

The Chair: — I would like very briefly, before we bring in the Department of Finance officials, if we could return to the housekeeping item that we left off of last day, and that is in terms of our next meeting date. And your people were going to have some discussion. Where are we at?

Mr. Sonntag: — Yes, thanks very much, Mr. Chair. We met yesterday evening briefly. With regrets, we have two of our people tied up with other stuff and one of our committee members during that week is away for medical reasons. And so we are going to have difficulty. The week that we are able to come up with is the week of . . . where everybody can be here right through the week is the week of December 9 to 13.

The Chair: — I guess that I am no more excited about moving off of the suggested dates at this moment as I was to move off the agenda yesterday. I think that we had circulated these dates some time ago, and I understand certainly in a medical kind of situation is one that's very valid. But if it's other appointments that have been scheduled, I'm really reluctant because I know other members, and myself included, have cleared the decks for the week, as we directed, for the week of the 4th to the 8th.

However I open it up for discussion. I have to say that I'm very reluctant to move away from that date that was circulated, and I open it up to members. Like is there any way . . . I mean the medical situation I accept. I mean that's very valid and a given. But for other members, is it one meeting, an afternoon, a morning, or is there any way to accommodate the situation in the existing or the original time?

Ms. Stanger: — You see, I'm sorry, it's me with the medical. But I didn't . . . when I answered it I didn't know that that's when . . . I didn't know when my surgery was going to be, when everything was going to happen. So if that's the week I have to spend here I'll be here, but I won't be here.

The Chair: — No, I fully appreciate a medical reason.

Ms. Stanger: — And I had sent you the note and said I would . . . that was okay.

The Chair: — Yes, and that to me is a totally valid reason. I mean I have no argument about a medical situation. That's very fair. However, could we not proceed even in your absence because there are other members that are unable to be here perhaps.

Mr. Pringle: — Well let's see. Is that a problem to the members?

The Chair: — Well the discussion, Don, is the government members are requesting that we move the tentative next week's meeting from the week of November 4 to the 8, I believe it was, a Monday to Friday, that was circulated as trying to clear your agendas for that date, to the week beginning December 9.

Mr. Sonntag: — Yes.

The Chair: — Monday, December 9. And so I had indicated

that . . . I appreciated members clearing their decks from the 5th to the 8th, and I'm now willing to entertain . . . Is that a problem to move the dates for any other members?

Mr. Sonntag: — By the way, one of our thoughts in going to that date as well, although I have to admit that it worked in that way, is that Gerard would also be . . . probably would be back at that time anyway because of the . . . Anyway, but having said that, none the less it was the only week that was clear for all of us as well.

Mr. Toth: — Well, Mr. Chairman, I don't have a problem with that. As I indicated to you earlier, I wasn't pleased that we were looking at this week in particular regarding Public Accounts, and I can appreciate that. I'm more than willing to work around it too and I may have to miss a bit of time here. I indicated that yesterday. And right now I tentatively can't think of anything that would really tie me up, and if there is an afternoon or something, I'm sure that one of my colleagues might be here to assist and . . . So I don't really have a problem.

The Chair: — December would be okay by you, Ms. Haverstock?

Ms. Haverstock: — Well I apologize for not bringing my book. I got caught up in a telephone conversation and it was right there and then I forgot. My recollection is such that I most likely don't have as many things in December. But I went all out to change for that week of the 4th, so I guess that's the part of this that makes it difficult, are the things that I actually cancelled and moved around.

Mr. Pringle: — I'm the other member on this side. It's not medical but it's family related. It's not a crisis or anything; it's family related in terms of an event that week. That's not . . . And it's in Calgary, but . . . So I was the second person, just so members have the right to know that.

Mr. Toth: — I will just indicate, Mr. Chairman, that in my mind late is probably better than sooner, and just coming from a rural background as well. So like I say, it doesn't really matter.

Ms. Haverstock: — Just an optimistic guy for weather . . . (inaudible) . . . warm weather on November 4.

Mr. Koenker: — I just want to say that I basically agree with Ms. Haverstock. I too cleared my schedule, made a lot of effort to protect that week. And so I'm willing to change, but I'd like to speak to all members of the committee. In the future, if you give early distant warning for a set of dates, I really think we have to start to get very serious about respecting those dates because it takes a lot of energy to protect dates once they're identified.

So I'm willing to change this time, but I think we need to adopt a policy where we try to adhere as closely as possible to the times that we've agreed to.

Ms. Stanger: — Well I've been elected for four years and nothing has ever stayed the same. And that is the truth. I mean I

have tried to plan family events, holidays, every other thing, and I have always had to change it. So if you have to change it, you have to change it. If the majority wanted change, that's how you have to go by. The majority rules.

The Chair: — Okay, I think that unless there's any further comment, a motion has been passed to me that we should deal with. And the motion reads:

That the meetings for Public Accounts be held the week of December 9 to the 13, 1996.

Moved by Mr. Sonntag. Is there any further discussion on the motion? If not, are you ready for the question? All those in favour? Opposed? Carried.

Mr. Sonntag: — Could I just say, Mr. Chair, that on behalf of our side we do apologize for the inconvenience because if we could have kept it there, we certainly would have.

The Chair: — I think that's fair and fine.

Mr. Toth: — Mr. Chairman, I'd just like to make a comment as well. After the discussion yesterday, I just apologize a bit to the committee for a little bit of my obstinance. I think it comes back from some the remarks made by opposition . . . or government members about my role in this committee here. But no, no, not really.

But I did chat with the chairman last night, something I didn't have a chance to do because of his involvements. I tried to touch base with him prior to our meeting here. And while I'm not totally in agreement, I understand where the chairman is coming from. I've chatted with the Clerk, and I think all members must realize that if we're going to be effective in this committee we need to have at least the access to as many officials as possible to make sure we get questions answered. And if we're going to move through a period of a report, just an understanding that if something comes up, we can still go back and address that question.

And I think those were some of the assertions that I was given. And so I can certainly concur, and I would still appreciate if it's possible, to have a Saskatchewan Government Growth Friday morning; but if not, we can certainly work around it.

The Chair: — Thank you, Mr. Toth. As a matter, we've contacted the officials and they're going to attempt to accommodate us, but we haven't had that confirmed as of yet.

I do want to indicate that this process in this week, I think, is a little extraordinary in terms of what I consider the normal operations of this committee. It's a deliberate compromise of detailed scrutiny versus the desire to move ourselves into a more current mode, if you like, and I recognize that that's a bit a departure from past practice.

But I also want to indicate that it's fully my intention that when we move into the next session in December where we'll be dealing with the spring 1996 report, I consider that to be current and that any issues at that time will be under the full, normal

practice of public account with officials and whatever time required to do the scrutiny as the members indicate will be allowed. It's a compromise and I do appreciate your understanding and support in it.

Is there anything further that we have in terms of sort of routine housekeeping? If not, I would like to invite the officials of the Finance department to join us.

Public Hearing: Department of Finance

The Chair: — If we could come to order, please. And I would like very much to welcome the officials from the Finance department, and I would like to introduce Mr. Jones, deputy minister, and ask you please to introduce the people you have with you, sir.

Mr. Jones: — Thank you very much, Mr. Chairman. I've got Terry Paton, the new Provincial Comptroller with me; Bill Van Sickle, who is the executive director of our administration division; and Brian Smith, the executive director of PEBA (Public Employees Benefits Agency).

The Chair: — Thank you very much, and welcome. I'm directed before we begin that there are some remarks that are required to go into the record, and if you bear with me I would do that at this time.

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 a 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 Freedoms 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 (for) . . . 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 15 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document.

You're reminded to please address all comments through the Chair. Thank you.

I think in beginning, Mr. Jones, it would be most appropriate if you have an opportunity to address the committee and we will proceed after that with inviting members of the committee to direct questions to yourself. So if you have opening statements in regard to the issues that were raised by the Provincial Auditor that would be quite appropriate at this time.

Mr. Jones: — Thank you very much, Mr. Chairman. I believe

there are four issues that the auditor has raised with the committee. The first one has to do with the timely release of financial statements to the Legislative Assembly. I would make two points there for the committee. One, we acknowledge that we were late in that particular case, and certainly we will strive to make sure that financial statements are provided to the Legislative Assembly on time.

I think point two is that over the course of the last three or four years, I think PEBA has done a very good job. And certainly there were a number of instances where statements have been late, but I think the Provincial Auditor will agree with us that the situation is improving in terms of getting the statements produced and out on time. So I think we're getting better at that, I guess is the second point.

With respect to the Saskatchewan Pension Plan and the annuity underwriting, we have put forward legislation and regulations here to deal with I believe part of the problem the auditor has raised with respect to dealing with backstopping any potential — and I stress potential — losses in the annuity fund. I think that's been taken care of.

With respect to what we will do with potential gains, that's an issue that I agree with the auditor we should do some more work on, and we intend to do that. That will require us working with the board of the Saskatchewan Pension Plan, so hopefully we can get that resolved as well.

With respect to the other two issues dealing with SaskPen and SP Two, these are essentially similar issues. I guess my comments there would be I certainly strongly agree with the Provincial Auditor that all agencies and others should cooperate with his office. I don't think that's in question. And I have encouraged the board and the Chair of SaskPen and SP Two to do that. I believe that this is an issue that really would be best worked out between the two parties, the Provincial Auditor's office and SaskPen and SP Two, the respective board.

And so I certainly, as I said before, encourage agencies and others to cooperate with the auditor. I think I'll just leave it at that, Mr. Chair.

The Chair: — Thank you very much. I've noted some people have indicated their desire to get into . . .

Ms. Haverstock: — Thank you, Mr. Chair, and good morning. It's nice to have you here today. What I will do is perhaps start with point .13 and deal with the superannuation funds, and if it's deemed appropriate, then I'll stop for other people to ask questions on that rather than proceeding through.

Did the Legislative Assembly receive the 1995 financial statements for the Liquor Board superannuation plan, the municipal employees superannuation plan and the Workers' Compensation Board superannuation plan, since it did not in the previous year.

Mr. Jones: — Mr. Chairman, and Ms. Haverstock, I'll ask Brian Smith to answer that, please.

Mr. Smith: — To the best of my knowledge, yes, they have been tabled. I think the Liquor Board may have been late for 1995, but I think they were; the Legislative Assembly has received all three.

Ms. Haverstock: — Thank you. Has the Legislative Assembly received all the financial statements then to which it is entitled? In other words, from all the plans and all the funds for which the Department of Finance is responsible for? It has?

Mr. Smith: — Yes, I believe so. The '95-6 ones have not been tabled. They haven't been completed yet.

Ms. Haverstock: — And are there any that you would consider to be incomplete at this point?

Mr. Smith: — Not to my knowledge, no.

Ms. Haverstock: — So you would say that all of the information would be accompanied by all the notes and schedules that are required for sort of a complete financial reporting as far as . . .

Mr. Smith: — Yes. And they're tabled in the Assembly.

Ms. Haverstock: — What's the status of unrecorded pension costs and liabilities?

Mr. Jones: — Mr. Chairman, Ms. Haverstock, the status is that the . . . And I believe you're talking about the unfunded liability of the pension funds? That is reported and incorporated into the summary financial statements of the province. We have done that for a number of years now, I believe.

So the information is there. It is also contained as a note to the financial statements of the General Revenue Fund.

Ms. Haverstock: — Okay. I guess that I'm just wondering if we're to expect then that this will be the continuing procedure that the Provincial Auditor and his office is going to continue to recommend to the members of the Assembly. And I will quote:

. . . should refer to the government's summary financial statements to understand and assess the government's management of public financial affairs and resources as a whole.

So that's the only place to which we would be going to be able to find that?

Mr. Jones: — Mr. Chairman, Ms. Haverstock, I believe the Provincial Auditor has indicated . . . and issued a clean audit opinion on the summary statements so that that presents the financial situation of the province fairly in the auditor's mind, as I understand it.

With respect to a change in accounting policy for the General Revenue Fund, the Department of Finance continues to look at improving how we account for things. At this point we have no . . . No changes are imminent, but that's not to say that over the course of the year changes may be forthcoming, as they are

always reviewed by the Department of Finance.

Ms. Haverstock: — Okay. This whole recommendation to give timely financial statements to the Legislative Assembly often . . . over and over again refers to this fact that benefit and pension plans seem to be the key here. And that it also refers to the point the Provincial Auditor has made time and again about the failure of the General Revenue Fund to fully report the government's management of public financial affairs and resources, especially as it relates to pension liabilities.

And I'm just wondering . . . And I want you to know that I think the summary financial statements are very useful. And we've had this discussion, probably people would think ad nauseam at this point, about unfunded pension liabilities. But will the following recommendations of timely reporting and using the summary financial statements to determine the government's management of public financial affairs and resources, is it going to reveal to the members of the Legislative Assembly the deficit in the accounts of government organizations during the 1994-95 fiscal year?

Mr. Jones: — Mr. Chairman, Ms. Haverstock, I guess a couple of points. I think point one is the specific issue I think the auditor raised with respect to the timeliness of financial reports is strictly that we didn't get the report prepared and out on time. And certainly we don't like that and we're going to improve that situation. And as I mentioned before, we think we've cleaned up a substantial backlog and are improving the situation. So that's a specific issue.

With respect to disclosure of pension liabilities and other liabilities of the government, as well as revenue and expenses, I believe that the summary statements do do that. They are provided in a timely fashion. I believe that they have been released to the public the earliest — certainly if my memory is correct — in '94-5 it was the earliest up till that date they've ever been released. And then again in '95-6, they were released yet again sooner than the previous year. So in terms of disclosure, I believe the summary statements do provide an excellent disclosure for members as well as for the public.

And the second point is, I believe in terms of timeliness, those statements do get out on time. There is a law that they now have to be out by the end of October. And certainly in the last couple of years we've tabled . . . we've released those statements sooner than they've ever been released.

Ms. Haverstock: — One of the things that has been brought to me on several occasions has been a concern on people's part that there in fact can be a deficit that is not revealed and looks for a period of time like a surplus. That there's a concern, and I think probably you've heard this too, where people have said, well utility rates and liquor and gambling revenues earnings are not put down as a form of taxation or whatever.

And I just want you to comment on that. Because I don't really know how to go about responding to people when they say, how can . . . you know, down the road we discover that things are not as they appeared to be. And I don't have an explanation.

Mr. Jones: — Mr. Chairman, Ms. Haverstock, I think that's a very good question. I guess I would answer that in a couple of ways. One, the summary statements do provide a complete accounting of all of the entities for which the government is responsible. I believe I'm not . . . the Provincial Auditor can correct me on that, but I believe it does provide a complete accounting. And I believe that the auditor has indicated that it presents fairly the overall situation, if I can use that word.

With respect to some of the agencies, some of the Crown corporations that you may have referred to with respect to utility rates and so forth, I believe that each of those agencies, certainly the large utilities, provide annual reports. I believe there is a new process in place now for utility rates to go before the public before there's a decision made on them. I believe the Crown Corporations Committee meets to review them.

So I guess what I'm saying, in a sense, there is a very substantial amount of information with respect to the various activities of government. And I suppose I would make the point that the amount of information and the amount of disclosure, if you like, has certainly from my point of view, certainly from the point of view of the Department of Finance, and again also I believe from the Provincial Auditor's point of view, has improved substantially over the last several years.

Are we satisfied that we've completed the job? No, I don't think so. I think there's always more we can do and I think that certainly the Department of Finance, that's an important issue that we will continue to work on. If there are better ways to get information out to members and the public then certainly that's something that we view as an objective that we should be working on.

Ms. Haverstock: — Well thank you very much. I appreciate your responses. I think one of the things that's . . . and most certainly concur that there is an overwhelming amount of information. And that's part of the problem with someone who lacks expertise, as I do, to be able to go to the right place and filter through this and somehow come up with a way that I can adequately respond to people's questions. It is very confusing, but I thank you for your time.

Mr. Jones: — Thank you.

The Chair: — Thank you.

Mr. Pringle: — Thank you very much, Mr. Chairman. Mr. Jones and officials, good morning.

First of all I would like to commend you and your staff for the excellent work that you've done over the year. Certainly I think that in my travels the officials in the Department of Finance have a lot of credibility, I think, and that's the mind of the vast majority of the public as well. And I stand to be corrected but I think the . . . in a general sense the Provincial Auditor gave us the message in the spring that overall, in terms of information, we're right up there with the best in terms of the provincial governments, in terms of sharing of information, and on a timely basis, and the kind of detail, and the overall accounting.

So I think that you have a very good image and that you've cooperated very well with the auditor, and again this morning your spirit of cooperation and frankness and openness I appreciate.

But obviously with regard to this specific recommendation, the law requires the tabling within a certain period, and as you've acknowledged, some of the reports have been filed. So there's been excellent progress made, extremely great progress made, but I guess we're striving for perfection. Now this is my ninth year here, and in terms of there being no legal requirements in the past, let alone . . . and there was very little information provided certainly on a timely basis and very little detail, I think these two or three reports are sort of like a little blip in the scheme of things, but nevertheless they are important.

So I would suggest that we as a committee agree with the auditor and acknowledge your comments, and hope that the committee supports the auditor's recommendation on N.1. And from my point of view I would suggest N.2 as well, because as I recall, or as I read here, thinking back to the last session, I think this second recommendation, N.2, has been dealt with by the legislature. I stand to be corrected on that. So certainly on N.1 I would recommend that the committee simply support the auditor's recommendation.

The Chair: — Thank you.

Mr. Toth: — Yes, I do have a couple of questions here. Number one, and no offence to Mr. Jones here, but if it wasn't for the fact of the auditor pointing out pension liabilities, the public wouldn't be aware of it. And while we can argue the summary financial statement, for an accountant or somebody who's quite familiar with numbers and following accounts, if they've got access to all the details of summary financial statements, they can certainly follow through on it, but most people in general do not have that ability and most people rely on the General Revenue Fund and the report of the general revenue. I would even suggest the media just grabs the general revenue statement and they don't really show what's taking place.

And the realities are these pension liabilities are going to be a problem down the road. And I still have a problem determining why it would be impossible to record the unfunded pension liabilities in your general revenue statement rather than just saying, go to the summary financial statements; you can find them there if you so desire.

Mr. Jones: — Mr. Chairman, Mr. Toth, I think certainly as Ms. Haverstock raised the issue, that from our point of view, and as I believe confirmed by the Provincial Auditor, there is disclosure. I hope there's not an argument there. The numbers are out there. The numbers are out there for the public and for members. I don't think that that is up for argument. The government does, through the *Public Accounts*, disclose the pension liabilities fully.

I think if you're talking about should we do that — change the accounting for the General Revenue Fund — as I indicated before, that's something that we are looking at. We're trying to

make it as best we can, certainly for members and the public.

But I guess I am concerned, and I'm sure you are, that there are so many numbers out there and if we just get one set of statements out there that we have a benchmark that people are more or less familiar with and then we change it, I think people have criticized certainly myself for there's so many numbers out, how we put them together. And that's just a problem that I note, that I worry that by putting out a new set of numbers we will really start to confuse people.

I think the final point I would make, and certainly I'm not here to argue or debate government policy, I think from where I look at it, when I look at the financial statements of the province, whether it's the summary statements or whether it's the General Revenue Fund, you go to the bottom line. I think the bottom line tells you that the financial position of the province over the last few years is improving. Can we do a better job in presenting that to the public? Can we do a better job in improving the financial situation? Of course. And that's certainly what we're trying to do in the Department of Finance.

Mr. Toth: — And, Mr. Jones, I'm not arguing that fact of how the numbers are presented. I think . . . the fact that the numbers aren't clear. I'm suggesting to you though, that in the public's mind, because of the fact that most people just identify with the general revenue statement and they don't really see all the entities of Crown corporations or the pension liabilities, the fact that most people really don't have the direct access to the summary financial statements, maybe you've made a comment about how do you present the numbers fully.

I think in most cases, most people do see and do kind of identify with the general revenue statement, but maybe there's a way of tagging on summary financial statements rather than a separate entity. Maybe a portion, that one line I think, page that you've got there that is in the summary financial statements, of tagging that in with the General Revenue Fund just to show the total operations of government. And I still don't know if all the public would understand it but there are probably enough people out there who would see that and would then get the broader picture and would begin to understand it a little better.

And your comments about things improving over the last couple of years; there's no question they have. But I think we have to also acknowledge that the economy in the early '90s has been much, much brighter than it was during the '80s. So that certainly has a bearing and even the Minister of Finance has recognized the fact that some of the numbers even last year of the improvement in certain sectors showed a buoyancy in some of the economy that . . . So those are little things that while governments or different political parties would like to take credit for, the realities are I think the public are looking for something that basically says, what's the overall, long-term goals of government, where are we going, where are the improvements coming, what's the financial liabilities, how are we going to address those in the future. And those are the things that they think need to be addressed.

Mr. Jones: — Mr. Chair, and Mr. Toth, I agree with you. I think they're all good suggestions. And again, I didn't mean to

argue what are the reasons for the change in the bottom line. I was just noting that the bottom line has improved. So I leave that for others for interpretation.

With respect to trying to present things better, I think we're trying to do that and I hear you and I hear Ms. Haverstock and we'll continue to work on that. So I can give you that assurance.

Mr. Toth: — To come back to another question then before we move on Mr. Pringle's suggestion that we accept the auditor's recommendations on N.2. You made a comment about the fact that you've addressed — unless we should have a bit of clarification of the auditor, this is back ... (inaudible) ... regulations should be issued providing direction for handling of profits and losses — and you made a comment about, I believe you indicated that regulations have addressed profits but losses are something you haven't totally addressed or haven't been able to get a real handle on yet.

And I guess what I would like to know, Mr. Jones, when we look at the Saskatchewan Pension Plan, what exactly are we looking at when it comes to profits and losses? Wouldn't you let the plan operate as ... or doesn't it operate as an entity of its own? And if it's got a major profit, that's fine, that's good, but down the road it may have a loss, so those profits and losses will balance themselves out. Isn't that how it works? Or what are we talking about here?

Maybe the auditor could respond to it if he's got ...

Mr. Jones: — Mr. Chairman, Mr. Toth. If I could ask Brian to respond to that. He's a little closer than I am.

Mr. Smith: — The Saskatchewan Pension Plan underwrites annuities and over time, yes, there would be profits and losses. Provincial Auditor had requested ... that the legislation was silent in terms of dealing with profits and losses. In the spring session, we made changes to The Saskatchewan Pension Plan Act to deal with losses — if there is a loss in the annuity fund operation, it would be attributed to the General Revenue Fund.

These losses or surpluses ... And surpluses haven't been dealt with in the legislation. They aren't of significant size yet and we agree that it has to be dealt with in the legislation if the surpluses ever did get to be a significant size. What are we going to do with them? And the legislation is still silent in that respect.

Both surpluses and deficits have to be viewed in the context of the very end. There may be surpluses and profits as we go along and the Saskatchewan Pension Plan, in terms of annuities, will be around for the next, probably 30 years and there may be situation ... there'll be surpluses or losses in the fund. I think at the end of the day if there is a liability, that the legislation has been addressed ... changed to address that. At the end of the day, if there's a surplus, the legislation is still silent.

I think we have to deal with the Saskatchewan Pension Plan board of trustees to discuss with them and for them to bring

forward changes to the legislation to deal with surpluses.

Mr. Toth: — So maybe I could just ask this of the auditor then. When you're talking about regulations, and just hearing what's been shared with us about the fact that we've got something to address losses, and if I understand correctly the General Revenue Fund is at the present time under the regulations responsible for losses.

We haven't worked out how we're going to address profits. I guess, Mr. Strelieff, when you're looking at losses and profits, maybe addressing this down the road, wouldn't it be assumed that over the long term that hopefully profits will outweigh the loss and the profits would go then to the investors in the pension plan?

Is that what we're trying to address here?

Mr. Strelieff: — Mr. Chair, Mr. Toth, we agree with what has been done in terms of regulations to deal with the losses and also the discussions on what's going to happen with the profits. Over the long term one would expect the plan to break even and we were concerned that if there's losses occurring that there be someone assigned responsibility.

But over the long term, on the profit side it should break even. We were more concerned with the loss side than the profit side.

Mr. Toth: — Well I guess the reason I raise it is because the profit side ... anyone investing in the plan was hoping that some of those profits down the road will come to them, but what we've done is basically made the province responsible for the losses. It would almost be fair to assume that the province is going to want to accept some of the profits to offset some of those losses which may not then accrue to the investors in the pension plan.

And while we've got a mechanism to address losses to date, I certainly hope that in the long run the profits outweigh the losses and that the investors in the plan certainly have found it's been a worthwhile investment. And I guess when you address profits that's one thing that has to be looked at, is to how those profits are addressed. And I can certainly concur with the auditor on that, that it's something that needs to be looked at carefully so that it's not just a — excuse the expression — a money grab for the government.

We certainly want to make sure the public that have invested get fair value for their dollar and not just the government of the day looking, well we had to accept the loss when it was there so we're going to eat up the profits now.

Mr. Smith: — Mr. Chairman, I agree. I think the objective from the Saskatchewan Pension Plan's perspective is when annuities are underwritten the objective is a zero-sum game. There should not be a surplus or a deficit — and only the one issue has been addressed.

At the end of 1994 there was \$84,000 of surplus — very small. I think over time the Saskatchewan Pension Plan board will come back through the Department of Finance with changes to

the legislation.

The Chair: — Thank you. I do not see any other questioners and I am assuming that the committee is ready for clarification. Are we ready to adopt the recommendation of the Provincial Auditor numbered N.1?

Ms. Stanger: — And N.2.

The Chair: — I want to deal with them separately. We've got a number of options, of course, as a committee. We can adopt the recommendation, which then makes it part of our report as a recommendation. We can note compliance or we can note progress. So I'm looking for the direction as to adopt the recommendation.

Mr. Pringle: — Whatever the terminology is, my intention, Mr. Chairman, is just to support the Provincial Auditor's recommendation.

The Chair: — That's adopting the recommendation.

Mr. Pringle: — Adopting.

The Chair: — Okay. Are we agreed that we adopt recommendation N.1? Agreed. Thank you.

Are we in agreement that we adopt recommendation N.2? Agreed. Thank you.

I open discussion for Ms. Haverstock on the remaining issues.

Ms. Haverstock: — Yesterday the Provincial Auditor had indicated with .39 — and this isn't a direct quote, it's my script taken down while he's speaking — that SaskPen and SP Two have just indicated to the Provincial Auditor that the financial statements of these organizations will no longer be tabled in the legislature nor will the auditor be allowed to audit them. I was quite concerned about the status of these recommendations. And I guess what I'd like to do now is just ask you what the status is of recommendation .39 and .40. I think they can be probably taken together.

Mr. Jones: — Mr. Chairman, and Ms. Haverstock, the status, I suppose, is that there is a difference of opinion between the Provincial Auditor and the boards of SaskPen and SP Two, and I believe that that difference of opinion remains today.

And I have encouraged both sides to work together to try and resolve this. I have personally written to the board . . . the chair of SaskPen and SP Two to ask her to cooperate. And from the viewpoint of the Department of Finance I encourage the two sides to work this out. I think that that, I suppose, is a capsule of the status.

Ms. Haverstock: — Has there been an independent evaluation of SaskPen Properties and SP Two, to your knowledge?

Mr. Jones: — To my knowledge, the SaskPen and SP Two have independent, professional auditors that audit the books, yes.

Ms. Haverstock: — And that . . . I mean that information is available to us as Members of the Legislative Assembly.

Mr. Jones: — That information is available to the boards of the two corporations and they discharge their responsibility as they see fit.

Ms. Haverstock: — The boards discharge their responsibilities as they see fit?

Mr. Jones: — As they see fit and according to their interpretation. And it is my understanding — and, Brian, you correct me if I'm wrong — but these statements have not been tabled in the legislature in the last three or four years, something like that.

Mr. Smith: — I'm not sure . . . Mr. Chairman, I'm not sure if the financial statements of SaskPen and SP Two have ever been tabled in the legislature.

Mr. Jones: — Okay. Okay.

Ms. Haverstock: — It concerns me somewhat . . . not just somewhat. It concerns me, full stop. And I'm wondering, do you have any idea how we can ensure that the information is available to the members of the Legislative Assembly?

Mr. Jones: — Well I guess I can make a suggestion, Mr. Chairman, and Ms. Haverstock. I could make a suggestion . . . is that these questions may be better put to SaskPen and SP Two, the board or the Chair. I'm in a somewhat difficult situation where I'm interpreting or guessing what they may say. And on the other hand, I have . . . and I've spoken with the Provincial Auditor about his concerns, and I am sympathetic to them and I've indicated that to him. And I can tell you I've done the best I can to try and pull these two sides together.

I suppose that we should be somewhat cautious in the sense that these two corporations were set up to provide a benefit to public servants when they retire and so forth. And they are, if you like, commercial entities that are out in the market and so forth, so we should be careful about what information is disclosed publicly because it may disadvantage beneficiaries. But I want to be very careful about commenting on that and I would respectfully suggest that the committee may want to consider hearing firsthand the concerns from SaskPen and SP Two.

Ms. Haverstock: — Thank you. And that I guess would bring me to raise with you, Mr. Chair, if perhaps we should follow that recommendation. I know that I would feel some level of comfort . . . It sounds like I'm dying of a cold, doesn't it? Forgive me for the hacking away here. I would have some level of comfort by simply having a better understanding as to why it is there's such resistance. And I'm sure that there are very legitimate reasons, but I think that we're ultimately responsible and that we should know what those reasons are. So I put it to not just you but to members of the committee that if they concur, perhaps that's the line that we should take on this and no longer pursue it with the Department of Finance.

The Chair: — Thank you. I note two other speakers in the order, and we'll come back to your suggestion, Ms Haverstock.

Mr. Toth: — I'm not sure, Ms. Haverstock, whether the government members will concur with your suggestion for the simple reason that this board of directors is government appointed and the Minister of Finance are shareholders of the corporation. So I can appreciate Mr. Jones's situation as the deputy minister of Finance. The person to be raising the issue with really is the Minister of Finance, and the shareholders, and puts Mr. Jones in a difficult position trying to answer questions for something that . . . he's responsible for a department but is not directly responsible for . . .

And I have to agree with the Provincial Auditor. I can only say I don't really have a question of Mr. Jones but it would seem to me that it's difficult for us to just to really get some answers to these questions here when we really do not have the personnel that really have the ability to provide the answers.

And I'll just close by saying that I concur with Ms. Haverstock and I think it would be appropriate of the committee to certainly accept the recommendations and make some inquiries via the legislature and the minister responsible, who is a shareholder, as to why this information is unavailable to us and to the auditor.

Mr. Pringle: — Well thank you, Mr. Chairman. It might surprise Mr. Toth but when I got on the speaking list I was going to make that recommendation myself on behalf of the government members that . . .

It's obvious that the deputy minister has done all he can do. I don't think there's any reason to sort of politicize this. I think we're trying not to politicize issues here. My point being there, I don't think that it's the obligation at this point of the Minister of Finance to come and talk to us. It's the obligation I think of these people, the presidents or Chairs or whatever, to come and that that's a step we should pursue.

And I think I'd like to convey, from our point of view, that we endorse the deputy minister and Ms. Haverstock's suggestion in that regard, that we need to know that we're ultimately accountable. And I'm interested in why these two groups believe that they're not obligated to provide that information. I just don't understand that. So it sounds to me like we're all in agreement with the recommendation by you, Lynda.

Mr. Jones: — Mr. Chairman, just a point of clarification if I may. SaskPen and SP Two, the shareholders are a number of pension funds, not the Minister of Finance. I just wanted to be clear on that. It's the pension funds or the owners of those two companies not doing those two things.

Mr. Toth: — Mr. Chairman, I should just . . . I'm going by the information I have on page 100, item .24, and there's a clarification needed there. I have to go by what's in front of me as well and so maybe what's being said here is the Minister of Finance is still responsible. That's why it comes back to the minister. Maybe that's why it would be . . . That's why it would be stated in this position that government-appointed boards and

the Minister of Finance are the shareholders of these corporations.

The Chair: — I'd like to ask Mr. Strelieff to respond to that.

Mr. Strelieff: — Mr. Chair, Mr. Toth, members. The shares are registered in the Minister of Finance's name — shares related, I think, to the teachers' superannuation pension plan — and that's why we've said that the Minister of Finance is a shareholder of this corporation.

Just a further background information. When the corporations were formed in '86 or '87, we were the auditors directly. And then in '91 or '92 the government appointed a public accounting firm and then we worked with that public accounting firm to get the job done. And then more recently in '95 we were informed by the appointed auditor that he had been instructed not to provide us access any longer. So we had access, and then we had access through a public accounting firm, and then we no longer have access.

Mr. Thomson: — I want to comment on this issue of who the shareholders are. I think to a large extent it's irrelevant. We don't call shareholders before this committee. We call management before these committees. And I think that either someone is attempting to play politics here or simply misunderstands the process. So I would suggest we quickly de-politicize this and move ahead with the recommendation.

The Chair: — Thank you. I hear the committee members suggesting that we should have the officials of these two corporations, if you like, appear before our committee to answer the issues that are raised under N.3 and N.4 of our guidelines here, .39 and .40 of the auditor's report. I also suspect that we should leave these two issues in abeyance until we can speak to those appropriate officials.

And so I think what we will do is, if it's agreed by the committee, we'll take note of that and we will arrange for those officials to appear before us at the first available opportunity, at which time we will then return, or after that opportunity we'll return, to those two recommendations if that's satisfactory. I take that as the direction we're agreed on? Okay, thank you.

I think then that that . . . Is there any other questions or any other matters that members would like to raise with the department officials? If not, I think that completes our discussion with the Finance department and I would like to conclude by thanking you and your officials very much, Mr. Jones, and thank you very much for your time.

Mr. Jones: — Thank you, Mr. Chairman, and thank you, all committee members. Appreciate it.

The Chair: — We will have a 10-minute adjournment and then . . . (inaudible) . . . we may come back. I don't know. Maybe we're done for the morning. CIC (Crown Investments Corporation of Saskatchewan) won't be here until 1:30.

We will adjourn until 1:30. Recess till 1:30. Recess.

The committee recessed for a period of time.

**Public Hearing: Crown Investments Corporation of
Saskatchewan**

The Chair: — We'll reconvene. We have with us this afternoon, the Crown Investments Corporation. I would like to welcome you, Mr. Wright, and Ms. Beatch.

If the committee is in agreement with the practice we've had, is I guess firstly I have to read a statutory kind of a declaration for the record. And following that, if you would like to address the committee in terms of general comments and statements that you'd like to make, that would be quite appropriate. And then we will invite members of the committee to direct any questions that they may have.

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 a subject of a civil action.

In addition, in action I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms 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 15 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document.

You're reminded to please address all comments through the Chair. Thank you.

So if you'd like . . .

Mr. Wright: — At the back of my mind there, Mr. Chairman, I think we'd like to take this opportunity to thank you for the opportunity to be here and to discuss CIC's financial accountability.

First off I'd like to say that CIC takes its . . . takes very seriously its responsibility to the shareholders, the people of Saskatchewan, for timely and full accounting of its financial situation.

CIC meets fully, and often exceeds, our statutory obligations for accountability. If the question is whether or not we need new guidelines and standards for accountability, that indeed is a very good question and clearly is one of the major issues that we are focusing on as part of the Crown review. It's also a question that we've been looking at internally within CIC. Clearly, we are interested in ensuring that our public

accountability meets the needs of the people of Saskatchewan. There are, however, some areas of concern that we have to take under advisement.

CIC, its asset management division, its subsidiary CIC Industrial Interests Inc., have a number of business arrangements with private firms, many of which have confidentiality and/or disclosure agreements. We must respect those agreements if we are to have any credibility with our current and future business partners.

Most of our subsidiary Crown corporations operate in an environment of competition to some degree or another. There is information regarding their future planning which, if disclosed publicly, could be used by the competitors to their advantage. Ultimately this could hurt and impair a Crown corporation.

CIC has a number of responsibilities. Of course our primary responsibility is to the shareholders, the people of Saskatchewan, and by extension to you, their representatives. But we also have obligations to our private sector partners with respect to agreements both sides have fairly entered into. And we have a responsibility to protect the future in the financial viability of our subsidiary Crowns.

We welcome any discussion about government policy on Crown corporation accountability, and we'd be more than happy to engage in any form of discussions on same.

We recognize and accept the Public Accounts Committee's authority to call any witness to deal with issues as presented by the Provincial Auditor. Our understanding, however, is that the statutory responsibility for policy matters regarding Crown corporations' accountability is vested with the Standing Committee on Crown Corporations. As it, like this committee, is a permanent committee of the legislature, we would have assumed that these matters would be discussed there.

Having the same item discussed at two separate committees of the legislature does cause some confusion from time to time. And we would like to seek this committee's advice on this matter.

That being said however, we reiterate our commitment to improved accountability within the Crown sector and will of course do the best to answer your questions, Mr. Chair, and the questions of the members. I welcome them.

The Chair: — Thank you very much.

Mr. Toth: — Thank you, Mr. Chairman, and welcome. Regarding the last comment about discussion of a number of the initiatives and Public Accounts and auditor's statements and comments in the legislature versus this committee, Mr. Wright, I think we have just a little more flexibility and more of an opportunity to quiz actual participants versus having to listen to the minister decide how they're going to put the answer after they've talked to the officials.

So while I appreciate that and we appreciate what we get in the Assembly, I think this committee does certainly play a role, and

I thank you for your presence here and your recognition of that.

In our discussion to date, the auditor has brought to our attention . . . and I guess it's something that goes back to the 1993 annual report, and we'd like to know what has been done by CIC to address this concern, and that's regarding the recommendation on page 62 that CIC should ensure the government's public policy objectives for CIC and the part II Crowns are clearly defined and presented to the Assembly for scrutiny.

Now I believe when the auditor was explaining, partly what he meant by this, he was talking about the fact of investments and certain agreements and having a policy as to whether you're going to have a write-off. And on that basis I've got a couple questions regarding the Rafferty-Alameda project — projects like Rafferty-Alameda or the Weyerhaeuser or some of the other projects that governments get involved in, and how you address them.

First of all, when initiatives are taken to enter into projects of this nature, whether or not a project may pay for itself, and therefore you would amortize it over a period of years, or whether a project is going to have the ability to pay for itself and maybe then writing it off, but having some kind of definition whereby when the auditor is checking the books and we're following up on the financial presentation to the province, we can have a better understanding of the initiatives taken by the government, such as the write-off on Rafferty-Alameda.

And I'd be interested in noting what was written off on the Rafferty-Alameda project, if it was a write-off, and when that took place.

Mr. Wright: — Mr. Chairman, I've been with the corporation a little over two and a half months, and while I'm certainly not new to government, I am somewhat new to CIC. Many of these questions therefore, it's not the shake and run here, it's rather I just would like to turn to my colleague, who has words of wisdom far exceeding those of mine and an eloquence beyond belief. So with that in mind, Patti, if you can try to address that.

Ms. Beatch: — Sure. A couple of points, specifically to address the issue of Rafferty-Alameda. In our annual report — last year's annual report that is — on page 62, specifically again on Rafferty-Alameda, you'll find an analysis of how that project was funded and what's been written off to date for that operation. And specifically I think it shows you from 1986 to 1994, total public policy expenditure was 17 million. And then you'll see an amount in 1995 of 783,000. So that's specific for Rafferty-Alameda.

In terms of in future when we enter into a project — assuming we might — like this, clearly the Crown Corporations Committee has now, or as of 1994 I believe, set up a process whereby we must report within 90 days of any major transaction, outlining — I don't have the specific requirements with me — but the objectives of the transaction, how it will be funded, mechanisms through which we're going to monitor the performance of that project, and those kinds of things. And so I

think in going forward, or starting in 1994, I think that process, which is quite timely, as I say within 90 days of the transaction, should make that information public.

Mr. Toth: — So what you're saying is from '86 to '94 there was, you said, a \$17.4 million public policy?

Ms. Beatch: — Yes. The amount . . . public policy expenditure representing the amount funded by CIC on a consolidated basis from 1986 to 1994 was 17.9 million. And in the current year, 1995, it was 783,000.

Mr. Toth: — And when you're talking expenditure, you're talking of write-offs on an annual basis that total this amount?

Ms. Beatch: — Yes. Let me just confirm that, please. Indeed. In 1995 the amount actually expensed in the consolidated financial statements was 783,000.

Mr. Toth: — So that's the total that's written off the . . . any loss that would have occurred in Rafferty-Alameda.

Ms. Beatch: — Indeed. Indeed.

Mr. Toth: — But the 17.9 was over a period of years. It was almost like it was amortized over a period of years then.

Ms. Beatch: — No, we're just showing the amounts cumulatively so people can see to date what the amount was. It would have been written off annually through that period. And what I have here is just a total for that period.

Mr. Toth: — So was it . . . and I'm not . . . you probably weren't there when the project was initiated, so it would be hard to determine. If there were write-downs on an annual basis, it appears then that there was a decision made that there would be losses and those would be written off, rather than the total project, partial write-downs each year as based on the loss over a period of years until it was finally covered? From what you're telling me . . .

Ms. Beatch: — That's my understanding.

Mr. Toth: — I think that seems to go along with what the auditor was raising with us — the fact that there should be a policy decision whereby if there is a loss going to occur in a certain project that either a decision is made prior to that, that loss is accounted for, whether it's written down immediately or whether it's written down over a period of maybe five or ten years, whatever. But that should show. And based on the auditor's comments, I'm wondering, is that what CIC is doing to date? Because we're going to 1993 here and just the fact that this may not . . . or hasn't been addressed to my knowledge, I'm just wondering what's happening.

Mr. Wright: — Mr. Chairman, this is the kind of policy that CIC uses. As you know, accounting standards for the government, be it the General Revenue Fund or for CIC, have improved substantially. I think the Provincial Auditor would agree with that over the last several years. And quite clearly where there is an impairment to the asset or to the loan or to the

shares, what have you, it is written down at the time that the impairment is known. When there is a clearly defined public policy, however you define that, and I'm not sure, expenditure associated with this with no chance of recovery, it's written down at the time that you know of that. So if it's in year one, even though it extends over a number of years, you would write it down in year one.

Mr. Toth: — So basically what you're saying, Mr. Wright, then is CIC is now meeting the concern, the recommendation that the auditor laid out in 1993 regarding this public policy initiative?

Ms. Beatch: — Mr. Chair, I think this particular recommendation by the auditor is no longer being cited for CIC currently as a recommendation, so I think it's clear to say that we've satisfied the recommendation.

Mr. Toth: — If I could, just one more comment, just ask the auditor just to clarify if indeed this is so just so we're familiar with the fact that . . . Because I think it was something that you brought to our attention, so that we make sure that we're on the wavelength and we're not just skipping over something.

Mr. Strelieff: — Mr. Chair, Mr. Toth, members, there are two recommendations that you're dealing with at once here. One is the first one which talks about the need to have clearly defined public policy objectives. And then there's a recommendation, the sixth one, which says that the sources of funding for public policy expenditures be clearly reported and identified. So in your discussion that you had right now, you focused on the second recommendation, that the public policy expenditures incurred by CIC be clearly identified in the financial reports. And that's what the officials from CIC were stating.

And in their December 31, '95 financial statements say, as the speech pointed out, they do describe the public policy expenditures that have been incurred over the last couple years.

The first recommendation though deals with the public policy objectives for CIC. And a public policy objective would be things like, to provide a service at a reasonable cost, to earn a specific rate of return, to assist economic diversification or employment — those kinds of issues. And what we've recommended in the past is for CIC to more clearly set out what its objectives are in its broader community, because the extent to which you carry out an activity to earn a rate of return versus perhaps to . . . I think one of their goals is for economic development in the province and employment. Those two goals or objectives are competing in terms of what you actually plan to do in some cases.

So we've recommended in the past that those public policy objectives for CIC and the part II Crowns be clearly defined and presented to the Assembly for scrutiny. Now in the previous years CIC has advised us that they're working on that, and in our reports to CIC we are reporting that to their board as a matter of . . . we call that a matter of continuing importance, that please keep on working on clearly defining your public policy objectives.

So to sum, your discussion focused on the public policy expenditures and the amounts funded by CIC, and the first recommendation deals with trying to define the objectives of CIC as they relate to public policies. Is that . . .

Mr. Toth: — I thank you for that, Mr. Strelieff. I guess the reason I ended up cross-referencing here is because I had jotted a note down under the first one and didn't realize that they had page-flipped yesterday. That's why we got discussing no. 1 but ended up on no. 6. In regards to number one, what has the corporation done to address this concern about clearly defining, presenting, public policy to date.

Mr. Wright: — I think it would be fair to say that first off the phrase, public policy objectives, can often be quite confusing and we're trying to sort through what that actually means. On a broader scale though, we do have under way and in process the Crown review, which is clearly from our perspective that public policy objectives and trying to define those and incorporate those possibly in annual reports and other reports by Crown corporations, could be considered an important element. So we were working through it within the context of the Crown review.

Mr. Thomson: — I wanted to raise a couple of issues with regard to recommendation, as we refer to it, K.1. And I guess my first question is really to the auditor. What is the interest of the auditor's office in what the public policy objectives are for CIC?

Mr. Strelieff: — Members, and Chair, we're not recommending a specific objective. We're advising the Assembly and this committee that to better understand and assess the performance of CIC and its subsidiaries, you need information that pertains to its objectives and how is the organization carrying out those objectives and then be able to assess whether those objectives and that performance meets your expectations.

Mr. Thomson: — I'm not completely sure I understand how this directly relates to financial accountability of the Crown Investments Corporation or even the transparency of its financial transactions.

Mr. Strelieff: — Mr. Chair, members, to understand and assess the performance of an organization, including CIC, one would have to know what it plans to achieve, what are its objectives, and then bringing those objectives to life in more . . . or measurable terms. For example, is it the objective of CIC or SaskPower to earn a specific rate of return? Well if that's one of its objectives, then having that information available to you would, in my view, help you better understand its plans, its priorities, and its performance.

Mr. Thomson: — Well, Mr. Chairman, we've been around this several times in this committee. I read The Provincial Auditor Act and I see under duties and powers that it says specifically here the duty is the examination of accounts. I don't read anywhere in this Act anything about performance objectives or benchmarking or anything else. How does this discussion on the definition of the public policy objects for Crown

Investments Corporation and part II Crowns relate to an examination of the accounts?

Mr. Strelieff: — Well part of our mandate is to examine the management systems and practices of organizations so that they are properly safeguarding assets and complying with legislative authorities. And part of carrying out that examination is to examine whether organizations have clear management direction, are able to articulate it, are clearly setting out that direction, stating expectations in terms of expected performance. And when you're moving to those kinds of issues, clearly defined objectives is an essential component of a well-run organization.

And in terms of our role in providing advice to the Assembly, we think that's a very important part of bringing matters of significance to your attention.

Mr. Thomson: — Well let me just ask this perhaps a little bit differently then. As I read the Act, and I appreciate that there is a need to make sure that money is being expended for the purposes it was allocated, but those purposes are provided within the statutes. It's not up to a Crown corporation to vary really from its statute.

So the objectives for the expenditures should already be established in what our Crown Investments Corporation Act is. Isn't that the measure that you really should be applying the test on?

Mr. Strelieff: — So my understanding of the question would be that in The Crown Corporations Act there would be the objectives clearly set out as to what this corporation is supposed to achieve?

Mr. Thomson: — The statute that establishes the Crown corporation should be its purpose. The level of clarity would have been dependent on what the legislature had felt the wording should be at the time. But it's really not . . . I just worry that what we are starting to move into now is a debate within management groups as to what the legislature intended the purpose of these Crowns to be. I mean your job, as I understand it, and our job as a Public Accounts Committee, is to review the expenditures and make sure they meet the statutory requirements. And that conversely, any question and debate on public policy objective is really within the mandate of Crown Corporations Committee.

Mr. Strelieff: — Again, we're not saying that a particular public policy objective is the right one to go for. What we're recommending is that whatever the objectives of the corporations are, they be clearly stated and that information provided to you so that you can better understand and assess the performance of various Crown corporations.

Mr. Thomson: — Well I don't want to go through the checklist that I always end up running through with the auditor under section 11(1) of his Act. But there are four very clear criteria which are supposed to be examined and supposed to be ensured in terms of the reporting. I mean that:

(a) the accounts have been faithfully and properly kept;

(b) (the) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

Recommendation K.1 in your report addresses which of those four previous stipulations under your duties and power?

Mr. Strelieff: — Members, Mr. Chair. That last part, could you read it again?

Mr. Thomson: —

essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

Mr. Strelieff: — That one.

Mr. Thomson: — Perhaps you can then just clarify for me how exactly that connects, ensuring that the public policy objectives are clearly defined as opposed to what the statutory regulations are.

Mr. Strelieff: — Well the rules and procedures that an organization uses to safeguard public money would include clearly stating the objectives of the organization, making sure that there's management . . . that management and the employees of the organization know the direction that the organization is going ahead and then reporting that information to the legislative bodies so that the Assembly can also understand and assess the direction that particular organizations are going.

That's very important in terms of the rules and procedures that an organization would be expected to put in place to make sure that it's successful in safeguarding the public's money.

Mr. Thomson: — Well that's a broad interpretation of section 11(1)(d) of The Provincial Auditor Act. It's an interesting one but it's certainly a broad one.

I guess what I fear, Mr. Chairman, is that we are starting to tread into a discussion here on public policy which is really not the purpose of this committee. The legislature established other committees to deal with public policy objectives and to do sectoral review. Another member brought to my attention today in fact that the legislature had a report presented to it a mere two years ago outlining this concern on the overlap. And I just

worry that what we are starting to tread into here is the middle of a debate, an ad hoc approach to sorting out these issues. In that regard, I am quite concerned by this approach that the committee is starting to move into a public policy discussion.

The Chair: — Thank you.

Mr. Koenker: — I just wanted . . . I note the concerns of Mr. Thomson in that I think there's a fine line here that needs to be defined or else we have chaos. And I think the report, the fourth report of the Standing Committee on Crown Corporations — and actually its second report as well — dealt with the question of overlap between the Public Accounts Committee and the Crown Corporations Committee and, in my mind, it has a lot to do with the distinction between the auditing functions and the fiscal functions, which are principally dealt with, although not exclusively dealt with, in this committee, and what I would refer to myself as more managerial functions, which are dealt with more in the Crown Corporations side of things.

And I really appreciated the opening remarks of Mr. Wright in this regard, which spoke to the crossover and duplication of the committee efforts. I think we really have to avoid that. We have enough problems dealing with what's on our plate legitimately. We need to clarify what legitimately needs to be on our plate.

In terms of the accountability, I see the role, personally — other people may view it differently; the auditor may view it differently — I see the auditor as doing the fiscal accounting principally. And yes, dealing with some of the management systems and objectives, but dealing principally for our benefit with the accounting functions, the fiscal scrutiny. And if that is done adequately and presented adequately to this committee, then the accountability will take care of itself in terms of the political process. And I've said that before in this committee.

It'll happen because if government members don't see that it happens in terms of the accountability issues, opposition members will see that it happens.

So for my money, I want the auditor to do a very good job of the fiscal accounting. I don't have any objection with some purview or some perspectives on management systems, but I think your principal responsibility and your value to us is when you scrutinize the fiscal issues and the implications of some of those issues for us. Put up the flags. The accountability will happen in the political process because of the work you've done.

Ms. Stanger: — Well I agree with Mr. Koenker. In fact he said mostly what I was thinking so I'll just stick to one short, little question. What criteria would the auditor use to study public policy objectives for CIC?

This is so subjective. Public policy really isn't the purview of the committee or of the auditor. And I agree with what Mr. Koenker said. I mean what exact objectives would be used? Or criteria, I should say.

Mr. Strelieff: — Mr. Chair, members, again, we weren't setting out criteria for how you would identify your public

policy objectives. We are recommending that those objectives, however determined by the corporations or other organizations, be clearly identified in the annual reports of various organizations.

For example, in the spring we recommended that the annual reports of Crown agencies and corporations be improved. And in the spring you agreed with us, saying that you recommended that the government direct the Crown Investment Corporation to develop and issue annual report guidelines for agencies under its jurisdiction to ensure that annual reports describe what the agency is all about, what the agency has done, where the agency is now, and what the Crown agency plans to do in the future. And in the discussion, that would move to setting out clearly what particular government organizations plan to do. But we're not into trying to set out what those objectives would be. That's clearly, I mean that's the policy dimension of government and its corporations.

What we've recommended is, to help you better understand and assess the performance of various government organizations and the government as a whole, those kinds of objectives and performance indicators would be very valuable to you.

Ms. Stanger: — Well wouldn't these be done in board meetings by the boards that oversee all of these Crowns in CIC?

Mr. Strelieff: — Well sure.

Ms. Stanger: — And those people and those Crowns, those boards report on an annual basis. If you were not going to do an analysis of the objectives, what is the point then? What is the point of presenting the objectives to us unless somebody is going to do an analysis of it? And I feel if you're going to do an analysis of it, then you're stepping on the government's public policy, which is their purview, not this committee's or yours.

Mr. Strelieff: — Again I wasn't proposing to do an analysis. What I was recommending is that the objectives of organizations are very important to be defined clearly so that members of the Assembly would be more able to understand and assess their performance.

Mr. Sonntag: — Just before I begin, it just so happens that I have in front of me here the triggering mechanism for reporting to the specifics if you're interested. We were taking about the 90-day reporting period. The triggering mechanism is the acquisition of a major investment or asset or the assumption of a major liability. Secondly, a material change in the terms and conditions governing an existing investment or asset; and lastly the divestment of a major asset or investment. I just happen to have that in this report that I had here in front of me when you asked the question.

With respect then . . . by the way, I'm also, at the end of this, going to make a recommendation at the end of the day with . . . as it pertains to . . . and I talked to you about that earlier, Mr. Chair, as it pertains to the roles of the two different committees so that we can discuss this further. Because it is apparent I think to probably everyone here, that that role needs to be discussed.

I would then, as it relates to the discussion that we have had so far on recommendation K.1, I think that we should note the CIC's comments and the auditor's recommendations, but I would recommend that we recommend to the Legislative Assembly that K.1 is clearly a matter that should be dealt with by the Crown Corporations Committee.

Ms. Haverstock: — Is it appropriate then for me to make comments or do I have to go into discussion on your . . .

Mr. Sonntag: — No, you can't say anything now until it's all over.

Ms. Stanger: — You can say whatever you like.

Ms. Haverstock: — I guess having been on both Crown Corporations and on this committee, I want to come to some understanding, because I don't want to misread what I've heard from government members today. What is it that poses a problem for this committee to have before it clearly defined objectives by CIC?

I mean regardless, if this in fact is, I mean (a), I think we would agree, should be available. Secondly, if it is available, will be made available to the Crown Corporations Committee. But regardless, I mean I don't see ourselves as ever setting about to discuss the objectives, to evaluate or critique or anything the objectives. But why wouldn't it help, as it would in anything, to have clearly defined objectives, you know? What is the measuring tool going to be for measuring those objectives, the finances involved and so forth, expected versus actual results, all the things which we've discussed over the years.

And I'm just a bit confused. And it sounds as though maybe you'll respond to my question. Like, what is it that's keeping us from having this done? If it's going to be presented anyway, which I think we would concur it should be, I don't think it's about discussion. I mean I haven't interpreted this about our discussing, perusing, critiquing anything, what the objectives are, but simply having them clearly defined. So I pose that as a question rather than a comment.

Mr. Koenker: — I think I'll attempt to answer it, Mr. Chair, if I dare. I don't think there's anything wrong at all with having clearly defined objectives. I just . . . my concern is that we don't have members of the legislature ploughing the same field two, three, four times — the same field, the same direction.

And to that extent, I think what Mr. Sonntag was saying about, and what actually the fourth report of the Standing Committee on Crown Corporations . . . and maybe someone could photocopy a copy of this for you. I think you'd find it very helpful, because just in looking at the history of this, I think there's clear indications that the Committee on Crown Corporations is concerned about ploughing the same field two or three times.

So there's nothing whatsoever wrong with having clearly defined objectives. I guess the issue for me is the objectives of this committee vis-a-vis the Committee on Crown Corporations. Just so that we're clear which field we're ploughing.

Ms. Haverstock: — Mr. Chair, just to respond then. I would not perceive my role on this committee as that of being on the Crown Corporations Committee, where in fact on the challenge, the objective, and they asked for some, you know, lengthy examination or explanation of the objectives and so forth.

I would see this simply as clarification, as part of a package that fits in with financial accountability, which I think is in part our responsibility here. So I wouldn't want to be seeing us as . . . And I know that it's complex when we're dealing with Crown Corporations Committee and CIC here, which is the purview of this committee, but I think that there's an inevitability with that. But I most certainly wouldn't spend my time dealing with the public policy objectives here. I think that should be done there. And perhaps that's where the clarification should come.

But I don't sort of see it as an either/or. I mean if the public policy objectives are clearly defined and they're presented, I most certainly would want them available to us somewhere so that they're just there.

Mr. Koenker: — I think we're in total agreement.

Ms. Haverstock: — Well perhaps then can there be some clarification in the verbatim then that . . . I mean we really aren't disagreeing with the recommendation. I don't think we are at all.

Mr. Sonntag: — That's why I was proposing at the end of the day that we . . . Why don't I just say what . . . I was going to suggest that at the end of the day that we set as an agenda item sometime into the future, whenever it's convenient for everyone here, as an agenda item for Public Accounts, the discussion of the roles of Public Accounts Committee and the Crown Corps Committee as it pertains to CIC's reporting. Because it seems to me as we've been going through this process, even leading up to CIC appearing here today, that that has been an issue of some discussion.

Ms. Haverstock: — And what's transpired here in terms of, I think, the questions posed to and comments made to the Provincial Auditor, because I think it would be important for your office to be involved in those discussions. Because I know that . . . I'm sure you have a point of view of how there should be some differentiation between these two committees. Thanks.

Mr. Toth: — Yes, in view of the discussion that's just taken place, I'd like to ask a question of the auditor. And that is, considering the fact that the CIC review that we're looking at today and some of the discussion around the table, the fact that CIC does report to the Crown Corporations Committee, I believe the Provincial Auditor also can make recommendations through the Crown Corporations Committee. Is that not based on some of the discussion we've had with the Crowns?

And your view as to the information you have shared with us by . . . and the reason I believe we've got this before us today is because it's out of your report, which is this committee, I understand, would deal with recommendations out of your report and that's why it's here and not in Crown Corporations Committee. And I guess that's what I'm asking you, for the

clarification as to what you see as a responsibility of this committee in addressing these issues that relate directly to your annual report versus going to the Crown Corporation Committee and maybe making the same recommendations.

Is there a difference or is that something that can be addressed in that . . .

Mr. Strelloff: — Chair, members, I work for the Legislative Assembly. My reports go to the Legislative Assembly and are referred to the Public Accounts Committee for their use and deliberations. And you meet to discuss the recommendations and other issues pertaining to government organizations and make your own recommendations to the Assembly.

So my reports and recommendations are referred to the Public Accounts Committee. And in The Provincial Auditor Act, my relationship with the Public Accounts Committee is written right in there, saying that I'm to assist the Public Accounts Committee.

My reports do not go to the Crown Corporations Committee. In the discussions of their mandate that have occurred over the last couple years, their mandate has moved more to receiving the annual reports of certain Crown corporations and discussing those reports and the future operating plans and policies and objectives. And they're more moving to looking at the future of those Crown corporations which generate revenue outside of the General Revenue Fund. So they generate revenue from the outside and the Crown Corporations Committee has a . . . the annual reports of those corporations are referred to them and the discussions tend to move to more of a future look. And as you mentioned earlier, the minister is responsible to attend, and you have an opportunity to discuss their plans and performance and policy.

This Public Accounts Committee . . . or the Public Accounts Committee's terms of reference, which you do have a very good, well-set-out committee mandate, pertain to the administration of public money through all government's organizations and that you receive our reports and recommendations and are to deal with them. So they're a different type of role.

Mr. Toth: — That's what I guess I was getting at, because I believe in the Crown Corporations Committee, your office has now been invited in to even just bring the committee up to date on some areas that may be of concern that your office would have picked out with regards to a specific Crown or entity.

Because having been a member of Crowns just prior to the last election, I remember inquiring of you so that we could inquire of Crowns. And maybe that's where some of the confusion is arising as to your involvement, whether we should be addressing the CIC in your report here in this committee or through the Crowns. And I guess I see the reason you're here is because of the fact you give a report to the Assembly and about the role of the CIC and that this committee certainly is responsible to address any of the concerns. And that's where I perceive some of the confusion is arising.

The Chair: — Members, if I may, I think we're moving into the discussion that Mr. Sonntag is proposing, rather than dealing with the matters at hand. And I would like to offer for your consideration, if, for example, item K.1 that we are focused on or has become the focus of our discussion . . . I have no objection in my mind if we would agree to set this aside, subject to the discussion being held in regard to the nature and relationship between our committee and the Crown Corporation Committee, and if, from that discussion, it would then be deemed that our committee indeed is the most appropriate to deal with this recommendation then we could deal with it at that time.

I'm not sure that we should automatically just refer to the Crown Corporations Committee either because our discussion . . . it almost precludes the result of the discussion. And I wonder if it would be agreeable that we set item K.1 aside in terms of following the discussion that I hear occurring in large measure and if we could move on to the other items that may be more suitable.

Mr. Sonntag: — Well first of all, maybe you didn't intend this but we can't refer it; we don't have the mandate to refer anyway. All we can do is make a recommendation to the legislature about what we suggest should happen.

I still would recommend that we do recommend to the legislature that Crown Corporations deal with this specific recommendation. We can talk about this specific recommendation some more if we want to here, right now. And I think that while CIC is here they'll answer all the questions that we probably want answered. But I suspect in the future, items similar to this will come up again and there will be the ability, once we've defined it, for either Crown Corps or for Public Accounts Committee to discuss it again anyway.

So my personal preference would be to dispense with this recommendation right now.

Mr. Koenker: — I think it helps us to be task oriented and to deal with these and then to deal with the more philosophic issue.

The Chair: — I don't want to get us bogged down with the philosophical issue right now. I think it's gone far enough.

Mr. Koenker: — Yes. That's always a temptation. We need to be focused.

The Chair: — The question . . . I guess the point I'm making is that the result of that philosophical discussion, which I think should occur, may dictate how we would deal with this recommendation. Perhaps . . .

Mr. Koenker: — On the converse, in dealing with these recommendations, I think we begin to concretize some of the philosophic.

The Chair: — Okay.

Mr. Sonntag: — I'll make that recommendation. If it requires a

motion, so be it. But I'll leave it with a recommendation for now.

The Chair: — If . . . how do members feel? Would you like it in a motion? Members opposite, are you . . .

Mr. Toth: — I think it needs some discussion, but just following the discussion here and just thinking back to my involvement on the Crown Corporations Committee we have . . . Crown Corporations Committee has brought the auditor in to point out some areas with regard to the specific Crowns, but the auditor has never really got into laying out this type of objective analysis by the Crowns. We've never — at least while I was on them — never got into that. And I'm not exactly sure if that is where it goes. And I think it needs a discussion that's sort of a little more than what we would just decide today, and I guess it may need a legislative change as well.

And I guess I'm just seeking the guidance of more superior people who have a little more knowledge of how this place has worked over the years rather than some of us who haven't been around long.

But it seems to me the information we have in front of us and some of the recommendations, I think the CIC reps here this afternoon are more than prepared to answer any questions. And they've already indicated some of the areas where they have endeavoured to comply with some of the recommendations made by the auditor. So I guess I don't see it being a major problem in at least addressing some of the concerns that have been raised, rather than spending a futile afternoon spinning our wheels.

I would suggest maybe let's just get on with it and then we can have the discussion. We should pick a time at a later date if we're going to discuss the role and how this type of report is presented to this committee rather than trying to tackle it today. I'm not in a position, to be honest with you, to prepare to tackle it.

Mr. Sonntag: — And that's what I'm proposing as well. I'm not proposing that we deal with that today. I'm just suggesting that we agree as a committee that some time in the future, whenever it is, at the convenience of the committee I suppose, that we set this as an agenda item.

Mr. Toth: — If it's something that members feel is . . . (inaudible) . . . well we may need a discussion on it.

Mr. Sonntag: — Even in the report here there is reference to . . . I don't see it quickly here, but there is reference to the fact that there should be a coordination . . . that the issue of coordination, overlap, should be fully addressed and the two committees should meet. My understanding is that never happens, so there is a recommendation even in this report to the legislature than the two committees should get together.

I may be wrong, but I don't believe that has ever happened. Well obviously it hasn't because this is tabled in 1994 and I've been sitting on the committee since prior to that and I know they've not gotten together. So I think it's a good idea.

The Chair: — The question is, is how do we deal with item K.1, .13 in the auditor's report. Do we refer it or do we make the recommendation it be referred to Crown Corporations, or do we defer on dealing with it until after we have this discussion, because the result of the discussion may indeed keep it in our purview.

Mr. Sonntag: — Well I stay with the recommendation I think as it stands. Because I think issues like this may or not come up again and I think we'll have every opportunity to discuss them. And I think that we need to dispense with these and try and stick on the agenda.

The Chair: — Would you then reiterate your recommendation, the way you'd like it phrased, and then we can have a . . .

Mr. Sonntag: — Do you require a motion or do you want me just to make it as a recommendation?

The Chair: — Let's go with the motion.

Mr. Toth: — I guess I have a question here. First of all we have a recommendation by the auditor. And I'm not sure in the speech if Ms. Beatch or Mr. Wright had a chance to respond to the question K.1, regarding this suggestion that CIC should ensure the government's public policy objectives for CIC and the part II Crowns are clearly defined and presented to the Assembly for scrutiny.

Now this is back to 1993 and I realize for Mr. Wright's . . . that he wasn't involved in CIC at that time, and we can appreciate that, but maybe the officials here today can give us an idea of what CIC has been doing to address it, before we just get off and start deciding we're not going to deal with any of these issues.

Mr. Wright: — Mr. Chairman, two issues for two items pertaining to the good member's question.

First and foremost is the Crown review. This is a rather intense scrutiny of the Crowns from the facet of all their operations, and this includes financial reporting, ways and means to improve accountability of the Crowns through appropriate and enhanced financial reporting structures. So quite clearly we are looking at this recommendation in that regard.

Point number two is, within the 1993, 1994 and 1995 annual reports of CIC there is a section called corporate objectives. And there are, in the 1993 that I hold here, four corporate objectives and then the results articulated. And we don't call them public policy objectives; they are corporate objectives. One can mix and match and assume that for all intents and purposes they are similar. So in many ways we are already doing this, and have been doing this since 1993.

But clearly it's the role of CIC to enhance accountability and we are considering recommendations such as this and ways and means of doing so as part of the Crown review. And I hope to come out with very, very positive results, subject of course to a scrutiny by all concerned, the shareholders through to the representatives of the shareholders, to ensure that we are

providing quality accountability.

Mr. Toth: — So what . . . You just mentioned, Mr. Wright, then, some of the recommendations then — and not just the K.1, K.2, for example.

Mr. Wright: — Well K.2, I would like to say, Mr. Chairman, if I may, we've largely dealt with K.2. I notice that one of the members of the Provincial Auditor's staff is nodding his head in a positive manner to that, without mentioning the good gentleman's name, Brian Atkinson.

But indeed, we have largely dealt with that. We have a very well-designed system of budgeting and the submission of financial plans. And we have guidelines dealing with the annual business plans throughout there. So we have dealt with it.

The Chair: — I would like us to deal with K.1 if we can, and I think there's a lot of these others that we can move forward on.

I have a motion with respect to recommendation K.1.

The Standing Committee on Public Accounts recommends to the Legislative Assembly that this is an issue for the Crown Corporations Committee.

It is moved by Maynard Sonntag, Meadow Lake. Is there any discussion on the motion?

Mr. Toth: — Mr. Chairman, if I could add this. I think we're dealing with something that's back in a 1993 annual report. Mr. Wright has already indicated that a number of the objectives have already been put forward. There is currently a review taking place to address some of the concerns and some of the overlap.

And I'm not sure if we gain anything by just putting this back on the back burner so that when the report — Crown Corporations report — is finally dealt with, now all of a sudden they have to go back to 1993 to pick up this recommendation when it's basically been met. Why don't we say it's been dealt with, and when we have this other, overall review then you can start from day one rather than going back and backdating and catching up on some of the information that hasn't been dealt with in the past?

Mr. Sonntag: — Well I just think it sidesteps the issue. I mean we . . . or myself anyway, and the reason that I made the motion is that we feel that this is an issue that should be dealt with in Crown Corps. We acknowledge that it's been dealt with already; the issue has been dealt with. But as a committee I feel that this is more appropriate dealt with through Crown Corporations Committee, and I think to simply acknowledge it then assumes that it should have been before this committee. And I don't feel that. I think it belongs with Crown Corporations until sometime in the future when we more properly define the roles of the two committees.

Ms. Haverstock: — If I could, just one statement if I may. I concur with much of what you've said, but, I guess, would have to say that I do not agree with some of the comments that were

made about questioning the Provincial Auditor's role in raising this as a recommendation. I think it's incumbent upon the Provincial Auditor's office to raise any recommendations, since his responsibility is to the Legislative Assembly and he does not work directly with the Crown Corporations Committee as he works with us.

And that since the job of his office can't inextricably remove objectives from the overall ultimate accountability of whether or not financially things are being dealt with appropriately, I would hate to think that by something that we would say here it would discourage or remove his office from making recommendations such as this simply because we're saying that this should be given to another committee.

Now I hope that wasn't too tangential in nature because I was thinking as I was going along, but I know what it is you're saying. I do think that this is something that should indeed be dealt with by the Crown Corporations Committee. At the same time, I don't want the Provincial Auditor, whose responsibility it is to report to the Legislative Assembly and work with us, to feel limited in the sorts of things that his office feels is necessary and appropriate for ultimately being as accountable as possible.

Mr. Sonntag: — And it's for those reasons I recommend that we have that discussion.

Ms. Haverstock: — Question: where is it listed that we should have that discussion?

Mr. Sonntag: — I'm saying that we do. At the end of today, that we set as an agenda item sometime in the future — that it's in verbatim here that we as a committee agree — that there will be time set aside on the agenda for this discussion whenever that . . . I mean I don't care whether it's the next time. I suggest probably not though, because we're going to deal with other items, but if it fits in the next time we get together, December 9 or 12, fine.

Ms. Stanger: — Question. We've had the motion and lots of discussion.

Mr. Toth: — I have one further question. My question relates to the fact, what we do with K.1, K.2, K.3, K.4. Does this apply, or are we going to go through the same process on every one of the other following items? If we are, why not just include the whole thing in your motion?

Ms. Stanger: — K.2 has been dealt with so that's . . .

The Chair: — Okay, the question. Does the motion with respect to recommendation K.1, the Standing Committee on Public Accounts recommends to the Legislative Assembly that this is an issue for the Crown Corporations Committee . . . Is the committee ready for the question? All those in favour? Opposed? It's carried.

Discussion on further items?

Mr. Toth: — I think we've already indicated . . . basically

we've gone around the Horn on K.2, to address that issue. Maybe there's some questions here.

Ms. Haverstock: — May I just put a question to you, Mr. Wright, and state that could you provide for us a list of what has been complied with or accomplished to this date and what has not on K.3, K.4, K.5, K.6, K.7, K.8, K.9, K.10, and K.11? And then perhaps we can expedite the process. If people have questions on any one of those, we can stop and discuss them. Is that . . . I mean I would like to hear what it is the department has done. I mean, CIC has done.

Mr. Thomson: — In the past we've gone directly . . . (inaudible) . . . recommendation. It seems to me it would be easier to continue in that vein, of going recommendation by recommendation, so we don't end up jumping all over the place with you discussing K.4 and me discussing K.6.

Ms. Haverstock: — I didn't mean for him to just . . . I thought that if he would be willing to begin the process and then if people have a question when he gets to K.4, they can raise it.

The Chair: — If the committee would like, we will go by the recommendations and what we'll do maybe specifically is ask Mr. Wright to comment on where CIC's at in recommendation K.2. I think we sort of started getting into that. If it's largely complied with, we then can say it's noted and move through it that way, if that's agreeable.

So, Mr. Wright, I'd like to ask you to make comment in terms of CIC and recommendation K.2.

Mr. Wright: — It's being complied with.

The Chair: — Okay, is there questions in relationship to this? Okay, if not, is it the wish of the committee to, I think as we did with some other passings, is note compliance?

A Member: — Agreed.

The Chair: — That's agreed. Thank you very much. And item K.3.

Mr. Wright: — K.3 has not been complied with. Let me articulate the reasons why very quickly, Mr. Chairman. And I'll get Patti to correct me as we go along here.

The process of business plans is relatively straightforward. Senior management within a Crown corporation will, in conjunction with other managers and line individuals, begin to develop a business plan, ultimately for presentation to their board of directors. It is the job, duties, and responsibility of the board of directors to scrutinize this proposed business plan, to make modifications where appropriate and where necessary, and ultimately to approve that business plan. From there, CIC, as the holding company, then will review the proposed business plan for the Crown corporation and will take into consideration, in approving that or modifying that, the government's overall policies and objectives wherever they're applicable to that.

In terms of these business plans, to reveal them as proposed by

the auditor — I'm not sure what the word "summary" necessarily means — but to propose them may expose certain competitive issues and commerciality issues to the competitors of each of the Crown corporations, which would be clearly to the detriment of certain of the Crowns.

Clearly the Provincial Auditor has been providing us and other members of this group with various materials that certain of the other provinces produce and the federal government produce. We are reviewing those in detail, we are considering those, and certainly we're considering our own internal work on this. For the interim period, again question K.3 has not been dealt with, but is under review and is under scrutiny.

The Chair: — Any comments or questions in regard to this?

Mr. Sonntag: — Again with K.3 I would make the same recommendation as with K.1, because I think this is not a matter that should be before this committee as it now stands. I would note CIC's comments and the auditor's recommendations but recommend to the Legislative Assembly that this matter should be dealt with by the Crown Corporations Committee.

The Chair: — Any discussion on that recommendation?

Mr. Toth: — Mr. Wright has already indicated that they're certainly looking at reviewing it and complying with it and making every effort to comply with it. Has the auditor seen . . . maybe I should ask the Provincial Auditor if they have seen some compliance, based on the fact that this was a '94 fall report. And to date what has been achieved, the understanding from what Mr. Wright has indicated, now we're into 1996.

The Chair: — Then are we in agreement? Or you're . . . (inaudible) . . . question, direct it.

Mr. Strelioff: — Thank you. Mr. Chairman, Mr. Toth, you asked whether, from what I've seen, the Crown Investment Corporation is providing summaries of its plans to . . . for use by the Crown Corporations Committee. And it has been doing that. A couple of years ago there was, from my point of view, a dramatic shift in the presentation of information by CIC to the Crown Corporations Committee.

And also the Crown Corporations Committee, in one of its reports, made a recommendation that CIC present an annual statement showing CIC's mandate, goals, objectives, and performance indicators to the Crown Corporations Committee to help it carry out its role of more looking forward to the plans and priorities of corporations.

So yes, there has been significant progress over the last couple of years.

The Chair: — The recommendation by Mr. Sonntag, are you ready to have the question? All those in favour? Opposed? K.4.

Mr. Wright: — Mr. Chairman, very quickly, in keeping with what the Provincial Auditor just said about the Crown Corporations Committee, certainly appearance in prior years

has resulted in a full disclosure of the assets and directions of the subsidiaries. And we've had a good dialogue in the past and look forward to having a great dialogue into the future for the Crown Corp Committee.

With respect to the specifics here, which is to say comparisons of planned activities to actual results, no, we are not complying with that. We believe that pursuant to The Crown Corporations Act of 1993, we are meeting all the requirements there. To be able to assess the Crowns, one need only go through the annual report. I think it's all laid out there.

We are and we continue to review the annual reports of our competitors out there. For example, in the case of SGI CANADA, the approximately 100 other competitors in the market-place with them. We haven't come across one that does compare plan to actual results yet, but I'm sure with the good efforts of the Provincial Auditor we will find one. We're looking, Mr. Chairman. And when we do find one, we'll reconsider this issue.

The Chair: — Any questions or comments?

Mr. Toth: — A question. And while I appreciate your comments, Mr. Wright, well you mentioned no, you're not complying. I'm just kind of wondering. It's almost like you're adamant. But what's the difficulty in including comparisons of planned results and then the comparisons with what actually took place of the activities of the Crown?

Mr. Wright: — I guess, Mr. Chairman, in response I'd say there's two issues to that. The first is, are we adequately disclosing? And can you get a good evaluation from reading the annual reports as to what has occurred within the Crown corporation itself and so on.

The second is, is that forum called the Standing Committee on Crown Corporations, in that committee, are we, along with the subsidiary Crowns, adequately presenting and explaining and disclosing at that point? If the answer to the first two is yes, do you need this now? What I guess, in summary . . . and I'll use SGI (Saskatchewan Government Insurance) as I was the president for all of 15 months there. A great place; I would point that out, very excellent insurance as well and a very dedicated workforce. I hope you all have insurance there.

Sorry, I do apologize, Mr. Chairman. But if one were, for example, to show the planned activities and compare them to actual, and there was a deviation — the deviation may be that the planned activity was to implement a new product or to implement a price discount or to implement a price increase — that for whatever good reason did not go forward over the course of the year, it may be the case that the competitor would be able to assess this and say, whoa, wait a second, scoop the nest, move forward before SGI CANADA, in this case or in this instance could, and put us at a competitive disadvantage.

So that's one of the reasons.

Mr. Toth: — But, Mr. Wright, despite your sales pitch, unfortunately we moved our farm from SGI to Wawanesa.

Mr. Wright: — That's disappointing to hear. It was no doubt because you've had several large claims, I'm sure. I'm just fooling; I have no idea.

Mr. Toth: — No, we haven't . . .

Mr. Wright: — Well I do point out, Mr. Chairman, that Wawanesa is of course based in Winnipeg and we are all here to support Saskatchewan and shareholders. Sorry, Don. Sorry, Mr. Chairman, I apologize.

The Chair: — Any further comments?

Mr. Toth: — Yes, I would have a question of the auditor. In his view . . . and what he is particularly looking at when he suggests having comparisons of planned and actual activities to actual results in view of what Mr. Wright has shared with us.

Mr. Strelieff: — Thank you, Mr. Chair, members. A few years ago we did an examination of the annual reports of departments and then the annual reports of Crown agencies and corporations. And in our examination we surveyed legislators and other people in the community asking what information would you look for in an annual report to help you assess the performance of government departments, Crown agencies, and Crown corporations. And one of the key factors that came through our work was that legislators looked to annual reports for information about what was planned compared to what actually took place so you can have a better chance of understanding and assessing the performance of an organization.

And certainly comparisons of planned and actual results are essential for any kind of assessment of performance. So that was the study that was the basis of this recommendation.

Mr. Toth: — What criteria does a corporation then or CIC use in determining how well their Crown entities or corporations are doing if there isn't a comparison schedule? Because as you indicated you don't . . . in many cases you refrain from it in case you're in a competitive market-place, the competitor might grab on to something like that.

Mr. Wright: — I think, Mr. Chairman, it would be fair to say that there is a difference between disclosure to the public and, through to the public, the competitors that are out there, as opposed to what is done within CIC to evaluate the Crown corporations.

Let me begin by saying on that note it's my full intention to improve the way in which we do evaluate the Crown corporations. We will take their business plan as produced at the beginning of the year, along with their budget as produced at the beginning of the year, and measure that against what the actual in fact outcomes are or what they achieved over the course of the year, not only financially but also in terms of direction and setting. So we have a rather intense review of how the Crowns — each of them — did.

I say quite bluntly here that I think that we can improve upon that within CIC. The real issue though is the disclosure to the

public on that. While there are very many noble, noble goals in this and please understand I, as a shareholder myself, would be very interested in a lot of this, in seeing, measuring, and so on, there is that issue of competitiveness in many of the Crowns, okay.

It does differ by degree within some of the Crowns. Some are more competitive than others and so on. It causes me some concern but it's not to say that we can't improve down the road both internally and perhaps externally. And again, not trying to use the Crown review as a bit of a duck-and-run, but it is something that we are taking a look at internally. Are there certain planning information, is there certain financials that would not inhibit the competitive nature and competitiveness of the Crown corporations if we were to reveal it to the public.

Mr. Toth: — From that response, would there be avenues of using information or coming out with some kind of a statement after the fact, whereby that information ahead of time may have then provided an advantage for a competitor. But now it's you're already well on in the game plan and going back and saying, when we entered this field of let's say SGI CANADA and our objective was to try and reach a certain goal and maybe so many insurance policies . . . And while you didn't do it ahead of time so that the competitive field wouldn't know what you were doing, but you could come back in maybe a year and a half or so down the road, indicated to the public, here's where we are today. How did we get there? We looked at a potential market, we made ahead some plans, these plans were formulated around some policy. And while we may not have achieved everything, without giving out all the information, just something to kind of point to the fact that you were able to achieve what you had originally intended, if you can get what I'm trying to say, and yet not putting everything on the table.

Mr. Wright: — Mr. Chairman, this is certainly food for thought and that's something I'd like to think about. Clearly a very enhanced annual report should be able to achieve that sort of objective. Certainly in the statement from management should review in part what occurred over the year under review. Perhaps we can enhance that way and deal with that. I just ask to be able to take that under advisement and judge us by the successes or failures in trying to implement that.

Mr. Pringle: — I thank you, Mr. Chairman. In view of what the deputy . . . or the president has said regarding the whole issue of, in some areas, the competitive disadvantage, I'd like to ask the Provincial Auditor if — obviously these are public corporations owned by the people of Saskatchewan therefore disclosure is important, but they're also commercial enterprises who are competing with other organizations — if you see that there may be, if you can see at all, that there may be some legitimacy to the argument that the competitive disadvantage could be . . . you place the Crowns in a competitive disadvantage to comply in a way that would give you fully what you want to see here. I mean, is there some legitimacy to that argument from your view?

Mr. Strelloff: — Mr. Chair, Mr. Pringle, back in the spring one of the . . . this was an issue when we talked about complete plans and annual reports. And as a result, I provided you

information about what is made publicly available in other jurisdictions, like private and public corporations carrying out similar, mainly similar, activities as most of the Crowns in Saskatchewan. And in most of what I've read and seen, and that is when there is a competitive interest question, the corporation involved does have an ability to, say, to generalize more. Don't get . . . to not disclose in a very specific sense information that would impair their competitive advantage. And usually it's a very specific deal or transaction and it's usually up to the organization to explain why that level of detail would not be in their interest to disclose.

And after, I mean if the group hearing, whether it's a utility board or a CRTC (Canadian Radio-television and Telecommunications Commission) or legislative committee, after hearing that explanation, the committee would say okay, that makes sense or can you provide us some general information that pertains to the issue, but not get into very specifics.

So in general, where an issue, disclosing an issue, would harm the competitive interest of a particular organization, there should be some mechanism for the organization to ensure that it wouldn't disclose that. But most of the recommendations that we have set forward are contemplating summary planning information in an aggregate sense rather than some of the detailed transactions or contracts that a specific organization would be getting into.

Mr. Pringle: — We'll leave it there, yes.

Mr. Sonntag: — Again, because K.4, I think, is more of a policy nature I would again ask that we note CIC's comments and the auditor's recommendations and recommend to the Legislative Assembly that this recommendation K.4 be dealt with by the Crown Corporations Committee.

The Chair: — You've heard the recommendation. Are we in agreement? Ready for the question? Not agreed? No. If we're not in agreement, do we need a motion and then have it voted on, or what's the process? I'm looking for direction.

Mr. Toth: — . . . that Mr. Sonntag put forward to vote on it probably.

The Chair: — It was a suggestion.

Mr. Toth: — Some of us disagreed with it. We disagreed with it.

The Chair: — So moved. I have a motion by Mr. Sonntag:

With respect to recommendation K.4, the committee recommends to the Legislative Assembly that this is an issue to be dealt with by the Crown Corporations Committee.

Are you ready for the question? All those in favour? Opposed? That's carried.

Mr. Wright, item K.5.

Mr. Wright: — To share the equitable distribution of the workload here, I'd ask my colleague, Patti Beatch, to respond to these.

Ms. Beatch: — With regard to recommendation K.5, we have adopted a policy recently that will see us complying with the recommendation. Specifically, we will be tabling the financial statements of all of our subsidiaries' pension plans except where a confidentiality clause exists with a private sector partner and that would be violated by tabling such financial statements. This will be complied with for either the 1995 financial statements or the 1996 financial statements in some instances.

Mr. Sonntag: — Because this is financial in nature — I'm going to surprise you here, Don — I would recommend that K.5 . . . that the committee agrees with the recommendation of the Provincial Auditor except where confidentiality clauses prohibit the release of such information.

Mr. Toth: — The corporations are already indicating that they are certainly complying with . . .

Mr. Sonntag: — Sure, we can add that, yes. Well that's not a . . . I'm recommending that, so that's in agreement? Okay. Do you want the wording?

The Chair: — Is the committee in agreement? Agreed. Item K.6.

Ms. Beatch: — Mr. Chair, I believe this was the one we started off with on the . . .

Mr. Sonntag: — Mr. Toth just added in, noting that the Crown had complied I think is what he said. Was that the wording?

The Chair: — Where are we at with K.6 . . . (inaudible interjection) . . . Oh, public policies. And he's going to make this the same as K.1, on K.6? Okay, where are we at with K.6 then?

Mr. Wright: — As we mentioned earlier, Mr. Chairman, with respect to the discussion of the Rafferty-Alameda dam project, we are disclosing significant public policy expenditures. And I believe — I'll stand corrected — the Provincial Auditor did note that, that we are. Thank you.

The Chair: — A recommendation?

Mr. Thomson: — No, I don't have a recommendation but I do have a question. Having thought about this discussion we were having yesterday on public policy expenditures, my mind is no clearer today in terms of what . . . when an item becomes a public policy expenditure versus an investment or simply a bad deal. And I would again like maybe just another kick at the can here if somebody can maybe provide me with a clear definition, preferably on an objective basis, not subjective ones, as to when it would become a public policy expenditure.

A Member: — Haven't see the light.

A Member: — No, not yet. It's still dark and gloomy where I am.

Mr. Strelloff: — Do you want me to try again, or management?

Mr. Wright: — Crop management doesn't help.

The Chair: — You get one more kick at this.

Mr. Strelloff: — Mr. Chair, members. It isn't easy. I mean it's not that it's grey. Maybe the extremes are black and white but most of the transactions are in the middle and it's very difficult to decide whether a transaction should be called a public policy expenditure or just a write-off because what was expected isn't happening.

In CIC's reports, they use the phrase "public policy expenditure" to describe the cost of acquiring certain assets or carrying out certain activities where those assets or activities are expected to operate at a loss. Now if it was a . . . The clearest way that would help, I think, is if at the outset of a particular transaction or investment the plan was that the organization or corporation is entering into the investment with no real plan to generate sufficient revenues to covers the costs, at that stage one would look for a clear description that that's really a public policy expenditure because there's no plan to generate sufficient cash flow to cover its costs.

Now other types of investments, where at the outset the plan was to cover . . . to make an investment and recover sufficient cash to cover the costs, that would normally be recorded as an investment. And then sometime during the life of the project, perhaps management has another evaluation of the investment and finds that there's no hope to recover the costs. There's a permanent sort of decline in the value of the investment. At that point it's written off.

And it's usually not referred to as a public policy expenditure; it's just an allowance. It's a write-off of the investment because it happened . . . the events happened during the life of the project. But the initial plan was to recover the costs.

So in a black-and-white sense, at the initial starting-up of the investment or the project, that's where it would be the easiest to define whether it's a public policy-type transaction expenditure or whether it's an investment and expected to recover its costs through cash flow generation. So that's the extremes.

There's one other type of scenario that complicates the issue. And that is, say a particular government planned an investment and planned to recover the costs of that investment through generations of cash flows. And then say a new management group came in and said . . . and looked at that investment and said, we're not going to pursue it. It's just not . . . we have a different direction to go. Let's just write it off and close down the operation, or change the direction that the investment or the transaction is going.

Now is that in the . . . could that be said to be a public policy expenditure of that second management group or is it just a

write-off of the investment? And that's where it's grey.

And what our recommendation is designed . . . is to try to ensure that the corporations, when they're getting into these kinds of decisions, clearly disclose them so others, so you and others, can read the reports and understand what is happening.

Mr. Thomson: — I'm not sure I completely understand what the benefit is then of having these separately defined as a public policy expenditure rather than simply taking them as a case-by-case scenario. A write-off is a write-off. I'm just not completely sure I understand what the benefit of having this new term, public policy expenditure, is.

I mean to me public policy expenditure . . . (inaudible) . . . like expenditures in the executive departments. You know, the Department of Health or Social Services. I'm not sure I would count. . . I mean I just don't understand why we're introducing this into the Crown sector, this concept.

Mr. Strelieff: — As auditors, when an organization proposes to write off the cost of an investment, we're trying to determine why. Why would this investment be written off versus another one?

And so one of the reasons that we would look for is a clear statement by the corporation that this is what the corporation refers to as a public policy expenditure. Which means that the plan is that this investment is not going to generate cash flows and therefore should not be set up as an asset of the corporation.

The accounting rules that we live by are that for something . . . for a transaction or investment to be set up as an asset, there has to be evidence that there is going to be sufficient cash flows to be generated in the future to justify that, the cost of that investment.

So when we're looking at investments, projects, we're looking for that evidence. And when a corporation is proposing to write off something, that means they've decided that there is no plan to generate sufficient revenue. So it's an important issue for us in terms of disclosing, ensuring the right financial results are disclosed to readers.

Mr. Thomson: — I have two final questions then I'll leave this alone because I'm not sure I'm . . . have any better understanding of this today than I did yesterday. Is this a relatively new concept within accounting then? Public policy expenditures? This definition that you refer to?

Mr. Strelieff: — Members, Mr. Thomson, the label is relatively new I think; the idea isn't new. I mean, various corporations over time have entered into these kinds of things. But it's really . . . we're trying to put it . . . We're trying to encourage Crown corporations to state clearly these kinds of transactions because they're really difficult for us to sort out as well.

And so therefore we need, as part of the audit evidence in signing off on a set of financial statements, you need some sort

of clear indication that, okay, this investment planned by the corporation; the expectation is to generate revenue and here's why. Or the expectation is not to generate revenue or cash flow, and here's why.

And that helps us assess whether the financial statements are presented in a fair way.

Mr. Thomson: — So then is this a term, label, that is unique to Saskatchewan and our accounts or is this a nationally . . . nationally presented and accepted term?

Mr. Strelieff: — As far as I know Saskatchewan is providing a specific label for these kinds of transactions. I haven't seen that type of label being provided elsewhere, but the same accounting rules apply. And perhaps in other jurisdictions they may be calling it something else; I don't know.

But the same principle of, if you're going to set up on your statement of assets and liabilities an investment, there has to be something underlying that investment, and underlying that investment is the expectation that it would generate sufficient cash flows to merit the value that is recorded in the financial statements. And so all auditors and accountants would be looking to that. And in this case we're recommending that it be clearly explained in annual reports and financial statements to help everybody clearly understand that this is what's happened.

Mr. Koenker: — I think further to the last couple of questions, could you clarify if a public policy expenditure is a terminology that would be applied only to one of the Crown corporations, or would you apply that equally to any corporation if they in fact were making that kind of investment?

Mr. Strelieff: — The relevance of this disclosure is certainly more relevant to Crown corporations that will incur these kinds of investments. And in some cases they will record the full cost of it; in other cases they've written it off. So the issue is more relevant to the Crown corporation community than to the departments and Treasury Board agencies because you could argue that in a generic sense all of the spending of departments and agencies and commissions are more of a general public policy expenditure.

Mr. Koenker: — So you wouldn't apply this to a private company then.

Mr. Strelieff: — A private company now?

Mr. Koenker: — Yes.

Mr. Strelieff: — You're asking, I thought departments and treasury . . .

Mr. Koenker: — Well I was asking, is this terminology, public policy expenditure, restricted basically to Crown corporations, or would it characterize private corporations as well?

Mr. Strelieff: — In general the term would apply to government Crown corporations, because private corporations generally don't incur expenditures for public policy reasons.

They're incurring expenditures and investments with the plan of generating revenues and earning that income. They generally would not, as far as I know, get into a public policy kind of investment.

Mr. Koenker: — But I'd like you to give an example of that though in terms of some of the mining corporations in northern Saskatchewan who are contributing to highway funding.

Mr. Strelieff: — That investment would be part of the mining development that would allow the minerals to be transported from the mine to wherever they're being transported.

Mr. Koenker: — That's with one set of lenses. You look at it with that set of lenses, and that would be simply restricted to their extracting the ore. But you look at it with a different set of glasses and it's public policy; it's part of the provincial highway system. So they get at this question of how do you define, even in the private sector . . . I mean I don't know that you can relegate this even through the public sector. I think that's a good example of the private sector using public policy objectives. But again the question is, how do you measure that and is there a different measuring stick that would say, well because they're in the private sector and they're a mining corporation and they're extracting ore from that, even though they're paying into highways which they've never done before, that is not a public policy objective, that's an investment. That's a business investment.

And then apply a much more rigorous yardstick to a public corporation simply because it's in the public arena and it's not in the private arena? I think this is some of the question that comes up in my mind following what Andrew has said.

The Chair: — I appreciate the nature of the discussion but I think we're starting to plough the same field over and over again.

Mr. Koenker: — You're right. You're right.

The Chair: — I want to keep us on task. We have five recommendations that I would like us to deal with. And if I could move us potentially forward to task.

Mr. Sonntag: — Okay, I'm not absolutely certain that this is entirely clear to me yet, but with respect to this recommendation K.6, I think that the committee should agree with the recommendation and notes compliance.

The Chair: — There's a suggestion that we agree with the Provincial Auditor's recommendation and note compliance. Is that agreed? Agreed. Item K.7.

Mr. Wright: — Very quickly on K.7, it's our intention for 1997 to approve a budget for both CICIII (Crown Investments Corporation Industrial Interests Inc.) and CIC on a consolidated basis. We will be working on business plans. It's our intention to do that. It's just a matter of time. Okay. There are only 24 hours in a day, and seven at night. So we'll be moving forward on this.

The Chair: — Any questions, or are we able to . . .

Mr. Sonntag: — Let me recommend then for the committee's recommendation that with respect to K.7, the committee agrees with the auditor's portion of the . . . agrees with the auditor on the portion of the recommendation pertaining to the budgets, but recommends to the Legislative Assembly that the portion dealing with the business plan is — to be consistent with the other motions and recommendations — that that portion be referred to the Crown Corporations Committee. So I'm asking to break that recommendation down.

The Chair: — Okay. Agreeing with the budget and . . . (inaudible) . . . basis of activities on CIC and CICIII, but that the business plans be referred to the Crown Corporation Committee.

Mr. Sonntag: — That's what I recommended. I don't know exactly functionally how that's going to . . . practically how that's going to work, but I guess there shouldn't be too much of a problem.

The Chair: — Any discussion on that recommendation or that suggestion?

Ms. Haverstock: — I would just like to put a question to the Provincial Auditor on this and that is, do you see the budget and the business plan being able to be separate in nature or can they be dealt with apart from one another?

Mr. Strelieff: — Members, a budget is part of a business plan. It's part of one type of document that sets up what an organization plans to do and then how it's going to marshal its resources to achieve what it's planned to do. So it is one . . . it's part of the same kind of . . . a budget is part of the plan.

Ms. Haverstock: — I guess, if I may . . . oh. I did indeed want to direct something to you and say that it actually sounds like an exciting time to be in CIC and you're to be commended for the things that you have in progress. I'm sure that some of these were expedited before you arrived but obviously you've been intimately involved in ensuring that many of things are carried out. Do you have a comment to make about what I just posed to the Provincial Auditor?

Mr. Wright: — Yes. Within CIC, as I indicated previously, for all its subsidiaries, for all of its investments, there is a business plan — as I mentioned, senior management, board of directors, CIC board approval — and where we're at is we've aggregated all these up to this level, okay.

The next step — and we're just trying to get at it again — is then to aggregate to that upper level, okay, which is what the Provincial Auditor is getting at. The other way of approaching it of course is to define this and then build it all the way down. So there's two ways of going at it. But we've got it this far.

We have one more step. Because of the nature of CIC, because of the nature of its holdings, I can slightly disagree with the Provincial Auditor that it's always desirable to have the two, which is to say your financial plan and the business plan, one

being a subset of the other. I'm not sure which is the chicken and which is the egg always. Sometime finances run business plans and perhaps plans then run finances. But we're getting there — that's the key.

We're clearly going to do it, or it's our intention to do it for 1997 on the financial plan side of the equation and then just the next step is that next level of aggregation.

And also, Mr. Chairman, I'd just point out that an awful lot of this was in play prior to my coming to CIC. And I think the staff at CIC have . . . I'm just amazed that they've been busy beaver away as much as they have in the last little while on so many different issues.

Ms. Haverstock: — Mr. Chair, if I'm understanding the motion in this division . . . recommendation, okay. I think I'm understanding what I thought was consistent with everything that was going on before in the recommendations in this area to Crown Corporations was things that dealt more with objectives and policy. And you're saying then that the business plan follows more into the policy arena rather than what would be deemed part of the overall financial accountability. And I guess that's where I'm having some difficulty because I don't see these as quite as distinct as the other things that you were sending to them.

Mr. Sonntag: — Generally though, your assumption from where I come from is correct.

Ms. Haverstock: — Generally, it's correct?

Mr. Sonntag: — Yes, that . . .

Ms. Haverstock: — Okay.

Mr. Sonntag: — I learned how to answer questions from you.

Ms. Haverstock: — Yes, right.

Mr. Sonntag: — The portion with respect to . . . You're saying the business plan is a policy in nature and that's generally correct. From my perspective, that's generally correct.

Ms. Stanger: — But it is financial.

Ms. Haverstock: — I'm actually saying that a business plan isn't just policy directed.

Mr. Sonntag: — Yes, I know what you're saying.

Ms. Haverstock: — Because I think, again, they're inseparable, which is part of what I was trying to get clarification from the auditor about. I don't have an answer for this because I still keep thinking we are putting the cart before the horse here, because I would have ever so much appreciated the discussion we would be having about Crown Corporations' role and our own role in this before we would be sort of divvying up the responsibilities, if you will.

Mr. Sonntag: — Well unless the auditor's prepared to say that

the matter . . . (inaudible) . . . another recommendation as it pertains to Crown corporations, I'm sure that we'll have this opportunity again in the future.

Ms. Haverstock: — Okay, all right.

The Chair: — Are we ready to deal with the recommendation then?

Ms. Haverstock: — Yes, well I'm not, but I'll go along.

The Chair: — Do we require it as a motion? If we're not in consensus then I think we should . . . No, not required.

Ms. Haverstock: — The recommendation will carry with the majority. But I'm not totally convinced here, but I'm not negatively predisposed either to argue it.

The Chair: — Okay. The wording will be submitted:

It is recommended that the committee agrees with the auditor on the portion of the recommendation pertaining to budget but recommends to the Legislative Assembly that the portion dealing with business plans be referred to the Crown Corporations Committee.

Is there agreement on that recommendation? Thank you. Item K.8.

Mr. Wright: — We are complying with this, Mr. Chairman.

Mr. Sonntag: — I simply hope that the committee agrees and notes compliance on this.

The Chair: — It was recommended that we note compliance and agree with the recommendation, or agree with the recommendation and note compliance. Is that agreed? Thank you. Item K.9.

Mr. Wright: — We encourage the use of standard assumptions by our subsidiary Crown corporations in determining pension liabilities. To that extent we are in compliance.

Mr. Sonntag: — Again, I'd recommend that the committee agrees with the auditor's recommendation and notes compliance.

The Chair: — Is that agreed? Thank you.

Item K.10 . . . (inaudible interjection) . . . I'm sorry?

Ms. Haverstock: — I'm sorry. Can I just double check on something here because it's a note that I took down from the auditor's report to us yesterday. You're saying that this has been changed from when the Crowns were using different assumptions from plan to plan so that the funding was not compatible. So now it is?

Mr. Wright: — My words were careful. We're encouraging the use of standard assumptions by Crown corporations. Okay? To that extent it's being complied with.

Ms. Haverstock: — All right. That's really what I wanted clarification on then because actually what it would mean is that you are in progress of compliance . . .

Mr. Wright: — I think that that's more than fair and reasonable.

Ms. Haverstock: — Rather than having complied, that it's: we accept the recommendation and report progress. Yes.

Mr. Wright: — Mr. Chairman, I don't know actually that anybody is out of line using the standard assumptions at this point in time now but certainly we're encouraging . . . and just about everybody's on stream, unless the auditor can identify one.

Ms. Haverstock: — Do we dare say report progress or . . .

The Chair: — So the recommendation would be that we agree with the auditor's recommendation and note progress.

Mr. Sonntag: — Exactly.

The Chair: — Is that agreed? Agreed. Item K.10.

Mr. Wright: — As CIC and CICI have adopted a policy as of late 1995 to obtain approvals of this nature for any future investing activity except where committed under existing agreements or where the approval of the Lieutenant Governor in Council has already been sought pursuant to a prior transaction.

Ms. Haverstock: — Can you run that by me again?

Mr. Wright: — In other words, yes, we have a policy, except in two circumstances, that will comply with this. Number one, where we've got a commitment under existing agreements. Okay? Or where there has been a bit of an omnibus approach taken pursuant to a previous transaction and the Lieutenant Governor in Council's approval has already been received. Okay? Anything new, absolutely. Look at it that way — brand, spanking new.

Mr. Sonntag: — Okay. I would recommend that with respect to recommendation K.10 that the committee recommends, where legally required, CIC should obtain Lieutenant Governor in Council approval for all share purchases but feels that this issue is more appropriately dealt with by Crown Corporations Committee because it's a policy in nature.

The Chair: — This is more fun. Is compliance with the law a policy issue or . . . I'm getting so confused with this. It's financial, is it not? So it should stay. We should . . . are we not adopting the recommendation and noting the exceptions that . . . or noting progress or the exceptions that are outlined?

Mr. Sonntag: — Yes, I think this issue was, to be honest, was a bit fuzzier for us when we talked about it. I don't . . . do you have any . . . I mean we should ask John.

Mr. Wright: — There are some legal questions around this,

Mr. Chairman. I think it would be fair to say that CIC has a legal interpretation under this that we can enter into — CICI that is — we can enter into such transactions without the approval of the Lieutenant Governor in Council. However, to make the world a better place and safer in which to live, we have through CIC and CICI implemented a policy, regardless of the legalities, implemented a policy that we will adhere to this, with those two exceptions that I noted. So there's a little bit of a legal wrangling around this, Mr. Chairman.

The Chair: — But from what I'm hearing, we can agree with the recommendation and note progress subject to . . . and the two noted exceptions.

Mr. Thomson: — My question is a perhaps more general one. What is the benefit to having Lieutenant Governor in Council approval of all share purchases and what is the, I guess, the downside of it? To me it sounds like a terribly cumbersome process but I'm sure the auditor is presenting it to protect the financial interests. So perhaps somebody could explain this to me.

Mr. Strelloff: — Mr. Chair, and members, there's two points that I think might be relevant to that. One is that, by law, this is supposed to happen. So the laws that the Legislative Assembly has put in place, we go out there in our examinations and try to determine whether those laws are being complied with. And then the second reason is when a transaction has Lieutenant Governor in Council approval the transaction then is described publicly so then that you as a legislator, and other members of the public, are able to know about such transactions.

Mr. Thomson: — So to understand it then, it's in CIC's Act that they need to have it?

Mr. Strelloff: — Yes, it is.

Mr. Thomson: — And yet Mr. Wright notes that they have a legal opinion that says that that's maybe not the case?

Mr. Wright: — Yes, that's correct, Mr. Chairman. Not maybe not — is not the case, Mr. Chairman. But we are trying to comply with this for just . . . it's simple enough to do.

Mr. Sonntag: — I guess, on reflection, I think until we have a discussion I still feel more — I mean we can take the vote here — but I'd feel more comfortable in making this recommendation that we refer this to the legislature, that it be dealt with by the Crown Corporations Committee. I might have dissenters on my side here but . . .

Mr. Flavel: — Can we get out of committees?

Mr. Sonntag: — Sure, yes. Here's how it's been worded; so:

With respect to the recommendation K.10, the committee recommends that where legally required CIC should obtain Lieutenant Governor in Council approval for all share purchases but feels that this issue is more appropriately dealt with by the Crown Corporations Committee.

Mr. Flavel: — I guess a comment on that. I can agree with most of it until he comes to the part that, dealt with in Crown Corporations, because you know . . . I guess we have to divide here. Is the buying of shares a business assumption or a business plan or a business project? Is it buying a share simply to create a profit? Or is it part of a budget, a financial?

I guess I'm under the theory that it is a financial transaction. As any part of budget or anything else, it's an expenditure. And therefore if keeping in line with what we've done so far falls under the financial, I guess you could say, or budgetary section of CIC, and therefore should remain in Public Accounts.

I don't have a problem with them obtaining Lieutenant Governor in Council approval, and I know that Mr. Wright or the other officials can argue that no, this is more of a business policy thing, whether we buy these shares in a corporation or in any identity. I guess my thinking is that it's more of a budgetary financial part, and that's why I would like to see it stay here, deal with it, get it off.

Ms. Stanger: — I agree with Maynard. On first flush, it would seem that it's budgetary, but it's really not. When you talk about buying and selling of shares, it has to lot . . . (inaudible interjection) . . . Blush. So you play cards; I don't.

Mr. Sonntag: — You down at the casino lately?

Ms. Stanger: — I blush.

It would seem to me when you stop and think about it, the reason you would make that decision would be a policy reason. And it's a lot more complicated than just a budgetary reason.

So like for instance, I don't know if this is a good example, but it popped into my mind — the selling of Cameco shares. There was a definite policy decision to pay down the debt. And it's not so much the financial, it's the policy decision to do that . . . (inaudible interjection) . . . I let you have your say, you let me have mine.

Anyway, I agree with Maynard.

Mr. Koenker: — I think I disagree with Maynard and Violet. I think I tend to agree with Dale in the sense that, boy, the purchase of shares can have huge consequences — fiscal consequences — for government. And so I wonder whether this shouldn't be more within the purview of Public Accounts. I mean I'm open to the alternative, but for me this is one of those issues we need to sort of decide which field is going to . . . which committee is going to plough this field. I think I'm leaning in the direction of Mr. Flavel in saying it maybe should be here.

Mr. Wright: — Mr. Chairman, not to stir the pot, but this has important bearing on what we are currently required to do and what CIC is undertaking, which is, within 90 days after entering into any new investment, we are obliged to report same to the Crown Corporation Committee, and what we're trying to do here from our side is to decide where do these things go. On the one side a new investment we are required to report to the

Crown Corporation Committee, and I think if I interpret what the good member from Meadow Lake is saying, is that well, what about shares as well? We'll end up with a double reporting.

If the share sales, or share purchases I should say, were to be reported here, they also must be reported to Crown Corporations Committee, and again I'm pleased to serve as many masters as the Legislative Assembly would like. I'm just trying to seek some clarification, and I think the member from Meadow Lake is trying to help push it into one arena or another. Whichever it is, I'd be happy with, but just one, please.

The Chair: — So then . . .

Mr. Strelloff: — Members, our recommendation is that the CIC comply with The Crown Corporations Act piece of legislation, that when they purchase shares that they get an order in council approval, and that's set out in law and the president says that they plan to do that. It's seeking approval for the purchase of shares required by legislation. It's not coming to a committee seeking approval. I mean it's saying, make sure that before you purchase shares that the approval from cabinet is obtained and of course that signals public disclosure of those kinds of purchases.

Mr. Thomson: — I don't agree with the Provincial Auditor on this. I don't think the issue here . . . just highlight that in the verbatim.

Mr. Flavel: — Let him regain his composure here.

Mr. Koenker: — Are you feeling well?

Mr. Thomson: — It is a little hot in here I notice. Could just be my fever setting in. I'm not sure the issue here is which committee should deal with this but rather the issue is, is the auditor's interpretation of the Act the correct one or is in fact CIC's legal opinion the correct one. So I'm not sure we resolve anything by referring this off, as much as we should resolve the issue as to whether they should seek Lieutenant Governor in Council approval for all share purchases. I think that's really the more important issue here, and that would legitimately seem to be within the purview of this committee.

The Chair: — Okay. I have a motion and members will deal with it appropriately. Moved by the member from Meadow Lake, Mr. Sonntag, with respect to recommendation K.10:

The committee recommends that where legally required, CIC should obtain Lieutenant Governor in Council approval for all share purchases but feels that this issue is more appropriately dealt with by the Crown Corporations Committee.

You heard the motion. Are you ready for the question? All those in favour? Opposed? The motion is defeated. I would entertain another motion or you can move another motion.

Ms. Haverstock: — I move that . . . suggest that we accept that motion and put a period half way through it right before it says

“but.”

A Member: — We should have amended this.

Ms. Haverstock: — We should have but I wasn't fast enough off the mark. Give me a break. I'm just about done.

The Chair: — If I could interpret your motion, Ms. Haverstock, or that you would make one. With respect to recommendation K.10:

The committee recommends that where legally required, CIC should obtain Lieutenant Governor in Council's approval for all share purchases.

So moved. Discussion. Ready for the . . . I'm sorry.

Mr. Thomson: — Could I just ask Mr. Wright what the basis of their legal opinion is that says that that's not necessary?

Mr. Wright: — The legal counsel to CIC has reviewed the appropriate legislation pertaining to this and has concluded that it isn't required. I'm sorry . . .

Mr. Thomson: — Just to understand that, that you are prepared to comply with the auditor's recommendation?

Mr. Wright: — Yes, as I've indicated, we have a legal opinion that says we don't have to get Lieutenant Governor order in council. Regardless of that, we are prepared to deal on a policy basis — not on a legal basis but on a policy basis — with the proposal by the Provincial Auditor. And since 1995, late 1995, we have a standing policy in that regard with the two exceptions that I noted.

The Chair: — Any further discussion? If not, are you ready for the question? All those in favour of the motion? Opposed? It's carried. Item K.11.

Mr. Wright: — No. 11, Patti.

Ms. Beatch: — In fact, I would suggest that no. 11, which is that we provide information to the Assembly on investments and commitments, I believe that the Crown Corporations Committee requirement that we supply this information within 90 days of a transaction should satisfy the recommendation as it was put forward.

The Chair: — Any questions?

Mr. Sonntag: — Again, noting the comments and that they have complied, I would still however recommend that this recommendation K.11 be presented to the Crown Corporations Committee.

The Chair: — Any discussion? Can I have that as a motion, please.

Mr. Sonntag: — If you require.

Ms. Haverstock: — This is one where I really do think that

we're . . . Does my memory serve me right here? These were all parts of the Gass Commission recommendations. Yes. Given that we have, as part of the Public Accounts, a responsibility to have CIC information come before us and it's the responsibility of the Provincial Auditor . . . And we have as well an understanding of the responsibilities of the Crown Corporations Committee.

I think all of these things are linked. Because again we get back to this idea to which I was referring earlier about — I don't really look at things separately, the objectives from the criteria, as to whether or not they're being achieved, from the costs and revenues and so forth. I can see where we've got the words objective, subjective, and then we've got costs and revenues and source of funding and so forth, all involved here.

And I'm wondering whether or not this is one of the things that we can leave, since there's compliance, whether or not it's important for both committees to deal with such fundamental issues.

I mean is this not what I'd call the basement of everything? I mean to me it's like, you know, we may be dealing with second-storey stuff but if both committees don't deal with the basement, it's kind of strange.

The Chair: — Are there any other comments?

Mr. Sonntag: — We might have the discussion that would bring issues like this back here again but I think until we have that discussion . . . and I know you argued it's sort of the cart before the horse thing, but I think as it stands now I would still recommend that this go before Crown Corporations Committee. I would certainly think that they would deem that to be their role, to deal with these issues.

So if it requires a motion I'll make the motion, but as it stands now, I'll make a recommendation if we have consensus.

Ms. Haverstock: — I mean I just see this as very fundamental.

Mr. Sonntag: — Okay, then it would be more appropriate I think to make a motion.

The Chair: — Yes, I think you should have a motion.

I have a motion by Mr. Sonntag:

With respect to recommendation K.11 the committee recommends that this is an issue that should be dealt with by the Crown Corporations Committee.

Is there any discussion on the motion? If not, are you ready for the question? All those in favour? Opposed? It's carried.

That completes the items on the agenda that we have before us this afternoon. I would like to certainly take this opportunity to thank you, Mr. Wright, and Ms. Beatch, for your attendance and willingness to be very open and honest in the questions that we directed to you.

And I think that you can appreciate that I believe the next item of business that we'll entertain is a discussion or a direction in terms of trying to clarify the dual roles that the two committees have in some instances. And I know you'll appreciate the results of that discussion. Thank you very much.

Mr. Wright: — On behalf of Ms. Beatch, and myself, thank you very much, Mr. Chairman. I look forward to reviewing all this material again in the Crown Corp Committee. Thank you.

The Chair: — You're very welcome. Before the committee disbands, I have two items that I'd like to bring before you. First of all, a bit of a housekeeping nature. Following Mr. Toth's request that we have officials from the Saskatchewan Growth Fund available to us for questioning, we've been able to find that the officials will be available for us tomorrow, Wednesday, from 1:30 till 2:30 and we've confirmed that.

It moves it off of the Friday morning timetable which may be better for all members. And I think we can deal with the other agenda items, with your approval, that was regularly scheduled for Wednesday afternoon, with having these officials available. So I have confirmed that this would be an appropriate time in some of the little paper transfers we had this afternoon. So if you'd note that agenda change.

The second thing is, I think that since we're on this topic, we have a few minutes left before we're invited to be in attendance of our little do upstairs . . . is perhaps this would be the appropriate time to introduce a motion or a direction in terms of initiating the discussion that we've been alluding to all afternoon.

Mr. Sonntag: — Yes, just on your first point though, Mr. Chair, just to be clear, you are suggesting that SGGF (Saskatchewan Government Growth Fund) will be inserted 1:30 till they are finished and the other items will be moved back that same day?

The Chair: — Yes.

Mr. Sonntag: — Well okay, we can talk about this a little bit. I don't know whether it requires a motion or not; maybe it should. But I think in light of the discussions that we've had prior to the meetings this week even, you and myself over the phone, along with even the minister, I think that this dictates that we should have some discussion in the future about the roles of the two different committees as it pertains to the Crown Investments Corporation and to which body they should in fact be reporting on what issues.

So let me suggest that we clear the agenda sometime in the future, and I'm prepared to do that whenever it is convenient. And I think the other committee members probably would be too.

If you want that in a motion, that's fine with us. I'm happy to do that.

The Chair: — I think I'm looking for direction from the committee and I believe that I don't need a motion to

necessarily do that.

I have a bit of a feeling that it may be most appropriate that we may do this sessionally so that the Crown Corporation Committee would be available as well, so that if a discussion leads us to a joint meeting of some sort, it would facilitate that, and our December meeting be kept for the task at hand and that this discussion in terms of roles and responsibilities might be something that we could agenda sessionally and it may move us towards a joint meeting.

Ms. Haverstock: — I concur. I think it would be a far greater . . . well far less expensive, let's put it that way, to do it when we're all here.

But I would be really interested in knowing from the Provincial Auditor's office, since you are mandated, if you will, to do certain . . . you have certain responsibilities that you must carry out. And I would really appreciate being able to understand how we can ensure that you can do that, given that you have a responsibility to us. Even though you can be called into Crown Corporations, you do not have a direct responsibility to them. Okay?

I may not have that correct, but you know what I'm saying?

Mr. Strelieff: — That's correct.

Ms. Haverstock: — So if you could help in some way. Not that you need more work to do. I mean maybe this is just of interest to me. But I really think that it's important for us to have clear, made clear from your office, your point of view on this. Because you've been given, I think, some insight into the confusion here.

And I know that it would help me to understand how you could feel secure that your office is being able to do what it's held responsible in doing — okay? — and going to be held accountable for doing. And that somehow this committee doesn't make decisions that place you in a difficult position and your office in a difficult position.

Because it's like that last thing that just came up. I don't know if you can just simply pick out a certain thing and move it somewhere else and then it leaves you, I mean your office, vulnerable because it didn't tend to a particular item. So when it comes to this issue of what should be delegated to Crown Corporations . . . (inaudible) . . . this committee regarding CIC, if you could come up with some helpful suggestions or even a statement that could clarify this, I would most appreciate it.

Mr. Strelieff: — Okay. It is an important issue and we'll do that.

Ms. Haverstock: — Thank you.

The Chair: — Do I have the consensus of the committee then that I be directed to put this on an agenda item for discussion during the session and perhaps in consultation with the Chair of the Crown Corporations Committee as to how it could be best facilitated?

Mr. Sonntag: — Yes. Just let me think about this a wee bit because I think we might want to . . . I don't know whether as a committee figure out, because we've asked for the resource of the auditor, logically we should ask for the resources of CIC as well; I mean, in their position on it also. And I think from the Crown Corporations Committee, as you say, we should get together with them.

So I don't know. I think it almost requires some of us or a committee getting together to sort of set it up, to decide how we want to decide almost if that's . . . I don't want to get too . . .

The Chair: — I thought that's why you and I get the big bucks.

A Member: — Yes, you two.

Mr. Sonntag: — I still get the trips to Victoria.

The Chair: — If there is no further business . . .

Mr. Sonntag: — One question. I just want to be clear for tomorrow morning. Are there officials here tomorrow morning or not?

The Chair: — Not.

Mr. Sonntag: — Okay, so the only people where we have officials where we weren't originally anticipating them is with SGGF?

The Chair: — That's right. And if I can, STC (Saskatchewan Transportation Company), we inquired as to if they would be available, particularly about this issue, but I also inquired as to if this computerization issue is coming before us again and I've been informed that it will be again in the fall report. So it isn't as if this is going away. There is going to be a further opportunity to deal with this same series of issues in terms of STC so I didn't try to force a different date.

And SaskPower. I think that we had some discussion when the auditor was discussing it with us yesterday that there seemed to be sort of agreement of the principle of it although the numbers have changed; that perhaps we deal with that without the officials appropriately. So that's the only change that we did make, is to bring in, particularly at the request of Mr. Toth, the SGGF people.

Mr. Sonntag: — Okay.

The Chair: — This committee is . . . motion to adjourn.

Mr. Sonntag: — I don't know. I think Crown Corp should adjourn this meeting.

The Chair: — You know of course that the committee and its members, I believe, are invited to the farewell for Mr. Kraus upstairs, 218. I think it's almost straight above us here somewhere, commencing at 4 o'clock, and again, if you want to leave materials here the room will be locked and secured.

The committee adjourned at 3:51 p.m.