audited, it was deemed appropriate to have the views of the subsidiary Crown corporations represented on this task force.

I'd like to provide a very brief comment on the task force report itself, and, as the other gentlemen have done, talk about the progress that SaskEnergy has made in implementing the task force recommendations.

I believe that, taken as a whole, the recommendations of the task force will contribute to more efficient, effective audits

here in Saskatchewan. Some of the recommendations in the report do parallel the past experiences of SaskEnergy and therefore I feel that the recommendations are in fact workable.

One of the main thrusts of the task force recommendations was to have the Provincial Auditor more involved in the planning, the examination, and the reporting phases of the audit. At SaskEnergy we have begun the planning for the 1994 audit, and in accordance with the task force recommendations there has been a meeting between myself, Ernst & Young, and the Provincial Auditor's office. We plan to have another meeting with again those three groups, at which time what we hope to do is to agree on the audit plan of Ernst & Young for the upcoming SaskEnergy audit.

Also in accordance with the task force recommendations, the Ernst & Young audit plan will be presented to SaskEnergy's audit committee and it is anticipated that the Provincial Auditor's staff will attend that audit committee meeting.

In other words, at SaskEnergy we are in the process of implementing the task force recommendations during the planning phase and we anticipate that we will continue with the implementation during the examination and reporting phase of the audit as well.

In summary, as the entity being audited, the Crown corporation is certainly interested in having an efficient and effective audit system. I believe the recommendations of the task force report will accomplish that particular objective. Therefore the subsidiary Crown corporation should be willing to go ahead and implement those recommendations and hopefully what that will do is contribute to a more effective audit system for the province of Saskatchewan. Thank you.

The Vice-Chairperson: — Thank you, Mr. Mrazek. I think what I'll do now is take a speakers' list for comments or questions, and if it's all right I think I'll start with my own comments. I guess nobody will overrule me.

As I said before, I think what you've done is very commendable in terms of the work that has gone into it. And the very cooperative attitude, consensus-building model that was used, I think is very commendable too. And I

don't want to take away from the work that the others have done but I want to particularly thank Dr. Baxter and Mr. Bundon because they're the members of the committee that come from outside the government sector and the Crown sector. Not that we don't appreciate the work of the people from the Provincial Auditor's office and the Crowns and the government, but I guess we expect them to take on duties like this. And Dr. Baxter and Mr. Bundon, I think, have performed a very valuable civic duty in participating in this process.

From my point of view, having listened to the CIC people and the Provincial Auditor discuss this issue over the last few years I guess, since I've been on the committee — and discuss is kind of a neutral term to use; in diplomatic circles they call it frank discussion I think — I realize that there are disparate interests and points of view with respect to this matter, but the competing objectives here, it's always seemed to me since I hear discussions about this, were: one, the Provincial Auditor wanting to fulfil his responsibilities under his legislation, which is very important, and the Public Accounts Committee has to be sure that he can fulfil his obligations; secondly, the interests of the Crown corporations in wanting to involve private sector auditors for good and valid reasons.

And what we needed here was some kind of protocol that people could arrive at so that there could be some agreement on how it is that the Provincial Auditor can come to rely on the work of private sector auditors. And reading the task force report and the recommendations, they just struck me as eminently sensible and just exactly the approach that we should be taking.

So I didn't really have any questions in the sense of asking questions about them; I thought they were very straightforward. But I certainly want to congratulate you on your work and thank you very much once again.

Mr. Martens: — I have a couple of questions to start off with. Brian, I missed the first point of things that your office needs to change to adjust to the report. You had I believe . . . I don't remember what your first one was and I couldn't put it together. Do you have that?

Mr. Atkinson: — Mr. Chair, Mr. Martens, yes.

Now the first . . . Our office policies had to change in two ways. The first was we have to now involve our senior people. Our most senior people in the office have to be involved directly with the appointed auditors and with the government managers.

Mr. Martens: — What do you mean by that, seeing you . . . I think you talked about vice-presidents or . . .

Mr. Atkinson: — No, our executive directors and directors will now be involved directly with the audit. The policies that we had before that we applied to the appointed auditors and to those audits were in compliance with our standard audits where we have two levels of review in the office. One is at a summary review level and one's at an initial review level. And we were using that system for our audits where there were appointed auditors as well.

We've decided now to try and meet the requirements of the task force recommendations, that it would be appropriate to go to a single review stage using only the most senior people in our office. So that when those people make recommendations directly to the Provincial Auditor they're not being filtered by anyone else.

Mr. Martens: — Okay. And you foresee that this will take two years — this can be anybody answer — two years to move into place. You've already suggested SaskEnergy is beginning. It's going to take two years for all of this to happen, or one year, or can you see this happening across government at one time? And if you could just respond to that.

Mr. Atkinson: — I'll respond from our office's point of view. Bob may want to talk about the appointed auditor.

From our office's point of view, we're applying the task force recommendations for all the audits of CIC Crowns now. And as I indicated in my comments, we have completed almost all our preliminary planning meetings with those appointed auditors.

We'll then go to a planning meeting stage and then, after that has been completed with both the appointed auditor and the government managers, we'll be appearing at the boards of directors to clear the audit plans with the audit committees. We hope to use those . . . or not

hope to use; we are going to use the task force recommendations for all CIC audits this year.

In addition, we're hoping to use the task force recommendations for the audits of all other Crown corporations where there are appointed auditors. And like I say, at the present time that approach seemed to be supported by the appointed auditors and we're hoping that the government managers will also support that approach.

Mr. Bundon: — Yes. As far as the auditors, it really only takes one audit cycle to complete the process. And it's commencing now and should continue to follow through on the recommendations which of course accumulate for each audit at the time of delivery of the financial statement or finalization and presentation to the Public Accounts or the Crown Corporations Committee.

I think the two-year reference was that the task force asked CIC and the Provincial Auditor's office to monitor it and to review it at the end of two years to see if it was working in the way it was intended. So that was the two-year reference. But it's in force now, and there's no start-up or lead time other than the initial process of making sure that the visits take place with the various individuals. But like as Greg said, the planning is going on now for those audits and the process is in full force as far as that planning is concerned.

Mr. Martens: — Okay, just so that I get the time line correct, if you're starting now, what year are you starting on?

Mr. Bundon: — December 31, 1994.

Ms. Ferguson: — Most of the Crowns have a December year end. There's a couple with an October year end, like Sask Forest Products and Sask Transportation Company both have an October year end; so it's for the October 31, 1994 and December 31, 1994.

Mr. Martens: — Okay, so you've begun the process of this discussion within the framework of the year under review.

Ms. Ferguson: — That's right.

Mr. Baxter: — If I could just add a comment. We were asking for help for a score card, so to speak, at the end of the first year. The set of

recommendations to the system we're proposing is progressing, then there's a time to make some fine-tuning if necessary to the process, and then we would like to have it reviewed again at the end of the second year to see how it's finally shaken down.

We will clearly have learned something in the first round and perhaps refined or a clarification of the recommendations.

Mr. Martens: — Okay. Do all CIC Crowns have an audit committee?

Mr. Mrazek: — I think most of them do. I don't know of one that doesn't, offhand. Or maybe someone like the Development Fund, which is a smaller Crown, may not; but the larger ones certainly would.

Mr. Martens: — For those that have it, they will have to . . . you'd either establish one or you grouped a few within that corporation to handle it.

Ms. Ferguson: — I think that the intention for some of those is that the board will handle it. I think the boards are small enough that maybe perhaps in those situations the boards of directors of that corporation will handle it. I suppose a subcommittee report.

Mr. Martens: — Oh, I see. Okay.

Ms. Ferguson: — That'll be the corporation's decision though.

Mr. Martens: — That's a good idea to have it get into gear with approval from the whole board and making it work out that way.

After the first year, getting a report card, who do you see as establishing the criteria for that report card, and who is going to say whether you scored at a 70 or 80 or a 90? Is it going to be the group of you people or is it going to be Mr. Strelloff, or have you thought about that at all?

Mr. Baxter: — Yes, we thought about that, I guess from two standpoints. The task force wanted to bring its work to an end. As such we also thought that perhaps as a group we weren't in the best position to judge the success so we went back to our sponsors and our . . . (inaudible) . . . suggested that the CIC and the Provincial Auditor accept the

responsibility. And basically we've set this out on page 40 of the report.

... that CIC and the Provincial Auditor jointly evaluate, in consultation with key constituents the implementation of the ... recommendations ...

So in consultation with the SaskEnergy and the other key players and the appointed auditors as well. So in consultation with everyone involved, a self-assessment to some extent and an assessment from the perspective of the sponsors.

Mr. Mrazek: — Sorry, you asked who they report to. On Tuesday, Crown Corporations Committee indicated they would like to receive that evaluation report. So I believe the Crown Corporations Committee is expecting a report from the Crown Investments Corporation and the Provincial Auditor.

Ms. Ferguson: — The second part to the recommendation is, "communicate the results of each evaluation to key constituents." So what the task force had contemplated is that the key constituents would be the appointed auditors, the CIC subsidiary Crowns, CIC, the Provincial Auditor, Public Accounts Committee, and the Crown Corporations Committee now also.

Mr. Martens: — Have you established what the criteria will be within that framework, or are you going to. Who's going to set that up.

Mr. Baxter: — We anticipate ...

Mr. Martens: — We have this report card, so you've got to have something that sets the standard. Now who's going to establish what that report card is?

Mr. Atkinson: — I think that it will be established by two groups primarily. The first group will be the audit committees of the Crown corporations. They're going to be looking at how this process has developed and operated during the year, and they're going to be making some comments, I would suspect, on whether or not it worked well or didn't work so well.

We have proposed a criteria that we'll be using to evaluate the process, and we've provided that to the appointed auditors for comment.

That will form the basis of Wayne's evaluation for the ... he as co-sponsor of this task force.

The other group that will have to be setting criteria will be CIC. And they may use the same criteria as we're going to use or they may use different criteria. But I think there's going to be three people involved, or three groups involved: the audit committees of the individual Crown corporations, the Provincial Auditor's office, obviously the appointed auditors will be looking at the process as well, and CIC. So that will be four.

Mr. Martens: — I raise the question from this perspective, and that is that I as a member should have ... be included as people who understand what those criteria are. I'm not sure that we should establish them, because I give that to people who are able to do that and have done, through years of experience, have established a track record. And I have no problem with that.

But we ultimately are responsible to the public for what those criteria will give, and we should have in some way a way of reflecting whether we think it's graded at a certain level or not as well. And I don't know how you do that subjective, or an objective analysis, and put it into a political, subjective analysis. I don't know how you'd do that. But if you had that standard brought forward, then we each in turn will assess it from that perspective.

But we need to know some of the standards that you set as a group. We need to know what they are. And I think once you get them established, to have them outlined, then we should be able to, not comment on them, but we should be able to grade you on your effort, even in how you manage, the three of you, to put it together, the three groups, and how they work out to make a presentation to the Assembly.

Mr. Atkinson: — I can't speak for the other members of the task force, but I wouldn't see any difficulty with our office in providing the criteria that we use to evaluate each audit process that we're in, and they then build up to form the entire evaluation of the entire process. I wouldn't see that as a difficulty, when our office and Wayne are making his evaluation known to the committee, that the criteria also be provided.

Mr. Bundon: — I think it's pretty essential, Mr. Martens, that takes place. Because we have recognized in here that the client . . . identified the client as the Legislative Assembly, and of course Public Accounts Committee being an extension of the . . . So I guess in any evaluations that we do now with . . . that's the norm, and the name of the game is client evaluations, client expectations, and debriefings after tasks. So it would seem to me to be pretty appropriate to involve this committee in the evaluation process.

While you were talking I would just think that you were included in here but not so named; you're one of the key constituents of the whole group.

Mr. Mrazek: — Excuse me, on page 40 it does contemplate the audit committee, for instance, of SaskEnergy providing comments to CIC and the Provincial Auditor on how the process went for our particular corporation. Although we haven't addressed that specific issue at the SaskEnergy audit committee, I might be so bold as to say that I would believe that they'd be very interested in doing that. And I'm sure that they would be very helpful in this particular situation, in providing those comments, evaluating the system. Because of course our audit committee is interested as well, as the system, you know, performing on a very good basis.

Mr. Martens: — The criteria that you've set out, is there going to be a process for moving . . . after an evaluation, is there going to be a process whereby you can say, well this didn't quite work the way we had anticipated it wouldn't work; is this a result of what we're going to be doing or should we be doing this or should we be doing another thing? Is there a process for change? I guess is what I'm saying.

Mr. Bundon: — I think it'll become very . . . if I may, I think it'll become crystal clear if it isn't working. Because the situation is that it . . . as it existed before entered into will once again reappear.

We hope to . . . in the document we hope to have relieved that situation. We hope to have fostered the relationships between the Provincial Auditor and the appointed auditors in supplying effective communication and results to the Legislative Assembly, coming

forward as one auditor, so to speak, as one mind as auditors.

And obviously if that's not going to be present, well then the system isn't going to be working. And if that's the case, the only reason that it wouldn't be working is an attitudinal change; a lack on somebody's part not to wish to cooperate. I think that once — speaking more for the appointed auditors naturally — that once we've broken through that barrier and this gets to be the norm, I can't see why it shouldn't become the practice as we go forward.

Mr. Martens: — I think you're right. What I hesitate to even ask you in this context is the opportunity — I'll say that I'm hesitating to ask — and the reason is that, for example, this morning we had a private sector auditor in with Agriculture and they do a private sector audit of ACS. Would it have been my . . . would I have had the freedom to ask the private sector auditor his opinion of certain matters?

Now I know that the Provincial Auditor has a certain position that he takes and that he is responsible to us. But in the long run, I would like to see these private sector auditors sit at this table and respond to the committee, to deliver not the whole audit function, but the response to why they didn't tell us about certain irregularities that occurred or what some of the notes were in the audit; give us a complete overview.

And in that sense, the private sector auditor hasn't come apart from the corporation and come into the acceptance of the Assembly as the client. And so we have two groups of people who are going to have to bridge a substantial inherited gap, if you want to put it that way, in dealing with that issue. And we as legislators are going to have to take a step over that gap as well because we haven't traditionally done it either.

And so do you have some recommendations as to how that should work as well? Because if you have the information as a private sector auditor and I will only ask the public auditor to deliver that, I'm not saying he's going to deliver it different, but it may be interpreted different. And we've had those occasions on a consistent basis.

So I guess if I had the freedom I would like to ask the private sector auditor, I would like to

ask and not to form conflict within the audit system, but I would like to ask the private sector auditor without having him feel rejected — no, that's not the right word — to have him feel that his audit wasn't to the audit standards; and therefore in the end you're going to have to have a consistent track record between the two parties who are auditors.

I guess that's my biggest concern. I would like to see the private sector auditor sit here and we ask him questions about the audit as well. And that, I think, is important for us as a committee to establish.

Mr. Bundon: — It's my understanding that that's the way it will work. I guess just a few comments that maybe help you feel more assured by what you were discussing. Your comments were well taken, and you mentioned the two auditors and the two approaches, etc.

That's what the planning, the pre-planning, the review with the subsidiary Crown Investments Corporation management, clearing of the audit at that sector, clearing it with the audit committee, with both the Provincial Auditor and the appointed auditor being present . . . finalizing the audit and speaking with the same, one voice at that time. Agreeing to the . . . the appointed auditors fully agreeing that the Provincial Auditor will have reviewed the file and will have basically . . . they'll be clear on what the considerations are and what the outstanding points are before the appointed auditor even signs off.

So they should come to you in this Assembly looking pretty close. They won't be as heavy as I am, but they won't be as tall as Wayne, but they'll be very similar. And you should maybe, heaven forbid, get to the point where you look down at the end of this table and you won't really know whether he's working for the Provincial Auditor or he's working as an appointed auditor.

A Member: — I hope that comes.

Mr. Bundon: — That's what we are hoping, and the provision is here for that to happen.

The Vice-Chairperson: — Actually, Mr. Bundon, you all have the same . . .

Ms. Ferguson: — With all due respect, Mr.

Cline, you have a navy-blue suit on today too.

Mr. Martens, one of the things that our office is doing is, when we're inviting the appointed auditors to the standing committee meetings, we're inviting them to sit with us at the table. If you noticed this morning, Mr. Drayton joined Fred at the table, I think to allow you the opportunity.

Mr. Martens: — Okay. There's some things that are reported and it's reported this way. Legal counsel for the private sector auditor has indicated that point (a) is his view of the disagreement between the company, the Crown corporation, and the private sector. So they have a legal counsel. I'm not sure how to handle that; but this morning also we had a disagreement between one legal counsel and another. It just seems to me that the private sector auditor should in fact employ the same legal counsel as the public auditor and not maybe the legal counsel for the Crown corporation involved.

Now I don't know whether that consistently happens, but I think that that's the kind of thing that so often makes us hesitate as laymen, in legal terms, hesitate to question whether there is competence on either side, because we don't necessarily know who the legal counsel is for the public auditor; we don't know who the legal counsel is for the private sector auditor; and we don't know who the legal counsel is for the Crown corporation. And so we have a fair degree of hesitancy even to step in that, because you don't know what you're going to be getting.

Mr. Mrazek: — That's correct. If I could maybe reply to that. The report, to some degree, does contemplate hopefully alleviating that situation. That situation where you talk about the legal counsel may have occurred because of some of the inadequacies of the present system, is the intent of the report, or the recommendation of the report, to have the Provincial Auditor come in and review the files of the private sector auditor prior to the private sector auditor finishing off the audit.

In that way, the issues come forward, they're on the table, and both the Provincial Auditor and the private sector auditor have an opportunity to look at those issues ahead of time. And therefore that's a situation we contemplated. What would happen is that

there would not get to the point where there would have to be legal counsel involved, because the auditors would understand and know what the issues were. So it's one of the ways which we try to, like I say, alleviate that kind of situation from occurring.

Mr. Martens: — The other thing that happens in this lawyer talk is that their interpretation of legislation and rules relating to legislation are different.

And that I guess is what we have to think about when we sit down and assess whether they've done a good job, because we not only determine whether it's within the framework of the proper accounting process, we have to evaluate it on the basis of whether it's done timely, whether it's done in accordance with the rules and regulations as established under the Act they operated and under various other Acts.

And so we need to have that assurance in a general sense that that is being followed. And that's the step, I think, that private sector auditors are going to have to take a step and accommodate as well. And I think it's important for them to do that, for our sake anyway.

Mr. Baxter: — To more or less repeat what Greg just said is, the fact that we have all the key players involved so early in the process, discussing the process, understanding the process, and in the case where there are specific regulations coming out of legislation, complete understanding early in the process as opposed to after the fact, we think a lot of these concerns will be alleviated.

Now that doesn't mean that we're naïve enough to think that people won't, on some occasions, disagree. But we really are trying to set up a system that encourages the maximum amount of discussion and cooperation and thinking of positions through prior to taking formal stances, that most of these disagreements will be settled because they are perhaps an interpretation of some information, and that very few conflicts are going to surface as a result, simply because they can be worked out and sorted through when you start early.

Okay, not a perfect system but one we think which will perform from your standpoint much better than in the past.

Mr. Martens: — You talked at the beginning about the complex agencies, complex legislation and development of standards. Complexity sometimes doesn't fit the standards you put in unless the principles are so broad based that you can drive a truck through. And in order to get down to, and I wouldn't be able to exact a specific at this point, but complexity in SaskEnergy is different than complexity in STC (Saskatchewan Transportation Company). Some of the things might be the same.

So there is, and I'll use as an example buying gas from a supplier that is in Alberta and hedging and all the things that are required to do all that. That complexity is going to have to take a certain set of rules to accomplish that. If you take one that is very simple — one doesn't come to mind right off the top of my head — but if you took one that was simple, what you do for that one is going to be different than what you do for SaskEnergy.

Now do you, in this criteria that you established, are those criteria fundamentals to accounting, or do you have them listed as fundamentals to accounting, fundamentals to process under law or regulations? And under that is how do you have those criteria set up so that these complexities cannot become a burden? Like they're not supposed to take away from the efficiency of a Crown corporation but they are supposed to give us accountability. And have you measured how that complexity is going to fit into this standard of rules you're going to make?

Mr. Mrazek: — I'd like to say an old adage which is: accounting is an art, not a science. And the firms such as SaskEnergy, when they're preparing their financial statements, are guided like every other company in Canada by the rules which are the Canadian Institute of Chartered Accountants which is a handbook which is prepared and all of the CAs (chartered accountant) in Canada must follow those rules. So to answer your question in a general sense, yes, all companies such as STC and SaskEnergy must follow the same general guidelines.

When you apply, as you say, gas price and hedging to SaskEnergy, that may be different than how you look at depreciation for a bus in STC. There may be different ways of looking at those things but generally speaking, we're all

guided by the same rules and the auditors must determine whether, in fact, we have fairly applied those particular accounting rules to our individual situations and there are differences of opinion.

Mr. Baxter: — But in support of that, there are industry norms for accounting treatments and those industry norms would transcend SaskEnergy. If in the extractive industries, one is involved in hedging either on the supply side or the product side, there are accepted practices for dealing with those and reporting the consequence of that hedging process.

So it's not as if anyone has to invent treatments. There are accepted norms for treatments and auditors can then look at those and judge that those, as Greg said, are a fair presentation of what has happened, can agree on this early in the process, agree with management what is a fair treatment, and it doesn't become a dispute and doesn't become a reportable issue because in the financial statements it is fairly set up. This is what we anticipate will happen in the normal situation, even in a complex environment.

Mr. Bundon: — There is an obligation in this — that dealing with complexities and not so specific as the two previous speakers — but the appointed auditor doing an audit of a subsidiary Crown corporation, whether it's SaskPower or Energy or a mining company, there is an obligation within the professional rules and responsibilities that they must have full knowledge of that business. And how they get that may well come from sources within their firm across Canada and often does. And once you have the knowledge, it's no longer complex.

We have an obligation in these rules and regulations to pass that on and to assist and guide the Provincial Auditor through that so they understand it. At the same time, proceedings of this Assembly, the workings of CIC, the workings of government as a whole, are complex to the appointed auditors, and the Provincial Auditor has an obligation to guide us through that complexity. And so what's complex to one may well not be to the other and we hope that we can share that.

Mr. Martens: — One of the things that may . . . I was just thinking about this in SaskPower Corporation having the — and we talked about

this earlier in committee — is having the pension plan to see whether it's actuarially going to pay out over the period of time and whether that dynamic is going to be completed and who sets the rules for setting up the actuary that's determined that that's going to have the money to pay out the plan. Those are things that we've talked about here earlier this week and so they fit into what you were talking about as well.

Mr. Bundon: — Yes, exactly.

Mr. Martens: — The communication, I think, is going to be necessary from private sector auditors to us and from the public auditor to us. We get the report from the Crown corporation but this committee is going to rely on the private sector and the public sector to give us the communication that's required to deliver a proper audit and I think that's important in how you do it.

I was going to just conclude my remarks here by saying that I really believe that the role of the Provincial Auditor has been enhanced by this discussion that we have had and that you have had, and you've taken that part of what he has considered as putting this all together, as a good thing. And I think that he has taken a tremendous step of faith and confidence into this gap that we had between the private sector auditors and the confidence that the public sector had with the private and what the private had with the public.

And so I think that it's commendable to you, Wayne, for having done this and your office, and I just think it's been an example, at least for me, to follow when we have other things that we need to deal with in this context. And so when we as legislators sit here and contemplate the discussion, then we will also have to take a step of faith and go out there and accommodate some of the things that you have said and even your debate, understanding that I fundamentally believe that we are the client.

And I have over the past years, come to the realization — and probably didn't have it before because I didn't think about it — but come to the realization that it is we who have to stand there every four years or whatever and take the brunt of the whole electorate and I'm prepared to do that. But we have to understand what you are doing and you have

to tell us what you're doing because you're working for us. Thank you very much for your work, Mr. Cline.

The Vice-Chairperson: — Thank you, Mr. Martens. I have Mr. Sonntag and Mr. Upshall on the speakers' list and I don't know whether this might be an appropriate time to take a break.

The committee recessed for a period of time.

The Chairperson: — . . . your attention to the chair at this point and put the meeting back together. Mr. Sonntag had the floor for a question or two.

Mr. Sonntag: — Thank you, I'll be very brief. First of all, when I came onto this committee in 1991 it was obvious that there was some difference of opinion between the roles of the public versus the private sector auditors and it wasn't apparent to me as to how that was going to be resolved. So — I know I like compliments — so I'm sure you won't mind another compliment yet today and so I too want to pay compliments to the entire task force and all the members on that.

I have one question that I think relates to the fourth point that Mr. Baxter raised and that is with respect to the timely reporting to the legislature by both the appointed auditors and the Provincial Auditor. And I think I know the answer to this already but I just want to clarify it. The problem as I was aware with the timely reporting was partly due to the different year ends of the different Crowns. Am I to understand that the more timely reporting is more relevant to the cooperation as opposed to any Crowns changing their year ends?

Mr. Baxter: — Well I think that there's three dimensions to the timely reporting. The one has to do certainly with the fact that — and Wayne you could help me on this perhaps — the summary reporting of the Provincial Auditor, if certain Crowns have year ends that lag the others and if you wait for the total picture there's a delay. But what we're more concerned and I think the committee can correct me if I'm wrong, we spend more time looking at simply expediting the process such that when the private sector auditor was finished, the appointed auditor was finished their audit, the Provincial Auditor was also finished their audit. It wasn't then a follow-on

activity that delayed the final reporting process. That it all ended together because they'd been working together, cooperating, no surprises, and that result can be out and agreed upon quickly.

Now there are some other dynamics that have happened along with that. But in my mind that, I think, is the biggest plus in terms of timely reporting.

Ms. Ferguson: — In the past, our office had access to the files after the . . . mainly after the appointed auditor was done the work. And what this process is recommending is that it happen incrementally instead of at the end. And that allows for a number of opportunities for communication throughout the whole process. When issues arise, they're solved at an earlier point in time as opposed to afterwards. I think that makes it easier for the resolution of issues between the auditors, also between auditors and management too. And probably will take less time on the management.

Mr. Budson: — It's assured also by the tight schedule of the subsidiary Crown corporations. And they, the management, the local management of subsidiary Crowns — Greg can certainly comment on this — are absolutely rigid in their time frame. So the private sector auditor is going to have to meet that. And by cooperating with the Provincial Auditor, that too is going to be met. So there's some great assurances that at least that initial stage is going to be done very timely.

Mr. Sonntag: — Thank you very much. Other than to once again compliment you, I appreciate the report and have gone through it and it seems, as our vice-chair said earlier, the conclusions seem to be — I was going to say obvious, but from my perspective obvious. And so congratulations.

Mr. Upshall: — Thank you, Mr. Chair. Again as a comment, and as a person who has for many years sat on the — officially or unofficially — on the Crown Corporations Committee, for a few years on the Board of Internal Economy where we have dealt with the budgets of the auditor and Legislative Assembly, and now as a relatively new member of this committee, I just simply want to thank you — the task force.

It's something that's been . . . I think it's fair to say that it's been an irritant plus, you know, for the auditor, for the committees. Because we all have our roles to play and we all, you know, want to do our job the best we can.

And I'm sure I will have more questions after, a year from now. I mean we can anticipate some things but I don't know if it's worth asking too many right now. And those questions, I just simply end off by saying if the questions are resolved as efficiently as it appears this report was put together, I think that they will resolve themselves. So again I thank you very much for making my life, hopefully, a lot easier.

Ms. Crofford: — Thank you very much, Mr. Chair. Well and I'll thank you that we won't have to discuss this issue a whole bunch more because now we're in a problem-solving mode.

But the one thing I do want to ask is a question people sometimes ask — and I think it's bound up in ideas like the balanced budget legislation and stuff like that — once you go through processes of making improvements, are they going to stick? I guess.

And I think people more now are looking for some kind of guarantees as much as is possible, that things like timely reporting and what not are things that hopefully are permanently fixed, not temporarily fixed. I just wonder if there's any comment you could give that would give any comfort to someone who is concerned about how . . . what kind of permanence these kind of improvements have.

Mr. Bundon: — I can speak for the appointed auditors, and then certainly I think a comment is due from the Provincial Auditor's office in this regard.

Most of the suggestions that we have in here are basically an attitudinal type of process — protocol and maybe some good business ethics. They were practised very well in the private sector. I mean the reliance factor between other auditors, the reporting process, who is responsible for what — very, very clear and well practised within the profession as a whole. Because of the nature of the appointments, etc., they were never really established in the auditing of subsidiary Crown corporations. And in all fairness, it's somewhat foreign to the appointed auditors to sort out all the players.

We have one section in here where we point out that the appointed auditor not only has responsibilities and relationships with the subsidiary Crown corporation, management, their audit committee, their board, CIC, the Provincial Auditor, and of course the Legislative Assembly, and the protocol of who was supposed to do what and how that should happen is suggested in here. There may well be a situation that comes up at a later time that something would work smoother doing it in a different way, but I would like to feel and like to think that once the process has been laid out that it will continue to be followed or a similar one will take its place that will be acceptable to all sides.

The persuasion for the appointed auditor to follow that process is extremely strong because basically it means if he can't satisfy CIC, the Provincial Auditor, and the board and management of the subsidiary Crown corporation, he doesn't have the work. So there is very strong persuasion to keep the thing going in an efficient manner. And any delays are really not beneficial either because all of those engagements now are issued by tender, and it would be almost impossible to bill for additional foot dragging or delays. So there is an incentive for them to go through the process as quickly and as efficiently as possible.

Mr. Koenker: — Yes, I'd just like to thank you for a product that really reflects common sense, if I may say so, and also a cooperative solution and a workable process. So often we in government see very complex problems and very complex, convoluted solutions. It's wonderful to see something that's very common sense and practical and, it seems to me, very workable.

And the second thing I want to say is I'm impressed with the fact that you used a consensus decision-making process, and I really commend you for that. I think that our society needs more modelling of that kind of decision making, and you may have done us at least as much of a service in using that model for finding these solutions as you have in presenting us with the solutions themselves. Modelling then a decision-making process.

So thank you very much, and I think it's going to be a pleasure for us to endorse your recommendations.

Mr. Cline: — I'd like to make a motion, Mr. Chairman. And before I do that I want to note that, as has been pointed out, the report of the task force and the recommendations themselves contemplate that there will be an ongoing evaluation. So that to the extent that any of the recommendations aren't as workable as some other solution, then presumably that will work itself out.

The committee adjourned at 2:57 p.m.

And having said that, I'd like to move:

That we accept the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*, concur in its recommendations, and thank the members of the task force for their work.

The Chairperson: — All in favour? Thank you, ladies and gentlemen. It is very much appreciated.

I want to note that many times the catalyst for this endeavour is overlooked. And we've thanked you. I think we need to thank Wayne for his efforts in putting this together, and I really believe that the effort that he made in not only attracting you, but having you having the confidence in him that you could work as a committee to deliver it, is a significant step.

And I thank you, Wayne, and your department, for handling that and handling that well. And if you're as successful with the next one, we'll give you 100 per cent for that as well.

Mr. Streliaff: — Thank you very much. There's also another thanks owed, and that is to the members of the committee. To make this system work and work in the long term, requires the members of these committees and the Assembly to consider these kind of issues important and to ride herd. And that if you find problems in the way the audit process is working, bring them to our attention and make sure they're solved. And if they're important to you, they become important to our office, to the public accounting firms, and to government managers. Thank you very much.

The Chairperson: — I think that concludes our agenda for this afternoon. I would entertain a motion to adjourn. So moved, Ms. Crofford.

Tomorrow at 9 o'clock, public health boards.