

Mr. Putz: — I would like to call this committee to order. It's my duty as the Clerk to this committee to preside over the election of a Chair. As you know, Mr. Aldridge, who had been Chair of this committee, was voluntarily taken off the committee at the December session, leaving a vacancy in the position. So it is my duty now to call on you to nominate one of your numbers to preside as Chair. If I could receive some nominations at this time please.

Mr. Tchorzewski: — Yes, I will be quite honoured to move that the member from Kelvington-Wadena, June Draude, be nominated for Chair of the Standing Committee on Public Accounts.

Mr. Putz: — Are there any further nominations? No further nominations. I would ask for a motion to move that nominations be now closed. Mr. Hillson. All those in favour of the motion? Those opposed? Carried. Mr. Tchorzewski has moved that June Draude be elected to preside as Chair of the Standing Committee on Public Accounts. All those in favour of the motion please signify. All those opposed? Carried.

I now invite Ms. Draude to take her position as Chair and preside over the election of a Vice-Chair.

The Chair: — Thank you very much. Now the election of a Vice-Chair. I'll take nominations for the position of Vice-Chair.

Mr. Gantefer: — I would be pleased to move that Ed Tchorzewski be elected to preside as Vice-Chair of the Standing Committee on Public Accounts, or nominate him.

The Chair: — Any further nominations? I invite someone to move nominations cease.

A Member: — . . . sell memberships either.

The Chair: — Mr. Gantefer. I have a motion for nominations cease. Everyone in favour? Okay. Moved by Rod . . .

Ms. Stanger: — Madam Chair, why are we in the dark?

A Member: — You must have run for the wrong party, Vi.

The Chair: — Moved by Rod Gantefer of Melfort-Tisdale, that Ed Tchorzewski be elected to preside as Vice-Chair of the Standing Committee on Public Accounts. In favour? Okay, that's carried.

Okay, we have the . . . the agenda was circulated and if everyone will note that there is a minor change from the agenda that was sent out earlier. We now have on Wednesday the Crown Investments Corporation will be on from 1:30 until 3, exchanging with . . . it was supposed to be on Thursday and now we have Department of Executive Council on Thursday instead. Is there . . .

Mr. Tchorzewski: — I'll move that.

The Chair: — A motion by Mr. Tchorzewski. In favour?

Mr. Hillson: — Madam Chair, if I may speak to that. I'm

seeking some amendment to the agenda, and if I can refer members of the committee to the auditor's report commencing at page 45, I think it is imperative that if this committee is going to do its work as the watchdog of the public purse, that we examine, on a timely basis, the activities and ultimate sale of Channel Lake. And in that regard I would of course advise that we notified this committee in writing on December 12, '97 and again on January 19, 1998 that we would be seeking amendments to the agenda, in order to facilitate this committee doing its work, to look into the activities of Channel Lake.

I would like to make a few comments if I may, Madam Chair, as to why I feel this is so crucial, and outlining some of the issues that I see — although I think hon. members will see other issues that also have to be looked into.

But the first comment is simply a general one, that this committee is to be the watchdog of the public purse. And that necessitates that we concentrate on those issues that raise questions in the public mind, and also that our work be done on as timely a basis as possible while matters are still germane and before the public attention.

Channel Lake has raised serious concerns that must be investigated if this committee is to perform its true function.

Some of the issues, specifically, that I see, is first of all the initial purchase of Channel Lake without order in council. Why was the purchase required? What was the thinking of SaskPower, particularly in going into the field of natural gas futures contracts?

Mr. Tchorzewski: — I think we need a clarification from the Chair on the procedure. I mean I understand the motion; it's certainly an appropriate motion. But now we're getting into the substance of the report. And it doesn't matter to me, but maybe the Clerk can help us as to what is the right procedure.

The Chair: — Are there any reasons for his amendment to the agenda? Is that correct?

Mr. Hillson: — Yes, Madam Chair. I just simply want to outline the issues I've flagged. This is not the time to argue the matters, but I think the committee can't really rule or vote on this motion — nor can the Chair rule on my motion — until I've identified those issues which I think require our attention.

Mr. Tchorzewski: — But I think . . .

Mr. Hillson: — And I just wish to outline the terms that I think — and the issues — that I think have to be investigated.

The Chair: — That would be done as speedily as possible?

Mr. Hillson: — Oh, absolutely. I certainly don't want to delay the work of the committee here.

Mr. Tchorzewski: — I've never heard a lawyer take a long time to do anything.

Mr. Hillson: — Thank you, Madam Chair. I think we need to know what are the terms of the initial acquisition and sale of

Channel Lake. We were told in 1997 that Channel Lake anticipated losses of 5.7 on gas futures sales contracts. What in fact was the experience there? And also when the company was sold, where did those liabilities go? Did they go to the new company or do they continue to be held by the taxpayers of Saskatchewan?

We need to know why the sale was untendered, why the sale was not made public until after its conclusion. And I think it must be of concern to members of this committee that even the sister Crown, of SaskEnergy, was apparently not notified that Channel Lake was for sale. And we have seen media reports to the effect that SaskEnergy would have been interested in acquiring this company but did not know that it was in fact on the market.

Now we also need to know what it was sold for, and in that regard I beg your indulgence, Madam Chair. We have been treated to a number of different reports as to what this company was sold for. And specifically I would advise you that on April 10 of last year the hon. member for Regina South — whom I'm pleased to note is with us this afternoon — made reference to a net profit of \$5 million.

However, on December 13, '97, the minister told us that he thought there would be a net profit of close to 2 million. And December 16, '97, reference by another minister to close to 2 million. Now if the hon. member for Lloydminster would bear with me, I'm sure I can assure her that there are serious matters that she will want to review and investigate here, to do her work as a member of the committee. But we do have these conflicting statements as to what the company was sold for. This has to be resolved.

We also have been notified, Madam Chair, that another company was acquired by Channel Lake. Now we have not been notified as to who or what that company was except that in Alberta corporations . . . if we go to Alberta corporations we can find out something about the activities of our own Crown corporations here in Saskatchewan, and apparently there's a company by the name of Radisson that was amalgamated with Channel Lake in December 31 of '96.

Now before we can assess what the company was sold for and what the net profit or loss may have been, we have to know what was paid for this new company, be it Radisson or be it some other company. I say we don't know that for certain. But in terms of the overall net profit or loss, you have to figure in the acquisition of this other company.

We also, Madam Chair, have to investigate whether the acquisition of this other company, be it Radisson or something else, was legal. And I refer the Chair in that regard to section 12 of The Power Corporation Act and section 29 of The Crown Corporations Act.

The Chair: — Can I ask . . . The member from North Battleford has raised his intention to change the agenda, and right now I'm wondering if you're really . . . if the agenda change is what is being discussed or whether the issue is actually being argued.

I think we have, at this time, we have to discuss whether the

agenda will be changed. So if you can make a couple of brief points so that the discussion . . . the question will be asked. So please be very brief.

Mr. Hillson: — Okay. Well we have to know if the acquisition of the second company without order in council was legal in view of the fact when a Crown corporation purchases . . . takes an equity position of another company, there must be an order in council. There was no order in council. Can a wholly owned subsidiary do that which is clearly illegal for its senior, for its senior?

Madam Chair, I think we also have to look into the issue of the negotiator of the sale on behalf of SaskPower. And it is a matter of public concern, I'm sure of members of this committee, that the person who negotiated the sale was promptly thereafter hired by the purchaser. So the person who negotiated the sale on behalf of the seller — that is the taxpayers of Saskatchewan — was hired by the purchaser. I think we have to look at that. We have to know if the ongoing gas futures contracts continue to be a liability of SaskPower.

And finally you'll be pleased to know, Madam Chair, I wish to make reference, in regards whether or not there ought to be an amendment to our agenda. I refer yourself and hon. members to May of 1990 when this committee was sitting and the then member for North Battleford was pressing for an addition to the agenda to investigate the issue of the sale of WESTBRIDGE Computer Corporation.

And he, with the support of the New Democratic members of the caucus . . . of the committee, took the position that it was essential that issues surrounding the sale of that company be placed on the agenda. And for that purpose, he made several motions over the next several days to add items to the agenda over WESTBRIDGE Computer.

And I'm pleased to say that the New Democratic members were very firm in their support of that. In fact, the Chair at that time and Mr. Lyons pointed out that this committee cannot do its work unless it looks into these matters on a timely basis, and said there must not be any restrictions on the investigations of the Public Accounts Committee into government spending.

To be denied the opportunity to ask questions about significant expenditures of public monies is a serious business. And it is with that in mind, Madam Chair, that I do have a motion I would like to move at this time. And if I may read that motion:

Whereas the 1997 fall *Report of the Provincial Auditor*, volume 2, makes reference to serious concerns about the activities of Channel Lake Petroleum Ltd., a subsidiary of Saskatchewan Power Corporation, and in particular serious concern over:

- (a) Channel Lake's natural gas futures trading program and the lack of rules and procedures to safeguard the company's assets from risks, including the lack of an adequate credit approval process;
- (b) Channel Lake's lack of a business plan outlining the risks involved in the gas marketing futures business, including a lack of any assessment of the potential losses

from defaults from outside parties;

(c) Channel Lake's purchase of common shares in an oil and gas production for which it paid \$364,000 without proper legal authority in the form of an order in council as required by section 12(1) of The Power Corporation Act and section 29(1) of The Crown Corporations Act, 1993;

(d) Channel Lake's forecast of operating losses in the neighbourhood of \$5.6 million for 1997.

And whereas Saskatchewan Power Corporation reported that it sold Channel Lake Petroleum Ltd. in April of 1997 to Direct Energy Marketing Ltd., such sale to be finalized in June of 1997.

And whereas serious questions and concerns have been raised about the circumstances surrounding the sale of Channel Lake Petroleum Ltd.

Be it resolved that the agenda of this meeting be amended so as to add to it:

An examination of the circumstances surrounding the sale of Channel Lake Petroleum Ltd. by Saskatchewan Power Corporation, including the lack of any public tendering process for the disposition of a Crown asset valued at approximately \$25 million, such sale being referred to in paragraph .37 of the fall *Report of the Provincial Auditor*, volume 2.

And I do have copies here as well for members of the committee. I so present, Madam Chair.

I can speak to the motion, Madam Chair, if the members require any clarification.

The Chair: — I'm going to . . . I've been advised that is not the normal practice of this committee, to allow whereas's in the motion. So in order for this motion to be acceptable, it would have to be started at "Be it resolved that the agenda of this meeting be amended so as to add . . ." That would be the portion that could be put in. If that is acceptable to you, we could bring it forward.

Mr. Hillson: — I abide by your ruling, Madam Chair.

The Chair: — So the amendment agreed, as you all have a copy, from "Be it resolved . . ."

Be it resolved that the agenda of this meeting be amended so as to add to it:

An examination of the circumstances surrounding the sale of Channel Lake Petroleum Ltd. by Saskatchewan Power Corporation, including the lack of any public tendering process for the disposition of a Crown asset valued at approximately \$25 million, such sale being referred to in paragraph .37 of the fall *Report of the Provincial Auditor*, volume 2.

Mr. Tchorzewski: — Thank you. I think obviously some of . . .

Mr. Hillson speaks to the need for the Public Accounts Committee to address the issues in a timely way and I don't think anybody on this committee will disagree. That is one of the reasons why the agenda has been structured the way it has been structured, so that we can dispose of the 1996 fall report and get on with the 1997 spring and fall reports of the Provincial Auditor. So that we can — if I may say it this way — catch up and get on with it in a timely way.

The practice of this committee has always been to consider the reports of the Provincial Auditor in a chronological order. That's what we're doing here now. And from today through Thursday, the committee should be able to complete its consideration of the 1996 fall report which is before us, and I think go a long ways to make sure that we are back on schedule in a more timely way than the committee has been in the past.

An option — and I know we'll probably talk about this next Thursday, when we are winding up, about how we should proceed — might be that we consider the spring 1997 reports so that we are moving along much more expeditiously. And where there's reference made to a '97 fall report we might want to consider them together so that we don't have to do it twice. But that way we're doing the whole year at one time.

For this week they have an agenda to complete this report and Mr. Hillson says we need to be timely. The way to get timely is to stick with this agenda and catch up the way we need to catch up.

I think and I know that the member from the Battlefords is a new member of the committee, and probably would have been useful to have the orientation first, but it doesn't work that way. The questions that he poses are probably valid questions, but I submit, Madam Chair, that good . . . more than half of those questions are not questions to be asked in this committee. They are questions that are of a policy nature and therefore are required to be asked in the Committee on Crown Corporations where the ministers appear along with their senior officials and therefore there's an opportunity to talk about policy.

This is a committee that I'm . . . I have served on before a long time ago, so I forget more things than I remember. But this is a committee which I think in the past has tended to be less political because it has not allowed . . . or not as a matter of course have ministers here, and dealt specifically with the issues that are under the mandate of the Provincial Auditor. And I think we should be reminded that we should do that.

My theory is that there are all kinds of members here who probably have a personal issue that they would prefer to get at right away. The member who spoke just now has one. I have one or two that I would like to move up too. But I think that would not be an appropriate way for us to operate in this committee, because if we all start jumping the agenda and start moving up items that we like we're never going to catch up. And I think one of our first obligations here is to catch up and get timely.

So I think it is clear that if we follow this agenda and we move along expeditiously, we are going to get timely. And we're going to be able to consider Channel Lake relatively soon, as we're going to be able to consider the Department of Finance,

which is just as important, or the Workers' Compensation Board issues, which are just as important as any other issues that are before us.

If the argument is it involves a lot of money, well I'm sorry, the Department of Finance involves a lot of money. And if you want to ask the questions on the pension questions, I mean there is certainly an example of that.

So I think following this agenda is the appropriate way to go, and the sooner we get on with it the better.

Now while I'm speaking to that I think it is important that we remind ourselves about the procedures of this committee, because I . . . and I'm only saying this in order to be helpful because there are new members here.

Mr. Hillson raises some questions which are not the kind of questions you would raise in the Public Accounts Committee, with due respect — I'm not being critical — but because they are questions of policy. Here we ask officials about how they have carried out their functions in keeping with the law and whether the accounts have been properly and faithfully met and kept and whether “. . . public money expended has been applied (for) the purposes for which it was appropriated by the Legislature . . .” and so on. And I read this right out of the mandate in the legislation section 11(1), subsection 11(1), of the Provincial Auditor's Act.

So there is no minister to be able to address questions of policy. I think some of these questions of policy need to be addressed. And therefore I would invite Mr. Hillson to ask one of his caucus members on the Crown Corporations Committee to see if he can substitute for that member and therefore be in a position to ask those questions. Or have a member from his caucus raise those questions for him. There's an opportunity to do that.

I raise this because the letter clearly — and I did receive it and I'm sure that Mr. Gantefer did too — raises a lot of those kind of questions. So I think in the interest of the committee . . . and by the way, if you look at the May 13, 1997 Standing Committee on Public Accounts meeting, the Provincial Auditor clearly states that the Crown Corporations Committee is more future orientated and policy orientated.

I might add it also considers the annual reports of the Crown corporations and for that purpose you have the minister there, and you can ask him questions about why the policies . . . what are the policies of the Crown Investments Corporation and why are they important.

As a Public Accounts Committee, the focus is on the administration of policy. And as a Public Accounts Committee, the issue more is whether the objectives of the Crown Investments Corporation, if it's the Crown Investments Corporation or whether it is whatever, are clearly stated and whether they are measurable performance indicators and so on.

And I think when we do the orientation we may want to — I don't know whether the auditor is going to speak to that — but maybe we may want to speak about that issue a little more so that we understand what we can or what we ought to, what we

ought not to be doing here.

So we have before us an agenda, Madam Chair, that completes our consideration of the 1996 reports. It provides an opportunity to move towards catching up on the backlog and become more timely in the work of this committee. And I think we should stick to this agenda and get it done so we can in fact get to the Channel Lake issue as well as other issues which I think this committee has an obligation to, and is interested in, exploring.

So I'm going to ask the committee to defeat the motion by Mr. Hillson so we can get on with our work.

The Chair: — Any other . . . Anybody else like to speak?

Mr. Gantefer: — Thank you, Madam Chair. As members know, one of the great dilemmas that we faced in my past participation on the Public Accounts Committee was the fact that the committee had gotten a great deal of distance behind in its work. And so it was very difficult to consider things in any kind of a timely fashion at all.

And the committee, in the first year of this session, worked very diligently in terms of trying to get updated in a timely manner. And I absolutely support that principle, that this committee will function best if we can operate in a timely manner and I think the issues raised by Mr. Hillson are a very valid opportunity or very good example of why the committee has to function in a timely manner. And that it is always so very, very frustrating, to have all of this other work that's sitting before you and it means that it makes it extremely difficult to deal with the timely issues.

So I absolutely support the idea that we've got to get more timely. As some of you are aware, I did propose an alternate agenda that would have allowed us to . . . similar to what we did in that other year where we looked at things more concurrently, because it was my feeling that many of the issues that are in the '96 report may've already been resolved in the '97 report and would have been possible to look at these things in a different way. However, the feeling was that perhaps this was the best alternative, and that's what was proposed.

I have to say that I would like to be on record to say that I think that the committee has to build in a system of dealing with things on a more timely basis. And I greatly fear that over the course of this week, while we indeed may be able to dispose of the '96 report, a great many of the issues are, I suspect, already disposed of just by the fact that the department has already complied and things are stale, if you like, and so we are kind of stuck into this methodology that I really do not support.

However, now that we are into it I think that the best service that we can pay is to get this agenda completed. But I would also like to hopefully have the support of committee members to be much more flexible on Thursday when we look at how we're going to structure agendas in the future so that we can deal with things in a timely manner; because the issues that Mr. Hillson raised are exactly the kinds of things that I think this committee has to deal with in the current year, not as stale, dated news.

Thank you, Madam Chair.

Mr. Hillson: — Just very briefly, Madam Chair, the members suggest that this is not the appropriate forum and that this forum exists to question how certain duties were carried out by the officials in question. Well I would say that is precisely what I am trying to get to.

In terms of policy decisions, I mean this is all after the fact, so that I don't see how the Crown Corporations Committee will apply. And indeed, one of the problems we have here is that we can hardly question how . . . policy when in fact there is no policy.

So the member has said that this committee exists to question how duties were carried out. I agree, and I think that is what I am getting at, that is what the NDP (New Democratic Party) caucus were getting at in the May 1990 meeting of the standing committee when almost identical motions were presented and supported by the NDP caucus of that day.

Mr. Thomson: — Thank you, Madam Chair. I appreciate the comments by Mr. Hillson today, and I guess I just want to point out again, particularly for new members here of the committee, the agenda is set in advance by the steering committee, which is the chairman and the vice-chairman of this committee. They work through those issues. They do it simply so we can facilitate all the work that's ahead of us, all of it very important.

And the fact that we've spent half an hour debating this, I think simply shows why we need to press ahead with the urgent business that's ahead of us, specifically the 1996 report and come to all matters in due course. The key here is to catch up — not to play politics, not to grandstand — simply catch up and do the oversight business of the committee. And I think that . . . I'm sure the vice-chairman and the new Chair have taken into account your concerns and that future agendas will be looked at that way.

The Chair: — Any further comments?

I'm going to just make a statement here. I think the former chairperson, Mr. Gantefer, when he was chairing this committee, tried to just preside over the meeting and I intend to do the same thing. And so I won't be involved that often in questioning unless I feel some, some . . . I haven't had answered will be asked. I just want to . . . because I am new and I have been reviewing some of the things that have to be done. This committee has a mandate that's very strong and we have an obligation to the people that elected us to make sure that we're doing our job correctly. I find that I just wanted to read one or two statements to you: that this committee, our Standing Committee on Public Accounts, will evaluate the activities of all Crown corporations and agencies in which taxpayers' funds have been invested, and the value of the money obtained through divestiture of any Crown corporation or agency.

These type of things give us a very strong mandate and responsibility to make sure that we're doing whatever we can to serve the public correctly.

A question was called for the amendment . . . on the amendment? Those in favour of the amendment? Opposed? The motion is defeated.

Mr. Hillson: — Madam Chair, I have another motion, if I may.

The Chair: — Can I hear the motion then?

Mr. Hillson: — Yes. The amendment . . . I am proposing an amendment to the agenda to read as follows:

Be it resolved that the agenda of this meeting be amended so to add:

An inquiry into the role played by Mr. Lawrence Portigal in the sale of Channel Lake Petroleum Ltd. by Saskatchewan Power Corporation; and in particular, an inquiry as to:

(a) when Mr. Portigal first entertained the idea of working for the purchasers of Channel Lake Petroleum Ltd., Direct Energy Marketing Ltd.;

(b) when Mr. Portigal first informed the management of Saskatchewan Power Corporation of his intention to seek employment with the purchasers of Channel Lake Petroleum Ltd.;

(c) what steps Saskatchewan Power Corporation management officials took upon learning that Mr. Portigal was seeking employment with the purchasers of Channel Lake Petroleum Ltd.;

(d) what effect, if any, did Mr. Portigal's dealings with the purchasers of Channel Lake Petroleum Ltd. have on the sale price and other terms of the sale of Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd.?

And I would in that regard, Madam Chair, simply again reiterate that in May of 1990, the NDP members of this committee took the position that it was terribly important to jump ahead from '87-88 to 1988-89 in order that matters of serious public concern could be dealt with on a timely basis and not have to be left until they became ancient history.

I am seeking today nothing more than what my colleagues opposite were seeking in May of 1990.

The Chair: — We have an amendment. I'll read the amendment:

Be it resolved that the agenda of this meeting be amended so to add to it:

An inquiry into the role played by Mr. Lawrence Portigal in the sale of Channel Lake Petroleum Ltd. by Saskatchewan Power Corporation; and in particular, an inquiry as to:

(a) when Mr. Portigal first entertained the idea of working for the purchasers of Channel Lake Petroleum Ltd., Direct Energy Marketing Ltd.;

(b) when Mr. Portigal first informed the management of Saskatchewan Power Corporation of his intention to seek employment with the purchasers of Channel Lake Petroleum Ltd.;

(c) what steps Saskatchewan Power Corporation management officials took upon learning that Mr. Portigal was seeking employment with the purchasers of Channel Lake Petroleum Ltd.;

(d) what effect, if any, did Mr. Portigal's dealings with the purchasers of Channel Lake Petroleum Ltd. have on the sale price and other terms of the sale of Channel Lake Petroleum Ltd. to Direct Energy Marketing Ltd?

Mr. Tchorzewski: — Madam Chair, the same arguments apply. I mean I find it rather peculiar that the member says it's so important that we get on to the issues in a timely way and then it looks like he's going to take up an hour just to move his motions, to do a little grandstanding here.

I mean clearly the best way for this committee to do its job is to deal with the issues in an orderly, chronological way. Do what Mr. Gantefer said awhile ago—which I agreed with him and I did talk about the importance of us getting timely—dispose of the 1996 report, get on with the 1997 report, and where it is appropriate, combine both the spring and the fall issues so that we consider them at the same time. Because by the time the fall report comes, on many issues, many of the issues . . . many questions or concerns raised in the spring have been dealt with. So we can expedite that process and get really on with considering our work in a timely way on all of the issues.

Not that this is any less important. This is an extremely important issue. And Mr. Hillson has appropriately raised the importance of it and I don't argue with him about that. But my argument is that we need to deal with all the issues before us, because I don't think any one is less important than the other; they're all important. And the way to do that is to get on with the agenda and get our work done here today through Thursday.

The Chair: — Question? Those in favour of the amended motion? Opposed? The motion is defeated.

Mr. Hillson: — Madam Chair, I have another proposal for the agenda.

A Member: — . . . vote on the main motion.

Mr. Hillson: — Well we have to deal with the amendments to the main motion before we can deal on the main motion, is my understanding of Beauchesne's, Madam Chair. Thank you, Madam Chair.

There has . . . I've made reference to the fact that Channel Lake apparently obtained another company. We don't know from Saskatchewan what that company was; however, a search of Alberta records indicates that it may have been Radisson Petroleum. And for that purpose I'm moving that we have the following addition to the agenda:

Be it resolved that the agenda of this meeting be amended so to add:

An inquiry into the purchase of Channel Lake Petroleum Ltd. of shares in an oil and gas production company, and in particular an inquiry into:

(a) the identity of the oil and gas production company;

(b) the terms and conditions of the purchase agreement;

(c) the effect of the purchase upon the value of Channel Lake Petroleum Ltd.;

(d) the legal reasoning behind the theory that Saskatchewan Power Corporation is not required to obtain an order in council for the acquisition by Channel Lake Petroleum Ltd. of common shares in an oil and gas production company.

And that's in reference to the fact that clearly Saskatchewan Power would need an order in council to make such an acquisition. And yet no order in council was forthcoming in this case, and that raises all sorts of serious questions.

So I file that. And may I say that . . .

A Member: — Is this amended?

Mr. Hillson: — Yes, I filed the amendment. And I just wish to say that you bring forward a serious issue that is already nearly a year out of date. This government has been in office now for almost seven years. We're working a year behind. The events we're talking about are from 1996; so in terms of getting timely, we're talking about something that happened in 1996 I'm now wishing to bring forward to this committee. So that isn't exactly rushing things along.

The Chair: — I'll bring forward the amendment then?

Mr. Hillson: — Okay. And it hurts me that members of the committee would suggest it is grandstanding to bring this before the committee for the committee's attention.

The Chair: — Questions? I'll read this. I'll read the amendment to the motion, please:

Be it resolved that the agenda of this meeting be amended so as to read:

An inquiry into the purchase by Channel Lake Petroleum Ltd. of shares in an oil and gas production company, and in particular an inquiry into:

(a) The identity of the oil and gas production company;

(b) The terms and conditions of the purchase agreement;

(c) The effect of the purchase upon the value of Channel Lake Petroleum Ltd.; and

(d) The legal reasoning behind the theory that Saskatchewan Power Corporation is not required to obtain an order in council for the acquisition by Channel Lake Petroleum Ltd. of common shares in an oil and gas production company.

Question?

Mr. Tchorzewski: — I think, Madam Chair, if . . . (inaudible)

... we know what's going on here so I mean I don't think we have to make the same arguments over again, other than to say that I agree with the member that we are behind. I don't think there's anybody ... and I'm a new member of this committee too, and we have to catch up. And that's really what we need to get our minds at and that's why we think we need to get on with this agenda and work real hard during the session to catch up as much as and as best we can on the 1997 spring and fall reports so that we are more timely — because we ought to be more timely. It's unfortunate that the committee has got left behind the way it has. But once we get caught up I think we'll be able to deal with things.

So I call for the question.

The Chair: — Question. Those in favour of the proposed amendment? Opposed? The amendment is defeated.

Mr. Hillson: — Thank you, Madam Chair. I made reference to the fact that this company of which I have so many concerns — and the people of Saskatchewan are so terribly concerned with what's happening to their Crown corporations — this company has not seen fit to file financial statements with the legislature. Now I think that must be of enormous concern to members of the Public Accounts Committee in performing its function as the watchdog of the public purse. And I would make note here, Madam Chair, that the other wholly owned subsidiaries of SaskPower have tabled separate financial statements but this company has not. So:

Be it resolved that the agenda of this meeting be amended to add to it:

An inquiry into why Saskatchewan Power Corporation has failed to table separate financial statements for Channel Lake Petroleum Ltd., and that the committee consider directing Saskatchewan Power Corporation to table separate financial statements for Channel Lake Petroleum Ltd. in accordance with the recommendation of the Provincial Auditor.

Madam Chair, I say this is an issue that's been raised by the Provincial Auditor. This is something that ... we simply cannot do our work, nor can the Provincial Auditor properly do his work, unless the tabling of separate financial statements is done. And I say Saskatchewan Power has done it with their other wholly owned subsidiaries, surely they can do it for this one.

The Chair: — We have before us a resolution:

Be it resolved that the agenda of this meeting be amended to so as to add to it:

An inquiry into why Saskatchewan Power Corporation has failed to table separate financial statements for Channel Lake Petroleum Ltd., and that the committee consider directing Saskatchewan Power Corporation to table separate financial statements for Channel Lake Petroleum Ltd. in accordance with the recommendation of the Provincial Auditor.

Question? Those in favour of the amendment? Those opposed? The amendment is defeated.

Mr. Hillson: — Madam Chair, while we're on the issue of timely ... while we're on the issue of being timely, this next matter refers to activities in 1993. And when Channel Lake was initially purchased, its activities seemed to be well outside the normal scope of the Saskatchewan Power Corporation. If anything, their activities seemed to be more related to SaskEnergy.

So my motion is:

Be it resolved that the agenda of this meeting be amended so as to add to it:

(a) an inquiry into why Saskatchewan Power Corporation decided to purchase Channel Lake Petroleum Ltd. in 1993;

(b) an inquiry into why Saskatchewan Power Corporation caused Channel Lake Petroleum Ltd. to enter into the business of trading in natural gas futures to the so-called arbitrage contracts; and

(c) an inquiry into why Saskatchewan Power Corporation subsequently caused Channel Lake Petroleum to leave and abandon the business of trading in natural gas futures; and

(d) an inquiry into why Saskatchewan Power Corporation ultimately decided to sell Channel Lake Petroleum Ltd.

And as I say, this is actually referring to issues which date back to five years now. And I'm sure that members opposite, while in opposition, they thought it was important to go back one year. To be timely, I'm asking that we go back five years if we have any pretence of being interested in timely work here as opposed to ignoring serious issues.

The Chair: — We have before us another amendment:

Be it resolved that the agenda of this meeting be amended so as to add to it:

(a) an inquiry into why Saskatchewan Power Corporation decided to purchase Channel Lake Petroleum Ltd. in 1993;

(b) an inquiry into why Saskatchewan Power Corporation caused Channel Lake Petroleum Ltd. to enter into the business of trading in natural gas futures;

(c) an inquiry into why Saskatchewan Power Corporation subsequently caused Channel Lake Petroleum to leave and abandon the business of trading in natural gas futures; and

(d) an inquiry into why Saskatchewan Power Corporation ultimately decided to sell Channel Lake Petroleum Ltd.

Mr. Tchorzewski: — Madam Chair, I could raise the question of whether this is in order, because in my view it's not. But I'm going to ask the committee to vote against it because if you

look at (a), (b), (c), and (d), all of these are policy questions. A decision as to purchase any entity is a policy decision. It is not a decision that this, the Public Accounts Committee, should be dealing with or has the mandate to deal with. I'm not arguing that they should not be dealt, but if the member is really serious and sincere about getting to the substance of this, he should direct this to the Crown Corporations Committee where these kinds of issues are then explored because the minister is there along with his officials.

These are policy questions. They're not questions of the Public Accounts Committee. And I'm going to ask that if you wish you might want to clarify that, but whether you do or not, I think we need to defeat this so we can get on with the agenda.

The Chair: — I know that you didn't make a point of order on this, just asked for a defeat, so I'll call . . . if there isn't any other comments, I'll call the question. Question? Those in favour of the amendment? Those opposed? It's defeated.

Mr. Hillson: — Madam Chair, this one, this next amendment, I have entitled the hon. member for Regina South amendment. It is particularly for his edification and enlightenment, and I know he will be quick to support me.

We have had various reports given to the House as to what the company was sold for and where we came out on it. The hon. member told us 5 million; Mr. Lautermilch said 5 million; Mr. Lingenfelter said 2 million; SaskPower said 2 million. So we simply don't know where we stand on the sale of this company. And I know that the member for Regina South, juggling his duties with the Senate and here, will want to clarify that for us. How much was in fact the company sold for? It certainly doesn't do anything for public confidence when we have the government giving out conflicting reports as to what the company is sold for.

Therefore be it resolved:

That the agenda of this meeting be amended so as to add to it:

An inquiry into the contradictions concerning the profits and losses of Channel Lake Petroleum Ltd., including an examination of the sale price of the company and how it has been calculated.

This is not a policy decision . . .

The Chair: — You have moved your motion, so we'll deal with the motion.

Mr. Hillson: — Okay. I say, Madam Chair, this is not a policy issue. This is a dollars and cents. We're getting conflicting reports on what the company was sold for, how we came out on it. Clearly this is something that friends opposite will be anxious to clarify.

The Chair: — We have before us an amendment. Be it resolved:

That the agenda of this meeting be amended so as to add to it:

An inquiry into the contradictions concerning the profits and losses of Channel Lake Petroleum Ltd., including an examination of the sale price of the company and how it has been calculated.

Question?

Mr. Tchorzewski: — Madam Chair, I'm not going to repeat the things I have to say except to correct something which I think the member for The Battlefords has put forward and not completed. And I think there is some danger about taking things out of context.

He referred to certain questions and issues raised — which is a right for any member to do and members if they so feel disposed should do so — by a former member, Mr. Anguish. And I argued earlier that there is a practice in this committee which I think is an appropriate practice: follow the chronological order of the Provincial Auditor; where we can combine, combine so that we move along quickly instead of taking the time as we have done here today.

And we are not being inconsistent in what . . . how we are disposing of these because during that time that Mr. Hillson refers to, the committee quite, quite correctly defeated the motions that were made by the said Mr. Anguish and others.

And that's what we're doing here today because that is the way that this committee ought to operate — in an orderly way. And there was a time when there was less political posturing and more getting to business, and in those days the committee served the legislature a lot better than it would otherwise. So I'm going to ask that this amendment be defeated.

Mr. Hillson: — Madam Chair, I think we require a clarification of my colleague's remarks. Is he saying that the NDP members in . . . of this committee in May, 1990 were guilty of political posturing?

I would point out that not only did Mr. Anguish bring these motions, but the chairman of the day, Mr. Lyons, was so upset at the motions being defeated that he eventually resigned as chairman of the committee, saying the committee was being prevented from doing its work as a watchdog of the public purse. And he said if it couldn't properly do its work because the then Tories were voting down an examination of these issues and not allowing it to go ahead, there was no point in him participating in the charade and serving as Chair.

Now I wish to know from my colleague opposite whether he thinks that was a valid position put forward on behalf of the taxpayers of Saskatchewan, or is he now dismissing that as political posturing.

A Member: — Question.

The Chair: — Those in favour of the amendment? Those opposed? The amendment is defeated.

Mr. Hillson: — Thank you, Madam Chair. In terms of the sale, which is now nearly a year old, there has been reference made to the fact that there is an ongoing exclusive natural gas supply contract. We don't know the financial implications of that

ongoing obligation and contract. No doubt it has some effect on the selling price.

I'm requesting that the agenda of this meeting be amended so as to add to it:

An inquiry into the terms and conditions of any collateral agreements entered into by Saskatchewan Power Corporation at the time of the sale of Channel Lake Petroleum Ltd., particularly whether there was an exclusive contract given to Direct Energy Marketing Ltd. to supply Saskatchewan Power Corporation with all its natural gas needs; and, more particularly:

- (a) the length of the exclusive natural gas supply contract;
- (b) the sale price under the exclusive natural gas supply contract or how the sale price is to be calculated;
- (c) the effect which the exclusive natural gas supply contract had on the sale price of Channel Lake Petroleum Ltd.

The Chair: — We have an amendment:

Be it resolved that the agenda of this meeting be amended so to as to add to it:

An inquiry into the terms and conditions of any collateral agreements entered into by Saskatchewan Power Corporation at the time of the sale of Channel Lake Petroleum Ltd., particularly whether there was an exclusive contract given to Direct Energy Marketing Ltd. to supply Saskatchewan Power Corporation with all its natural gas needs; and, more particularly:

- (a) the length of the exclusive natural gas supply contract;
- (b) the sale price under the exclusive natural gas supply contract or how the sale price is to be calculated; and
- (c) the effect which the exclusive natural gas supply contract had on the sale price of Channel Lake Petroleum Ltd.

Question? Those in favour of the amendment? Those opposed?

Mr. Hillson: — I request that the votes be recorded, Madam Chair.

The Chair: — All those in favour of the amendment, of this amendment, raise your hands please. All those opposed.

Mr. Hillson: — Madam Chair, I have some further amendments that I think will be of great interest to my friends opposite. And I would ask that they not dismiss them out of hand but give me an honest hearing on behalf of the people of Saskatchewan as to why these changes are so necessary. I move:

That in order that SaskPower and its officials and others

with knowledge of the events in question who may be in a position to fully answer relevant questions arising from the Provincial Auditor's report, that the committee issue formal invitations requesting the attendance of the following persons to meetings of this committee:

- (1) Lawrence Portigal, former general manager of Channel Lake while it was a subsidiary of Saskatchewan Power, and currently director and president of Channel Lake Petroleum Ltd.;
- (2) John Messer, president of Saskatchewan Power and a director of Channel Lake while it was a subsidiary of Saskatchewan Power;
- (3) Ronald Clark, president of Saskatchewan Power and a person who has said that his company would have been interested in the purchase of Channel Lake from Saskatchewan Power had his company known of its availability for sale;
- (4) Kenneth Christensen, vice-president of Saskatchewan Power and a director of Channel Lake while it was a subsidiary of Saskatchewan Power; and
- (5) Richard Patrick, vice-president of Saskatchewan Power and general manager of Saskatchewan Power production, and a director of Channel Lake while it was a subsidiary of Saskatchewan Power.

I would say, Madam Chair, that I have not sprung this on the committee. This was the matters which the committee would have known about for at least a month. And I would say, Madam Chair, that we ought not to be hidebound by a predetermined agenda.

The Chair: — Is this part of the motion?

Mr. Hillson: — Yes. And I would advise and my friend opposite in 1990, Mr. Rolfes did not want to be hidebound to an agenda. Mr. Van Mulligen did not want us to be hidebound to an old agenda. Mr. Lyons didn't want us to be hidebound to an agenda, and Mr. Anguish, the member for North Battleford, did not want us to be tied to an agenda. He wanted the freedom to investigate issues on behalf of the people of Saskatchewan.

And I move that we issue the request for the attendance of these persons in order to have our questions answered.

The Chair: — Can I have the motion?

Ms. Stanger: — Madam Chair, does Mr. Hillson mean Ronald Clark, the president of SaskEnergy? He said Ronald Clark, president of SaskPower.

Mr. Hillson: — SaskEnergy.

The Chair: — Pardon me. I'd like a copy of the motion.

Mr. Hillson: — Well it . . . I'm afraid I've gotten ahead of our typist in our motions. But I would write down the name . . . that invitations be issued for the attendance of Lawrence Portigal, John Messer, Ronald Clark . . .

The Chair: — This will have to be written as an . . .

Mr. Tchorzewski: — Well maybe you can publicly say the motion. I'll ask then.

The Chair: — This has to be related to the agenda motion and that somehow . . . and the committee would like to see this in a very timely manner so we're not wasting the time of the committee.

Mr. Hillson: — I'll write as quickly as I can, Madam Chair. I've got to find all the names and make sure I don't omit anything so we can . . . I want to expedite this and save as much time as possible.

I have . . . (inaudible) . . . produce copies for everyone, Madam Chair.

Mr. Tchorzewski: — Madam Chair, while you're considering that, if I may, the motion as the member has presented it has nothing to do with the agenda. It is as if we already were considering that particular question and therefore the committee . . . I think the motion is out of order.

The Chair: — This is the . . . I made the statement to the member from North Battleford that it was supposed to relate to the agenda and there is nothing on this motion that relates it to the agenda motion at all, so it will have to be ruled out of order.

Mr. Hillson: — Madam Chair, with all due respect to the Chair, I challenge the ruling of the Chair. I'm sure that the majority here will vote with me — that these persons ought to be invited to attend. I've every confidence that they will not contradict themselves but will vote the way the NDP voted in May 1990.

The Chair: — Okay, I'm going to put a question to the committee. There has been a challenge to the Chair's ruling . . . Pardon me. There's been a challenge of the Chair's ruling. I'm going to put a motion to the committee to agree with the Chair. Shall the ruling be sustained? Agreed? All those in favour? Opposed?

Okay, we have a . . .

Mr. Hillson: — Madam Chair, I do have a further motion I think will have to be dealt with before we can deal with the main motion . . . (inaudible interjection) . . . I will ignore that.

The Chair: — Do you have . . .

Mr. Hillson: — Yes, as I was saying when I was so rudely interrupted, I had not anticipated this turn of events. I had assumed that members of the NDP caucus who were determined that business had to be set aside in order that the sale of a company by the then Conservative government be investigated to the point that they brought this committee to a standstill . . . Then the chairman walked out on the committee.

I think now that we have reached an impasse; we have reached a disagreement. I'm sorry to see that the NDP members of this committee have completely contradicted their earlier position. I had not anticipated that. I had anticipated that they would be

true to their earlier colours.

And so I now move:

That the committee refer the impasse concerning the agenda to the Assembly.

I think only in that way . . . We are a creature of the Legislative Assembly and I think that it is important that a full debate occur in the Assembly as to the proper matters that we will deal with. Members opposite have said that they want these matters to go on the agenda but they refuse to say when. I have not insisted that my matters go to the top of the agenda. I have simply asked that they be included in the agenda. And even their inclusion in the agenda has been opposed by them.

These are matters that have raised the concern of the Provincial Auditor. The lack of separate financial statements prevents the auditor and this committee from properly doing its work. Only the Assembly, I think, can properly rule on this impasse.

The Chair: — Pardon me. What you're discussing right now is a substantive motion and it'll be dealt with after we deal with the motion that's before us right now, which is the motion to adopt the agenda.

Mr. Hillson: — Well I then move:

That the agenda be suspended in order that we can refer the impasse to the Legislative Assembly.

The Chair: — The motion that you're discussing right now is what I've been told is called an expanded negative, which can be accomplished . . . the same thing can be accomplished by voting against this motion . . . (inaudible interjection) . . . That won't be accepted.

Anything further before we go to the motion on the agenda? Question? Those in favour of the agenda? Those opposed?

Mr. Gantefer: — Madam Chair, if I could I'd like to move a motion.

The Chair: — Yes, it's passed. Pardon me.

Mr. Gantefer: — I'd like to move a motion:

That this committee directs the steering committee to place the issues raised by the hon. member from North Battleford be placed on the next agenda.

I would so move.

The Chair: — We have a motion before us, moved by Rod Gantefer of Melfort-Tisdale:

That this committee directs a steering committee to place the issues raised by the hon. member from North Battleford on the next agenda.

Mr. Hillson: — Madam Chair, I move an amendment to that motion:

Such meeting to take place within 30 days of this date.

Madam Chair, while I appreciate the motion moved by the member for Melfort-Tisdale, I say I am concerned that while members opposite talk about the need to be timely, I'm trying to raise issues that date 1993, 1994, 1996. So I don't want these to go into Never Never Land, to be seen maybe in 12 months, maybe in 24 months. I want to make sure that they in fact get on the table in a timely manner which I say was a high priority of the NDP when in opposition, and I'm disappointed to see it doesn't appear to be a timely priority at this date.

The Chair: — Okay, we have amendment before us. The amendment to read:

That this committee directs the steering committee to place the issues raised by the hon. member from North Battleford on the next agenda; and further, that such meeting to be called within 30 days of this date.

Mr. Tchorzewski: — Madam Chair, I'm going to . . . I mean I think we've been fairly patient here knowing what the exercise is all about. And I don't question the sincerity of the member opposite in raising his earlier questions. I think the position of the committee has been the appropriate one. We need to get on with reviewing everything in the Provincial Auditor's report, not to start making exceptions because some particular individual member wants to raise it because he's particularly interested in it.

I'm particularly interested in the Workers' Compensation Board. It think that's as big of an issue before us as this. There are a number of issues that are important to the legislature which has mandated us to do our job. And therefore I think we have listened to the arguments here, and until the last two motions I was prepared to give the member benefit of the doubt about his seriousness and sincerity. But I'm not so sure I'm prepared to do that since I heard the last two motions. And they sound to me a little bit more like a certain letter that he wants released without any signature which who knows who drafted it.

And I say, Madam Chair, we need to seriously decide as a committee whether we're here to do the work that the Legislative Assembly has asked us to do, and get it all done, or whether we're here to please individual members — whether it's the member from Regina South or the member from Regina Dewdney — because we have a favourite peeve or favourite topic. I don't accept that particular approach. I accept the approach that this ought to be a responsible committee that does its job, gets on with doing its job, and instead of taking an hour and a quarter to not do his job does what we have already approved and that's get on with this agenda and get the work done.

It looks like we may not even be able to have an orientation because we're that far behind here if we continue with this. So I'm going to ask the committee to defeat this motion, knowing that the legislature has — I might add and will have — the ability to address this question. There were questions raised in the legislature in the last session on this question. It's not as if this is not an opportunity or hasn't been an opportunity to raise some questions. There will be an opportunity to ask those

questions when the legislature sits again — soon I hope.

And certainly this committee will with . . . we structure our agenda the way I suggested earlier we'll be able to get on with these items, including Channel Lake, hopefully even during when the legislature is sitting, unless we continue to delay the work of the committee by whatever means members wish to do that.

The Chair: — Questions? All those in favour of the amendment to the motion? Opposed?

Mr. Hillson: — I request for it to be recorded.

The Chair: — All those in favour? Three. All those opposed? The motion is defeated.

The amendment is defeated.

Going back to the original motion:

That this committee directs the steering committee to place the issues raised by the hon. member from North Battleford on the next agenda.

Mr. Thomson: — Madam Chair, if I could just comment on that. It seems . . . I appreciate the intent of the motion. This committee generally deals with the issues raised by the Provincial Auditor in his examinations and his reports and it would seem more appropriate that what we deal with is those issues that he's identified rather than just taking a piece . . . Channel Lake . . . deal with an appropriate time frame in due course rather than the specific . . . (inaudible) . . . which may in fact be a line of questioning he wants to pursue. Should that be the focus on the agenda? I don't believe so, and as such I won't be supporting the motion.

The Chair: — Question? Those in favour of this motion? Those opposed? The motion is defeated.

A Member: — Recorded vote.

The Chair: — Those in favour? Three. Three in favour. Opposed? Six is opposed. The motion is defeated.

The next item before the committee is the orientation from the Provincial Auditor's office and I'm going to ask Mr. Strelloff to have the floor.

Mr. Strelloff: — Well good afternoon, Chair, members, colleagues. Thank you for this opportunity.

With me today are Fred Wendel, the assistant provincial auditor; Carey Robertson. Carey is on a four-month work term with our office from the School of Journalism at the University of Regina, and Carey is helping us look at our internal and external communications. One of our initiatives is going to be to ask you to complete a brief survey on how we deal with our responsibilities with this committee. She'll be providing that now, and then reminding you on Thursday about it as well.

Also with me today are Shelley Lipon. She's over here. She and Mobashar Ahmad over here are leading our work at the Workers' Compensation Board and are therefore here today.

Rodd Jersak, who's sitting with us as well, was there for our work that is set out in our 1996 Provincial Auditor's report, so he's with us today to help us deal with that report if we need him.

Mr. Thomson: — I just know it's unfortunate Mr. Hillson is no longer with us to participate in the orientation. I think he'd find it most useful.

Mr. Strelloff: — I've organized my presentation into three topics: first I'm going to review what my office does and why; second I'll describe some of the future directions that we are taking; and third I'll discuss our work with this committee. Then if there are questions, I certainly will try to answer them.

I have asked the Clerk to provide you with three hand-outs. The first is a black and gold document which we set out . . . In that document we briefly describe our role. We use that document quite a bit in our recruiting of students at the universities.

The second document is an overview of our strategic plan. It's called "Strategic Directions." It's a grey document. And the last item is a copy of the overheads that I am using today.

So the first topic focuses on what we do and why. The strategic direction provides a good overview of that in terms of our vision and mission, our work and reports, goals, objectives, key strategies, and performance indicators, as well as our values, and the organizational structure that we have.

Our legislative mandate, as many of you know, is contained in The Provincial Auditor Act. That Act describes our responsibilities and authorities. It makes us independent of the executive government.

In general, through this Act, the Assembly directs our office to help you hold the executive government accountable.

In carrying out our mandate we work towards a vision — our vision of an effective, open, and accountable government. And through our work we want to make a difference by encouraging excellence in public sector management and reporting practices.

Through the next few months you'll meet many of the staff within our office, and I think you'll see that they are very much committed to the vision of our office.

Our mission describes who we work for, what we do, and through what means. We serve the people of Saskatchewan through the Legislative Assembly. We encourage accountability and effective government through our independent examinations, advice, and reports.

Our independence, again, is the cornerstone of our office. Without being independent of the executive government our advice and reports would not be as credible.

The last phrase in our mission emphasizes the importance of reminding us that the public entrusts resources and responsibilities to the government of the day. That trust relationship carries with it important due diligence responsibilities. The government does not own the resources. The government works within an important trust relationship.

In our reports you'll see that we carry out three types of examinations. And we'll be repeating this over and over again as each of the organizations come forward to you. We provide you three types of assurances related to those organizations. In doing so we answer several important questions.

First when we examine government financial reports we answer the questions: are the government financial reports that are provided to you reliable and credible? In most cases certainly they are.

When we examine compliance with the law, we answer the questions: has the government complied with the main legislative authorities governing its activities?

When we examine management systems and practices, we answer the question: how well is the government safeguarding public assets, preparing financial reports, and managing the public's resources?

At each organization — and there's about 230 of them that we come in contact with each year — we perform these examinations either directly or we work with a private accounting firm appointed by the government.

In performing our work, we have access to all government information and officials, and we can report publicly. When we don't have access we will report that to you. And of course we support and adhere to work standards and reporting standards recommended by our profession, The Canadian Institute of Chartered Accountants.

On Thursday of this week I'll be reviewing with you how my office is accountable, or as some like to describe it, who audits the auditor. As you will see on Thursday, and probably know by now, the work of our office attracts much scrutiny and challenge. As a result we have many opportunities to answer questions and report on how we fulfil our responsibilities, which of course is a fundamental ingredient to a strong system of accountability for every organization.

We provide the Assembly three main audit reports on the results of our examinations. We'll be doing this in 1998, this year. As you know, through The Provincial Auditor Act, our reports are automatically referred to this committee. As a result, the Crown Corporations Committee is unable to deal with our reports or with referrals by this committee that pertain to matters set out in our reports.

For 1998 you will see us issuing three main reports. In May we plan to provide you a report dealing with our work related to government organizations with December 31 year ends. In September we provide you a report dealing with our examination of the government's summary financial statements. And in November we plan to provide you a report dealing with our work related to government organizations with March 31 year ends.

We also prepare special reports when required. As you know, for example, last April we issued a special report on our work at SaskPower. But we also issue reports to you on our own operations and on our own business and financial plans. We are continuing to work to ensure our reports to you are more timely.

In 1994-95 this committee initiated a change to The Provincial Auditor Act to make our more frequent reporting and more timely reporting possible.

In carrying out our work we have three goals. First, we want to foster well-managed government. Second, we want to encourage good reporting by government. And third, we want to ensure we manage our business effectively. In the "Strategic Directions" document we set out — the document that I provided you — we set out our objectives and key strategies related to each of these goals.

Many of our objectives and strategies relate to the key issues of significance and risk faced by government. We want to ensure through our work that government organizations know the key issues they face and are able to demonstrate publicly they manage those issues well. If they do so, we think there will be more confidence in government and its institutions. Such confidence is an essential ingredient to a successful system of government.

In our '97 fall report we note some government organizations are doing this. They are clearly identifying the key issues and challenges and risks. In general we think those organizations or sectors of government that publish their plans and performance reports are more likely to be those that know the key issues they face and manage them well.

Our own indicators of success — we have three main ones. The first one deals with the support for our recommendations. And we track the government's acceptance of our recommendations and whether they've changed practices as a result, and whether this committee supports our recommendations. We report the results of this tracking in our own annual report on our operations.

Another key indicator is the degree to which our key stakeholders, including you, know the key issues of significance and risk the government needs to manage well. We track this indicator by examining the annual performance reports of government organizations, the debates of legislators, to determine whether they are focusing on the key issues of significance, of risk, that face organizations.

A third indicator relates to improving continuously our own work. We have many indicators that we track. For example, we know the costs of each of the activities we carry out, including attending this meeting. We have time budgets and we monitor performance accordingly. We report this information in our annual performance reports, and also in our annual business and financial plans.

In carrying out our responsibilities, we have set out a set of values which we try to hold on to dearly. Our values are particularly important and valuable to me when I'm faced with difficult decisions or issues. They serve as a good reference point when responding to situations when there is much concern about my office holding a specific position, or when deciding how best to respond to challenges presented to us either in private or in public meetings.

Our office is organized into four operating groups. Each has a particular focus. There's a bit of an organizational chart on that

strategic direction document that I provided you. Judy Ferguson leads our education group. Mike Heffernan leads our health group. Mobashar Ahmad, sitting here with us, leads our gaming and insurance group, and Ed Montgomery leads our finance group. During the next few months, you'll meet each of these people as they present the results of our work and answer your questions.

We're also what is referred to in our profession as a training office. This means that the professional accounting organizations have authorized our office to provide training to people who are working for their professional accountancy designations. At any one time, we usually have about 15 to 20 people articling for their accounting designations. We have a staff of about 60 people with considerable knowledge, skills, and abilities.

Fred has been with the office . . . Fred Wendel has been with the office since about 1973 and, as you can quite imagine, has seen a lot during those years, as have many others within the office, even including me who's been here about just over seven years.

Given the diverse and complex lines of business the government engages in, we need a very well-trained and experienced office.

In deciding how to shape our work there are several key forces and trends that affect our stakeholders — you, government officials, the public, our own office — that affect and shape our work.

The strategic direction document that I've provided you sets out those forces and trends in more detail. They relate to the pressure on scarce resources; the move to different ways of delivering services through partnerships and new forms of agencies; the ongoing demand for better, more rigorous accountability; the powerful and user-friendly technology which facilitates many things to happen that weren't possible in the past; the concern by many on the effect of society on our environment; and of course, the overall presence of globalization of the economy.

The current . . . as a result of these forces and other trends, we focus a lot on making sure that government organizations have information and report on their performance. You'll see that a lot in the reports that we provide you and in the jargon we use in our meetings.

We also focus on how government manages as a whole. I think as you become familiar with many of the issues facing government, you'll see that they're all interrelated; that if it's economic development, it's carried out through a number of different arms and vehicles of government. And there's a series of other issues that are interrelated that makes it very important for government to manage in a more integrated way.

We also are focusing on the accountability issues and management issues related to transferring service delivery, decisions, management issues, to organizations closer to the community.

We focused in the last few years on the roles, responsibilities,

duties of the many boards of directors that are appointed by government. The main issues that they face relate to when are they advisory boards and when are they decision making — a very important issue for boards — as well as the complex governance process that they find themselves within.

Pension promises of course is another key issue, and the IT (information technology) system security and development risks that are present. For example, the year 2000 issues.

The Public Accounts Committee is linked . . . our office and the Public Accounts Committee are linked together through The Provincial Auditor Act. In that Act the Assembly advises our office that all of our reports are to go to the Public Accounts Committee, so we're linked together. We are to attend your meetings and help you set your agenda.

We are to attend these meetings, provide you advice on your review of the *Public Accounts*. And the *Public Accounts* include the activities of all government organizations. And the contents of our reports. That's the scope of your responsibilities. And if you request, we can carry out special assignments.

I view the Public Accounts Committee as the audit committee for the Legislative Assembly. This committee has a strong and important mandate with very sound operating principles.

I suggest you refer to your mandate statement from time to time when preparing for committee meetings or when assessing how best to approach a particular issue. I think it would help you discuss the issues that you were discussing earlier today.

The Public Accounts Committee can serve as a very important agent of change through your meetings with government officials, your reports and recommendations to the Assembly. Positive change to government management and accountability practices can and does take place.

This committee also serves as an important opportunity to find out how government works, and to meet and explore issues with government officials.

In your operating procedures, reference is made to preparing a standard set of questions, introductory questions, that could be asked officials of each organization that attends your meetings. I really do think this is a good idea as such questions would help officials prepare for the meetings with you, and I think such questions would help you assess and encourage good performance.

Such questions could be particularly useful if they focused on what organizations are planning to achieve. Possible questions could relate to the goals and objectives of organizations. For example, the Crown Investments Corporation, CIC, in their annual report, has set out five clear objectives.

A second set of questions could relate to the status of the key performance indicators an organization uses to monitor and determine whether it is achieving what it intends to achieve. For example, the Department of Economic Development has stated that Saskatchewan's gross domestic product and its total employment are two key . . . are two of their key performance indicators.

A third set of questions could relate to the key issues of significance and risk faced by organizations. In our fall report of 1997 we identify key issues faced by several government organizations, or the place that you can go to find out how they describe those key issues, challenges, and risks; very good source of information.

The fourth set of questions could relate to where you as MLAs (Member of the Legislative Assembly) can go for further written and publicly available information about an organization's objectives, performance indicators and key issues. Some government organizations now publish such information on web sites and in their annual performance reports.

The last item I wish to bring to your attention relates to referring segments of my report to the Crown Corporations Committee. In the past this committee referred a few of my recommendations to the Crown Corporations Committee. I recommend you not do this, as the Crown Corporations Committee does not have the necessary mandate from the Assembly to deal with my reports. For example, the Crown Corporations Committee has not dealt with any of the recommendations previously referred to it by this committee.

First I think you should decide whether you wish to change the mandate of this committee. There might be an opportunity to strengthen both committees. For example, perhaps this committee could focus more on the annual reports of government organizations, as does the Crown Corporations Committee. Or perhaps the Crown Corporations Committee might be more effective if it had a mandate and operating principles similar to yours. You have a very strong mandate and very strong operating principles.

No doubt there are many other issues that you would consider if you decide to recommend or assess changes to the mandate of this committee. As you know, the Public Accounts Committee serves as one of the few opportunities legislators have to question the work of government officials directly and to encourage good, positive change in government management and accountability practices.

So I do recommend you not refer the work of my office to the Crown Corporations Committee until you have had an opportunity to decide whether changes are appropriate.

That ends my formal presentation. If you have any questions, I certainly will try to answer them.

Mr. Hillson: — Madam Chair, if I may, is the Provincial Auditor telling us that, when a suggestion is made here that this isn't really the proper forum and it should go over to some other committee, that his experience has been that it doesn't get picked up and doesn't get dealt with, and it is a way of shuffling off a question as opposed to addressing it?

Mr. Strelieff: — Madam Chair, Mr. Hillson, what I recommend is that you not refer recommendations that we have in our reports to the Crown Corporations Committee because that committee doesn't have the necessary mandate to deal with our recommendations, our reports. Our reports are referred to this committee.

So the Crown Corporations Committee doesn't have the mechanism to actually deal with our recommendations. And in the past, where this committee has referred recommendations — items within our report — to the Crown Corporations Committee, the Crown Corporations Committee has not addressed those recommendations.

The Chair: — Any further questions?

Mr. Thomson: — Thank you, Madam Chair. If I can just comment briefly on that. I appreciate the auditor's position on this. Certainly we've had this debate in the past in the committee about what issues we should deal with.

For those new members here, it has been our position on some issues, specifically substantive policy issues associated with the Crown corporations, that those issues are in fact best dealt with by Crown Corporations Committee, a standing committee of the legislature, as is laid out in their mandate.

That is not to say that we have asked for automatic referral. In fact we have only referred those issues to that committee after, I think, fairly thorough debate and a review within Public Accounts. So I appreciate what the auditor is saying and certainly we will be judicious and selective, I think, in the future where we do continue to make those recommendations.

Ms. Stanger: — Thank you, Madam Chair. I don't think really it's a matter of shuffling anything off. I think it's a matter of dealing with questions where they are mandated to be dealt with.

If Public Accounts' mandate clearly states that we can deal with that question, we can. If we can't deal with something, like in subsection 11 which deals with policy, then either we suggest it go somewhere else or somebody else deal with it. We can only deal with what the legislature mandates this committee to deal with. And I know that we've all worked together very well actually and come to some very good resolve. I think we've made a lot of changes, adopted a lot of the suggestions of the auditor, and I think we'll work together well again to make things, well, more accountable and better for the people that each of us represents in our constituencies. And that I think should be the objective, is to make government better, more accountable, and for us to make benefit for the people that we represent. Thank you very much.

Mr. Hillson: — One specific question, if I may, Madam Chair. One of the issues that you have flagged as Provincial Auditor is the question of a subsidiary purchasing a company without order in council when that is clearly forbidden to the principal company, and you have taken the view that that does not seem right, that a subsidiary do what its principal cannot, what it would be illegal for the principal to do. And the government apparently has taken the opposite view.

Have you received any legal opinion or been provided with a legal opinion from Saskatchewan Power in that regard?

Mr. Tchorzewski: — Madam Chair, I really . . . I mean, not that that's not an interesting and a good question, but I really think that's not the appropriate place. We're not, we're not in Saskatchewan Power Corporation now and I think the question

is out of order.

It puts the auditor in a bad spot, but I think more so, it puts the Saskatchewan Power Corporation, who is not here to answer the questions, in a bad spot and we should ask those questions when they are here and we would be more than happy to help the member, even support him in asking it.

Mr. Hillson: — Actually, I will withdraw the reference to Saskatchewan Power. I just . . . as a general principle, as opposed to reference to any particular company. I agree . . . you know, reference to any particular company. But the general principle of subsidiaries doing what their principals cannot. Have you . . . are you aware of any legal opinion on that issue?

Mr. Strelieff: — Madam Chair, Mr. Hillson, members. In general our office . . . I hold the position that the parent company . . . or the subsidiary company cannot do things that the parent company cannot do. In terms of legal advice, we have legal advice that supports that position and we also have . . . We do have legal advice to support our view. I'm not sure if we have the exact legal opinions of the corporations that hold those contrary views. I can find out to make sure whether we do or not. But they certainly, the ones, the corporations that do hold the contrary view, have said to us that they do have legal advice that says they can, that a subsidiary can, do something not contemplated by the parent. Thank you.

Mr. Goohsen: — Thank you, Madam Chair. As the auditor you have stated that your goals and objectives are to foster well-managed government. And in this whole matter of the question of management being challenged earlier today, and no vehicle appearing to be immediately available in the timely manner, will you now as the auditor, having been tipped off by this conversation and this discussion, look into that kind of matter as part of the course of your normal duties? Would that necessarily now trigger your department to look into the matter?

Mr. Strelieff: — Madam Chair, Mr. Goohsen, members. You referred to that matter.

Mr. Goohsen: — I'm referring to the matter that Mr. Hillson brought up earlier today, you know, about SaskPower and its management of its gas industries.

A Member: — I don't think it's appropriate. We're here doing orientation; we're not here asking questions specifically . . . on specific issues. I don't think it's appropriate.

Mr. Goohsen: — I'm asking . . . (inaudible) . . . The auditor wanted an example of the kind of thing that I'm thinking of. I want to know in the general principle will he now automatically go in, look into that type . . . (inaudible) . . . I want to know what his mandate is.

Mr. Tchorzewski: — That's getting pretty specific.

Mr. Thomson: — It is my concern, Madam Chair, that this line of questioning being approached by Mr. Goohsen is in fact putting the auditor in a difficult position. The Act is clear in terms of the way that issues are raised and dealt with by the auditor. The auditor's free to investigate any such issues that he so chooses and the committee may refer any such issues that it

so chooses to the auditor for a report.

Mr. Goohsen is an experienced legislator and is aware of that, and I'm sure also that we shouldn't be placing officials of the Assembly in a difficult position like this in this committee.

The Chair: — And Mr. Goohsen tied his question to something that . . . a matter that was brought up by the auditor in the report already. So I would, I would leave it to the auditor to determine if he'd like to answer.

Mr. Thomson: — Oh then it's been dealt with so we can move along.

Mr. Strelloff: — Mr. Chair, Mr. Goohsen, members, as part of our work related to SaskPower, Channel Lake, for the years . . . for each year, including '96, '97, and '98, we'll be looking into the transactions that relate to SaskPower, that relate to Channel Lake in the normal way that we do, which is to look at the credibility of the financial statements that are issued, to make sure that they're complying with the main legislative authorities, and to ensure that they have good systems and practices related to managing their responsibilities.

Mr. Goohsen: — And then where do those members find those answers and those recommendations in the work that you've done? Where would they look for that?

Mr. Strelloff: — Well, Madam Chair . . .

Mr. Goohsen: — If I want your opinion I'll ask for it.

Mr. Strelloff: — As was discussed earlier today, in our fall of '97 report, volume 2, we do have a description of our work related to SaskPower and Channel Lake in, I can't remember the chapter number, but some of the issues that were discussed today are described in that chapter.

The Chair: — Any further questions?

Mr. Thomson: — I just wanted to thank the auditor again for the introduction. And I guess I would be remiss, having noted Mr. Hillson's lengthy absence, not to welcome him back to the committee for at least the last few minutes of the orientation talk.

I trust that the information the auditor's provided us with, we'll be able to get copies of the slides? Is that possible?

Mr. Strelloff: — Yes.

Mr. Thomson: — Okay. I appreciate that. Thank you.

The Chair: — I'd like to thank the Provincial Auditor myself. And I understand that the question of relating to a member's absence in committee is the same as . . .

Mr. Thomson: — My apologies, Madam Chair.

Mr. Strelloff: — Madam Chair, Mr. Thomson, you asked for copies of the slides. We did provide you copies. Do you want more information than that?

Mr. Tchorzewski: — That's what this grey one is.

Mr. Strelloff: — The next one. No, keep moving down. Okay.

Mr. Thomson: — Yes, okay. I've got it. Thank you.

The Chair: — Okay. Again I would like to thank Mr. Strelloff. We appreciate it. We're going to go on. In just one or two minutes we're going to be moving this screen to the other end of the room so we can watch the slides from your position right now. So we'll just indulge your patience for just a moment.

May I have your attention for a moment, please. We're going to have to determine if we should go on to Workers' Compensation right after we've finished with the Provincial Comptroller's office. Or else, we will have staff here from the Department of Agriculture.

So I will ask you to consider whether we should move on to that area and come back to Workers' Compensation. We'll discuss it when we're finished this issue. We have department staff coming in.

I welcome the officials here today from the Provincial Comptroller's office, Terry Paton and Chris Bayda. Welcome to Terry and Chris.

Mr. Paton: — Thank you, Madam Chair, members. First of all, it appears like we've chosen to defend the west end of the field as opposed to the east. But no, actually, we work very closely with the Provincial Auditor and I'm pleased to be here to provide a bit of a presentation for you and orientation on the Public Accounts Committee.

My name is Terry Paton and I'm the Provincial Comptroller for the province of Saskatchewan. And with me today is Chris Bayda. Chris is the director in the financial management branch in the Department of Finance. Chris attends all of the meetings of the Public Accounts Committee with me and he'll be making part of our presentation this afternoon.

I was appointed to the role of Provincial Comptroller in July of 1996, and prior to that point some of you will recall that I assisted my predecessor, Gerry Kraus, at these meetings, and have been attending the meetings in one fashion or another for approximately 10 years.

Our presentation this afternoon is going to be comprised of two parts. First of all I'm going to speak briefly about the process of parliamentary control and the role that my office plays in that process. And secondly, Chris will take some time and lead you through a short presentation on the form and content of the *Public Accounts* themselves.

Looking at the agenda I saw that we were allocated about 15 minutes, so our presentation this afternoon is fairly brief, but please feel free to ask any questions that you may have of us. And in addition should the committee require, you know, further information or further presentation sometime in the future, we would be more than pleased to accommodate the committee in that.

As stated, my objective is to familiarize the committee with

Saskatchewan's parliamentary process for controlling and accounting for public monies, and how it relates to my role as Provincial Comptroller.

The major features in our system of parliamentary control over public monies include the following. Firstly, the right of the legislature to raise and spend monies, and the concept of a single General Revenue Fund. Second, that a Provincial Comptroller is ensuring that government spending is within the legislative limits.

Thirdly, the report of the Provincial Auditor on an annual basis on the stewardship of the government — pardon me by the Provincial Auditor — on the stewardship of the government by the *Public Accounts*. Next, is an independent auditor and report to the legislature by the Provincial Auditor. And finally the role that this committee plays, a review of both the *Public Accounts* and the Provincial Auditor's reports on a regular basis.

I wish to comment briefly on my role as it relates to the Public Accounts Committee. First of all I will be attending all the Public Accounts Committee meetings, and when requested I try to provide interpretations and clarifications of financial policy, and as to the meaning of the information that has been presented in the *Public Accounts* documents themselves.

Secondly I normally prepare a report each year on behalf of government that indicates the action taken by government officials in response to the specific recommendations made by this committee at the end of the previous year.

The appointment of a Provincial Comptroller is a requirement of The Financial Administration Act. That appointment is made by an order in council. It's important to note that unlike the Provincial Auditor, who is a servant of the legislature, the Provincial Comptroller is an employee of the government. However the Provincial Comptroller is different from many other senior government officials as his duties and responsibilities are specifically delegated by the legislature.

More specifically, the duties and responsibilities outlined in The Financial Administration Act are: to supervise the receipt and recording and proper disposition of public money; to control disbursements from the General Revenue Fund; to maintain the appropriation accounts of the General Revenue Fund; to prepare the *Public Accounts* and the financial statements in so far as possible to ensure compliance with regulations and directives of Treasury Board and; to issue financial directives to departments.

To discharge these responsibilities I have a staff of approximately 67 employees and those employees are organized into four branches. The first, internal audit branch, conducts audits across government. These audits evaluate the adequacy of financial and management controls and assesses management's efforts to measure the effectiveness of program delivery. The branch also audits departmental payment requisitions to ensure that adequate monies exist in the appropriations and that expenditures comply with legislative and administrative policy.

Our financial assistance branch is responsible for maintaining and operating the central budgeting system of the government

as well as the revenue and expenditure system of the government. The branch also performs the appropriation control function to make sure that payments are within the defined limits. They maintain the accounts of the province that we use to prepare the financial statements on an annual basis and they also issue most payments on behalf of departments. And I say most, because some departments do have their own decentralized systems.

The next branch is our payroll services branch and this branch maintains and operates a central payment system for government . . . central payroll system for government. They also develop and maintain payroll policy. And finally, they provide training in the area of payroll.

The last branch that we have is the financial management branch — and this is the one that Chris is most directly involved in — and that branch is responsible for assisting myself and monitoring the government financial processes. And the branch fulfils this mandate in a number of different ways, including the preparation of the year end *Financial Statements* and the *Public Accounts* documents, developing and amending accounting and reporting policy for the approval of Treasury Board, reviewing new financial systems to ensure they have adequate financial controls, and undertaking a number of policy monitoring activities including reviewing new draft legislation, reviewing the Provincial Auditor's reports for the content, and approving the financial statements of over a hundred different boards and agencies that government has. Finally, they assist departments in trying to resolve their financial administrative problems that they have throughout the year.

I'll now turn the second half of the presentation over to Chris. If you have any questions at this point, feel free to ask. As I said, Chris will now take you through the *Public Accounts* documents themselves.

Mr. Bayda: — Thank you, Terry. Madam Chair, and members, the purpose of my part of our presentation is to review the *Public Accounts* documents, including the government's main financial statements, and to review the government's accounting and reporting practices. And I appreciate that few people outside of accountants and auditors ever get passionately excited about financial statements or accounting policies so I'll be brief as well.

The *Public Accounts* is presented in two volumes. First, volume 1. This 70-some-page, saddle-stitched book, complete with the province's coat of arms on the cover, contains the General Revenue Fund financial statements and the summary financial statements. And these two statements are the main financial statements of the government.

The General Revenue Fund statements account for the financial transactions of the General Revenue Fund and the Province of Saskatchewan sinking funds. The summary financial statements consolidate the financial transactions of the General Revenue Fund, Crown corporations, agencies, boards, and commissions. And these statements provide a full accounting of the financial affairs and resources of all entities for which the government is responsible. Volume 1 also contains some detailed information on debentures and a short glossary of terms and that information is at the back of the book.

Volume 2 also displays the classic crest cover, contains the revenue and expenditure details for the General Revenue Fund, and more specifically some of the information provided in here includes schedules of revenue by department, descriptions of program objectives, and schedules comparing appropriations to expenses by department and program. Now this volume is often of particular interest to members and the media because of the detailed information it contains and some of the sort of nitty-gritty details you'll find in there — payments of salaries over \$2,500 to all non-union employees, payments to suppliers in excess of \$20,000, and transfer payments or grants over \$5,000.

In the next few months we hope that we'll have an opportunity to examine the appropriateness of these disclosure limits. They have not changed for some time and in the past we have sought the committee's input and approval before making any changes. And this means that in all likelihood in the near future we'll be asking the committee to devote some time to this issue.

Volume 2 also contains a summary of superannuation and trust fund balances and a statement of remissions of taxes and fees and that information is at the back of that volume.

Ms. Stanger: — Superannuations for each department?

Mr. Bayda: — It's a summary of superannuation balances for each department, that's right. And so for all their pension plans. Okay.

There's also a compendium of financial statements. This is provided separately from the *Public Accounts* and it's a two-part report and it's comprised of the financial statements of various government boards, agencies, commissions, superannuation funds, special purpose funds in institutions, as well as all the Crown corporations that are accountable to the Treasury Board. Financial statements for Crown corporations that are accountable to the Crown Management Board appear in a separate compendium of annual reports that the Crown Management Board prepares.

Ms. Stanger: — The Crown Management Board, is that the board over the whole CIC?

Mr. Bayda: — Yes. There's also a supplementary information volume and it contains more details for the General Revenue Fund and that volume has a very limited distribution. It's primarily for members and it contains salary details by department for both in-scope and out-of-scope employees as well as a schedule that aggregates payments by suppliers across government departments.

Okay, I want to just move on briefly to accounting and reporting practices. The government's main financial statements are prepared using accounting principles that are appropriate for government as established by the Canadian Institute of Chartered Accountants. And they follow the recommendations issued by the Public Sector Accounting and Auditing Board. And the only exception to that is the General Revenue Fund does not account for pension costs as recommended by PSAAB (Public Sector Accounting and Auditing Board).

But in any event, the Provincial Auditor — thank you, Wayne

— rates the government summary financial statements as first class.

So to be a little bit more specific on the policies of the General Revenue Fund, these statements are intended to account for monies appropriated by the legislature. They are not intended to account for all the financial affairs of the government. The General Revenue Fund statements here are just for the General Revenue Fund.

These financial statements report the revenues and expenses of that fund and also the surplus or deficit of that fund for the year. And another major measure is the accumulated deficit, which is an accumulation of the annual surplus or deficit of the province since its inception in 1905.

And just a note that expenditures on capital property are not set up as assets and depreciated, but they are fully expensed in the year of acquisition. However, information on the government's capital assets is disclosed in the notes to the financial statements.

Under the summary financial statements, these statements do report on the financial activities of all organizations that are accountable to a minister of the government or directed to the Legislative Assembly and that are also owned or controlled by the government.

And there are two broad categories of government organizations. The first type is defined as a government service organization. And in 1996-97, there were 74 of those organizations accounted for in the summary financial statements.

An example of this type of organization is the Saskatchewan Cancer Foundation. And the financial transactions of these organizations are all added to the General Revenue Fund transactions, so that those statements report the expenses and revenues of all 74 of those organizations.

The second type of organization is described as a government enterprise. And in 1996-97, the summary financial statements had 11 of these. These enterprises are defined as organizations that have the financial and operating authority to carry on a business. An example is SaskPower Corporation.

In accordance with the PSAAB recommendations, the total net income or loss for these entities is added to the deficit or surplus of the General Revenue Fund and the 74 service organizations. Accountants kind of try to make that all sound complicated, but it's not really that difficult. I think we do that, sort of like lawyers, just to preserve the mysteries of the profession.

So the short example here shows that in 1996-97 the surplus of the combined revenues and expenses of the 74 organizations was 15 million, and that includes the General Revenue Fund. And then the enterprises had a net income of 541 million, which when added to the 15 million gave us an overall surplus of \$556 million.

And that's really all I wanted to talk about in terms of the *Public Accounts* and government's accounting and reporting

practices. Unless there are any questions at all.

The Chair: — Does anybody have any questions? Thank you very much for your overview; we appreciate it. I'm going to see if everyone would like to take a break, but before we do that I'm going to ask that maybe as a committee we agree that our goal this week is going to be to finish this agenda. And in order to do that, I think that would mean that we have Department of Agriculture staff here at 3:30. So I would like to ask that we go on to deal with that issue at 3:30 and then come back to Workers' Compensation later on this afternoon or in the morning, if that works.

Mr. Tchorzewski: — Seeing that it's 10 after, do we need to wait till 3:30? They're out here already. We only need a 10-minute-whatever break. Is that okay? I'm easy.

The Chair: — Would everyone like . . .

Mr. Tchorzewski: — Let's take a 10-minute break but start at 10 minutes sharp. We're willing to do Agriculture just because the officials are here, and Workers' Compensation, there are no officials, so we don't have to keep anyone waiting.

The Chair: — Okay we'll start in 10 minutes. Everyone be back here. We'll go right into Agriculture.

The committee recessed for a period of time.

Public Hearing: Department of Agriculture and Food

The Chair: — I'd like to welcome the officials of the department. Before we proceed, I'd just like to read a statement. It's a testimony of witnesses appearing before this committee.

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 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 are reminded to please address all comments through the Chair, and thank you.

And we'll start by asking our Provincial Auditor to give us an overview.

Mr. Strelloff: — Thank you, Chair, members, and colleagues. We're dealing with chapter 10 of my 1996 fall report dealing with the Department of Agriculture and Food. And with me is Rod Grabarczyk, a manager with our office who leads our work with respect to this department and is going to provide you a brief overview of our chapter and our recommendations. Rod.

Mr. Grabarczyk: — Good afternoon, Madam Chair, members of the committee. In our fall 1996 report I want to focus on four organizations. In our spring 1996 report we reported on the department and its agencies with the years ending on or before March 31, 1995. At that time we were not complete on our work on the conservation and development revolving fund. We report here on the revolving fund for the year ended March 31, 1995. In addition, we report on the Canola Commission, SPI, and the Milk Control Board.

On page 125 of the fall 1996 report we indicate the purpose of the department. This page also lists the Crown agencies with fiscal years ending on or before December 31, 1995.

We provide assurance on whether the financial statements are reliable, the department's rules and procedures to safeguard and control the agencies' assets were adequate, and the department's compliance with authorities governing activities of the agencies relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

We have no reportable matters for the agencies listed on paragraph .03 except for the Canola Commission, SPI, and the Milk Control Board.

On page 126 we indicate, due to established priorities, we have not completed our audit work of the Agricultural and Food Products Development and Marketing Council. These findings are reported in our spring 1997 report.

Also on page 126 we indicate we have not audited several Crown agencies which are smaller, producer-elected boards. We are still trying to determine the best approach to audit these boards.

For the conservation and development revolving fund, there are six matters related to the revolving fund on pages 127 to 129. The six matters are:

The department needs a complete accounting policies and procedures manual for the revolving fund to provide guidance to staff. This guidance will help staff carry out their business of managing the revolving fund in an orderly and efficient manner. We understand that the department is working on this matter and we continue to report it in subsequent reports.

The second matter, the department needs timely, periodic financial information on each pasture, each region, and a program as a whole to properly monitor the performance of the revolving fund. We understand the department is working on this matter and we continue to report it in subsequent reports.

The third matter, the department needs to establish a system to prepare accurate financial statements using the accrual basis of accounting. We no longer report this matter as the department has established such a system. The department's procedures for

safeguarding inventory include regional managers approving all purchases and monitoring pasture performance through statistical analysis. However staff are not always following these procedures. We no longer report this matter as the department staff now follows these procedures on a consistent basis.

Matter five, management should review inventory amounts to ensure they are reasonable. The department also needs a system to record and control inventory purchases in use. We no longer report this matter as the department has established such a system.

The sixth matter is the department needs to strengthen its controls over money it collects for the revolving fund. Again we no longer report this matter as the department has strengthened its controls over money.

For the Saskatchewan Canola Development Commission, on pages 131 to 135 discusses the commission and its subsidiary, Canodev Research Inc. There are nine matters related to the commission, and these matters are:

The commission provides grants to outside parties to conduct research, and needs written agreements to ensure each party understands the other party's expectations and responsibilities. We continue to report this matter in our most recent reports.

The second matter is the commission provides grants to outside parties through the Canola Council of Canada without ensuring all grant recipients meet the terms and conditions of the grants. We continue to report this matter in our most recent reports.

The third matter is the board of directors did not clearly document their decisions in their minutes. We no longer report this matter as it has been corrected.

The fourth matter is the commission needs to update its accounting policies and procedures manual to help guide staff in an orderly and efficient conduct of business. We no longer report this matter as it has been corrected.

The fifth matter is the commission does not have a written contingency plan to ensure it can operate effectively if a major loss or destruction of its computer systems or records occurs. We no longer report this matter as the commission has prepared a written contingency plan and has tested it.

The sixth matter is the commission established its subsidiary without approval. We continue to report this matter in our most recent reports.

The seventh matter is the commission did not submit its annual report to the Agricultural and Food Products Development and Marketing Council by the date required by law. We continue to report this matter in our most recent reports.

The eighth matter is the commission did not table its financial statements and those of its subsidiary to the Legislative Assembly. We continue to report this matter in our most recent reports.

The ninth matter is the commission did not provide a list of

payees to the Legislative Assembly as recommended by PAC (Public Accounts Committee). We continue to report this matter in our most recent reports.

For the SPI Marketing Group there are five matters related to it on pages 138 to 141. These matters are: the first one, in order for the directors to govern the operations of SPI effectively they need to establish and communicate their policies. We continue to report this matter in our most recent reports.

The second matter is the directors need to . . . did not approve a budget and a business plan for SPI as a whole and for its subsidiaries and trust fund. A budget and a business plan would help the directors monitor performance against the targets and indicators established in the budgets. We continue to report this matter in our most recent reports.

The third matter is SPI did not submit its annual report to the Agricultural and Food Products Development and Marketing Council by the date required by law. We continue to report this matter in our most recent reports.

The fourth matter is SPI did not provide a list of payees to the Legislative Assembly as recommended by PAC. We continue to report this matter in our most recent reports.

The fifth matter is SPI did not table its financial statements to the Legislative Assembly. We as well continue to report this matter in our most recent reports.

The final agency that we discuss in the chapter is the Milk Control Board. For the Milk Control Board there are three matters related to on pages 142 to 144. These matters are: the board of directors did not approve a budget before the fiscal year begins. We no longer report this matter as the board of directors now prepare and approve a budget before the fiscal year begins. The second matter was the quota transfers made by the board did not comply with the law. We no longer report this matter as the board has made amendments to its legislation and now complies with the law. The third matter is, the board did not provide a list of payees to the Legislative Assembly as recommended by PAC. We continue to report this matter in our most recent reports.

That concludes our overview of the department, and if you would like I can provide additional background on each point that has not been corrected, as you address the recommendations.

Mr. Strelieff: — Thank you, Rod.

The Chair: — Again I would like to welcome the staff, and I'm going to ask the deputy minister if he has any comments before we go into specific questions.

Mr. Scott: — Thank you, Madam Chairperson. If I may just introduce the officials that I have here with me. To my right is Jack Zepp; he's the director of administration, administrative services branch with Saskatchewan Agriculture and Food. And Roy White, to my left, is the senior marketing officer of the Agri-Food Council. And Ken Petruic, manager of financial services, second chair to my right, and we also have at the back of the room, Peter Rempel, who is the director of the pastures

program, which is operated under the conservation ... (inaudible) ... And I'm Terry Scott, the deputy minister of Saskatchewan Agriculture and Food.

Just a very few comments to start off, if I may. The overview that has been presented, and obviously we're dealing with product observations on the ... (inaudible) ... fund ... (inaudible) ... Saskatchewan Pork International and the Saskatchewan Milk Control Board. And I would say at the outset that certainly the observations that we have here on the department are very useful and helpful in terms of helping us to ensure that we continue to maintain systems of financial reliability, safeguard assets, and certainly to comply with the authorities that we operate under.

And I think that as the overview indicates, we've made some substantial progress in quite a number of areas since the audit occurred for the year under consideration. We've made I think, some progress in areas such as updating procedures manuals, reports to management — we file now much more extensive management reports in many areas. Documentation of terms and conditions of grants, I think has also been strengthened.

Since the time of the audit, documentation of board minutes from some of the agencies that are supervised by the Agri-Food Council. And establishment of clear authorities where those authorities are perhaps not as clear as they could be.

A number of recommendations I should also say, pertaining to Saskatchewan Pork International, and not to diminish clearly the value of the observations on Saskatchewan Pork International by the Provincial Auditor's office, but as most of us will know, Saskatchewan Pork International will be restructured in the near future. So I suspect our efforts in terms of following up on the observations that are yet outstanding will focus more on the new structure as opposed to the structure that we're moving away from. But as I say, certainly not to diminish the observations that were made in that particular fiscal year.

And as mentioned, there are a couple of items that are still outstanding from some of the agencies that report to the Agri-Food Council. And just to get a bit of a perspective on those agencies, there is an agriculture or an agri-food Act that certain agencies are set up under. These agencies — including the Canola Commission and Saskatchewan Pork International — being two of them that are being discussed here today. These are producer-elected bodies. They handle producer money collected through check-offs. In the case of SPI of course, SPI has marketed product on behalf of producers for quite a number of years.

And they're in that area of question in terms of what the right approach to holding them accountable right through to the Legislative Assembly is. And I think that's one area that we continue to review and discuss with the Provincial Auditor's office, as to what the appropriate procedure is there.

All of these agencies have their own built-in accountabilities. They have annual meetings of producers where they account for monies that are expended. They account for the way that they market the product, and in case of Saskatchewan Pork International, they account for the way they spend producers' money if we're talking about the Saskatchewan Canola

Development Commission. And they're also subject to the supervision of the Agri-Food Council, which is an appointed body by Lieutenant Governor in Council.

So there does still remain that question of the appropriate accountability procedures there. And we do certainly continue to work with the auditor's office on that. That also, that also I think is the genesis of the comments in regard to public reporting of lists of people who receive monies from these agencies as well. Again it relates to the appropriate method of accountability and reporting.

So I will leave it at that. I could go through each of the individual recommendations but I think we've had that. And I think we've got a pretty good perspective on where the areas are that we're still working on.

So thank you, Madam Chairperson.

The Chair: — I'll ask if there are any specific questions. We will deal with each recommendation, and so if you have anything that you don't think can be dealt with at that time you can ask now, any of the committee members.

Mr. Jess: — Madam Chair, I just want ... I don't know who to direct this question to really, but the SPI, it's not quite clear to me what ... with the change in its mandate, like what needs to be done now and what will be changed in the future. If I understand the changes correctly, I don't see where we or the auditor would have much to do with it after March 31. But I'd like somebody to elaborate a little more on that.

Mr. Scott: — I could do that I think, Madam Chairperson. The final decisions on exactly how the restructuring of SPI will occur have not yet been made. But what's happening just now is that the industry is discussing how to go about that restructuring. And they will come of course to the government with a proposal as to how they would need to use certain powers that exist under The Agri-Food Act in the future.

Now what we suspect or what is being discussed, let me put it that way, with industry at this point, is really two separate organizations — one which would be an entirely private organization which would handle the marketing of hogs on a voluntary basis for producers who want to use that marketing service.

But the other aspect of Saskatchewan Pork International, which it seems that there's a fairly strong sense from the industry that they would like to retain, is this notion of a check-off for research and market development and things that all producers in the industry feel are very beneficial for it. So that would be the second part of the restructuring. And in all likelihood that particular part of the restructuring would be done under The Agri-Food Act, which is the same Act of course that Saskatchewan Pork International has been operating with for many, many years.

It would come under a different part of the Act in all likelihood, so there would still be ... that part of the restructured operation would still fit within these agencies under The Agri-Food Act. So we would still have some similar questions about reporting relationships with the government and through to the

Legislative Assembly in regard to the check-off body itself, if I can call it a check-off body.

Mr. Jess: — That would be based on any number of hogs that went through SPI the same as it would any other hogs, is that what you're saying? But they would have to identify theirs as well?

Mr. Scott: — Yes, and keep in mind that this is all still somewhat speculative because it isn't a decision that has been made by the industry yet. But what they are talking about is not just people marketing through the restructured SPI, but they're talking about all producers contributing a check-off to research and development and market promotion and those kinds of things. So presumably product going through SPI as it's restructured on a voluntary basis, would be paying that check-off, but also there'd be a method of collecting that check-off from hogs marketed outside of that voluntary marketing agency.

Mr. Jess: — That would be the only portion of the business that SPI does if they are operating as a private that would be subject to the auditors?

Mr. Scott: — SPI operating as a private marketer would be entirely . . . it would be no different, as I understand the model they're talking about, it would be no different than say a private business corporation or a co-op set up under the relevant legislation.

Mr. Jess: — Which would not be our business.

Mr. Scott: — Which would not be a concern presumably of the Public Accounts Committee in the future. What could be of concern is the check-off part of the business, which would be set up under the Agri-Food Act.

The Chair: — Any further questions? Okay then we are going on to the recommendations.

I think we will deal with each one individually unless . . . and if anyone has any questions they would like to ask at that time. I think recommendation .15 — is that the way you call it . . . paragraph . . . (inaudible interjection) . . . paragraph one five. Okay. Do you have any comment on it?

Mr. Scott: — Just very briefly. Since the audit was done, we have created three separate manuals; so we've strengthened, I think a great deal, our activity in this area. A policy and procedures manual is updated and it's been implemented, and also an inventory control system and procedures manual as well as an administration office procedures and . . . policies and procedures manual.

And we're on . . . At least two of those manuals we're still discussing the details with the Provincial Auditor's office, and are intending to work any concerns that may still be there, into our manuals.

Mr. Tchorzewski: — Madam Chair, I think you may have answered my question. I was going to ask, have these manuals been reviewed by the auditor? But your comment is, they're being reviewed on a continuing basis, so I guess we are on the

right track then. Then I won't . . .

Ms. Stanger: — I was just wondering if . . . I noticed here that the pasture managers' procedural manual was updated. Could you give me some information on that?

Mr. Scott: — Updated and implemented effective April, 1997. And what that manual does essentially is to give the pasture managers — and we have about 56 pastures around the province and not quite that many pasture managers because some manage more than one pasture — but what that does is gives them in writing, the procedures that they are to follow when making purchases, when recording and reporting on those purchases, what kinds of approvals they need, those kinds of things that are necessary for clear financial control.

Ms. Stanger: — Would that give little more consistencies to how things are handled in the pastures, Mr. Scott?

Mr. Scott: — We expect that will be one end result, yes.

Ms. Stanger: — Well that's good news.

Mr. Hillson: — Pardon me, Madam Chair, how many of those 56 are presently involved in TLE (treaty land entitlements), or aren't you aware of that?

Mr. Scott: — Can I ask Peter Rempel to respond to that? There is of course one that I do know of.

Mr. Rempel: — There is only one that's involved in a TLE agreement right today, and that is Bapaume pasture. Witchehan Band has taken over the Bapaume pasture and we have four . . . well it's four years left of the program to co-manage the pasture with them with the idea that they're going to take it over completely in the fifth year.

And then we have Wingard pasture, which it looks like it's going to not be continuing. Hatherleigh pasture, which was signed off; Rosthern and St. Julien, which we don't know; and Smoky Burn, which we don't know. But somebody has to claim them; there are no claims outstanding against any of them.

Ms. Stanger: — Just a short question. Is that pasture procedures manual . . . does that cover the cooperative pastures too, or are they under a different mandate?

Mr. Rempel: — The cooperative pastures are handled just like a Crown land lease. So this is under the lands branch as a lease to a number of people instead of one individual. Whereas the pasture . . . Saskatchewan's pasture program is separated into individual pastures that are named in the Act, that are operated then under the revolving fund, the C&D (conservation and development) revolving fund.

The Chair: — Any further questions? Do we agree with the auditor's recommendation that we're working towards compliance?

Mr. Jess: — We agree and note that we're making progress.

The Chair: — Okay, thank you. Recommendation .20. Does the department have a comment?

Mr. Scott: — Just on this, just note one point, that we're now in the position to provide effective monthly, quarterly, and year end financial information on each pasture region and the program as a whole, which is clearly one of the issues identified by the Provincial Auditor.

Mr. Tchorzewski: — This seems straightforward to me. I think if I may just suggest that this committee notes the department developed reports that can report financial information in each pasture region on the program as a whole. And because the reports are generated monthly, quarterly, and year end, we note that progress is being made. And this recommendation may not be required.

Mr. Goohsen: — ... pastures required to be self-sufficient financially in order to continue in their operations, and that could lead to whether or not they might be shut down or integrated with other pastures, or are they done on a block system in the province?

Mr. Scott: — They're done ... what we do with the revolving fund is we look at the entire fund as a pool; so no individual pasture is required to show a profit in each and every year. Some might lose a little; in some years others would be offsetting that through positive returns. But we look at it as one pool for the entire province, all 56 pastures.

Mr. Goohsen: — So if the pool were showing break-even around the province, then the entire program continues to go along without any question? Or how would you determine that one pasture might in fact be losing money and needs to be looked at in some way?

Mr. Rempel: — What we do is we do an exact package of each pasture. So each pasture knows exactly what their budget is. We also then record the revenue for each of the pastures. And what we do is we try to look at it from the point of view of how we could end up optimizing the revenue in each one of those pastures.

And so what we have done already is we've taken a couple of pastures in relation to what you're talking about — I'll use Smeaton and Garrick pastures, both of which were borderline — okay we say one manager can manage both pastures and that way it does save us some money.

And so what we try to do, is we look at each pasture and say okay, what kind of things are there on this particular pasture that we can change to make it more profitable.

Mr. Goohsen: — Other committees, local patrons that advise in each pasture?

Mr. Rempel: — Yes, each pasture has a patron advisory committee and it consists of an elected body, like they elect it at their own annual meetings.

Mr. Goohsen: — The patrons do that. And then what is the mandate then of the system to listen to those recommendations? Or is there any kind of a guideline that they should be listened to or that they can be totally ignored.

Mr. Scott: — I think what comes out of that is, for example, a

particular pasture may conclude that in order to raise the productivity of the pasture, that we need to spend more money on rejuvenation. And I think one of things that ... one of the areas that we have increased the investment in the pastures on quite a bit in the last couple of years is the area of rejuvenation — that some pastures that clearly could be more productive than they are, and the patron groups are successful in identifying what those local needs are in their particular pasture.

So we find those patron groups extremely useful in terms of running the pastures program. It's just that we don't require them in each and every year to show a profit in their particular pasture. Because one pasture might be in a position where it needs a lot of investment to reach its potential, so it's going to lose a little money for a number of years. Others not in the same kind of situation might not require the same level of investment. But with the revolving fund we're able to make those kinds of investment decisions.

What I sense from the people, not just our pasture managers, but the pasture patrons, is that they're quite excited about this idea with the revolving fund and we have a tool that we can make good business decisions within the individual pastures, such as in the area of pasture rejuvenation.

Mr. Goohsen: — Some of the patrons have indicated to me that they don't feel that their elected committees are being listened to closely enough. And that's what brought on the question, of course.

I'll give you another more specific indication, and that of course is leafy spurge control in some of the pastures. And some of the patrons feel that the recommendations of the committees that leafy spurge be dealt with more aggressively, that recommendation is falling on deaf ears. They believe and they feel that the productivity of the pastures would be better if that type of problem were taken care of. How do you cope with that?

Mr. Rempel: — I guess I'll respond specifically to leafy spurge. I guess you have to take two things into account when you're dealing with a pasture advisory committee. One is the policy that is in existence; and the second is what the financial resources are able to bear.

And with the leafy spurge it's an expensive project. We put \$20,000-plus into one pasture. We kind of made a commitment that we were going to continue it. We're not completely happy with the results but we say that we have to keep pushing ahead on. But it's not something that you can clear up overnight. I'll tell you that is one that every patron probably has their own individual opinion on. It's a tough one.

Mr. Goohsen: — Yes, I guess it is, I'm sure.

There's another specific, and that is the use of selling hay as a supplementary income source on pastures, especially in the south-west where you can have a really good wet year and normally you would schedule your herd numbers to be for an average year. And of course down there we can have such extremes of drought and then extremes of good things that on the good years there is sometimes hay that could be cut in some of those pastures.

And they felt that that vehicle of earning extra money hasn't been progressively again taken.

Mr. Rempel: — We're in the very early stages of the revolving fund and every pasture manager has been asked to identify where extra hay and grain resources could be accumulated. And what we are trying to do is we're trying to build those reserves and utilize them for what I call late grazing programs and early wintering programs and also our bull wintering programs. So we are trying to capitalize on that.

Mr. Goohsen: — What are you doing in the area of diversification? And I'm probably drifting away from the finances here, but in the area of diversification for things like community pastures for elk, say for example, or buffalo, or sheep I guess, to be more specifically domestic, is there any kind of programs or plans for expansion of those diversifications in agriculture with community pasture programs?

Mr. Rempel: — At the moment probably the elk remains on hold because of the game farm regulations. And those regulations at the moment say that you're not allowed to have elk on Crown land. And as far as the sheep are concerned, I think that we have been talking to the Sheep Development Board and we would like to do some things with the sheep pastures to try to improve them.

They are . . . the numbers are slowly declining in the sheep pastures and we have quite a bit of looking at to see if we can improve that situation. It's not necessarily the rosier of pictures. It's something we are working on; it's not easy to resolve either.

Mr. Goohsen: — I have one more question in this area, Madam Chairman. See, the problem with the game farm seems to me really confused, at least in my mind, because I don't raise sheep or any of these other . . . (inaudible) . . . There seems to be some confusion as to whether SERM (Saskatchewan Environment and Resource Management) controls these game farms or whether the Department of Agriculture controls them. And where is the problem there and why aren't we able to resolve these kind of situations where we make a decision that buffalo, for example, could be raised . . .

I'm quite sure, you know, that the elk don't know that they shouldn't be on Crown land up North. And you may have to have a word with them because I'm quite sure there's lots of them running on Crown land. But . . . So it seems odd to me that we can't have them in community pastures. So where is the problem? Could you explain that to us?

Mr. Scott: — You may be aware that we've just recently released a consultation document on the whole area of game farming. And two departments are involved in this and it really relates to the history and how this whole industry developed.

The Saskatchewan Environment and Resource Management department is concerned about this issue because they are the department that has jurisdiction for protecting the wildlife in Saskatchewan. And so anything that develops in agriculture that uses a species of animal that is also in the wild, their concerns of course are let's be sure that we have proper separation of the

domestic animals from the wild animals so we don't get disease transmission, so we don't get mixing of the genetics for example.

It's also got Crown land issues tied up in it of course because Crown land, I think historically in Saskatchewan has been seen as one area where there is a desire to protect some of this land for things like wildlife. And so when we talk about developing a game farm industry, the question comes up: should we be developing it on Crown land. And you get both sides of the argument on that one from various people.

It's a complicated issue, I think because of historical reasons. And because the way we have structured these things in the past, one department was there to deal with the wildlife interests.

The game farming industry is a very new thing, as you'll know. It's only really about a decade old in terms of any serious development. And as a result of that there still is lots of sorting out to do in terms of who does what in the game farming industry.

Mr. Paton: — Thank you, Madam Chair. There's a comment that I'd like to make before the committee gets too far along in its deliberations and how they dispense with the recommendations of the Provincial Auditor. And I just wanted to draw to your attention some of the procedures that past Public Accounts Committee recommendations and procedures have been.

As you go through the recommendations, you'll find that the auditor and the staff here will note that a number have been resolved. And as you're going through I urge you just to kind of note that in your comments.

The problem comes up when you've got outstanding issues whereby you'll have, you know, two obvious ways to go. Either you disagree with the auditor and you may make comments to that effect. My main concern is where you agree with the auditor and how you word your recommendations at that point.

In the past, where the departments made some progress on the issue, the committee has noted the concern and also noted the progress of the department and not made a specific recommendation. In other cases where they do have specific concerns with what's happening in the department, they have made specific recommendations. And those are the ones that the government actually responds to — the report that I mentioned that I prepare on behalf of government.

So it's a little bit of a different approach where you make sure when you're dispensing with these items, that you're aware of the differences of your wording and so you actually get the results that you want. And I think this will assist you greatly when you come around to finalizing your report to the legislature.

And I noted this now because the department has made progress, and I think on some of the issues the committee is happy. And you may want to be noting that as opposed to where you think there's an outstanding concern where you're looking for action and a response on behalf of government.

So just a comment as we go ahead.

Ms. Stanger: — I certainly concur with the recommendation of the auditor on this recommendation which is on page 128. Just to go back to the financial information on each pasture. You have an advisory committee. Do you give these folks training so that they can be focused in some of the decisions that they make, especially on the financial end of it? Because I have dealt with some pasture patrons, and you get four or five of them and they all have a different opinion.

Well the thing is that they have to focus on their decisions and make it as a committee and come forward to you. Do you give them some orientation or training?

Mr. Scott: — I don't believe the pasture patrons specifically are. The training we would do would relate to the actual pasture managers who are employees of Saskatchewan Agriculture and Food. And then patron meetings occur once a year I think, Peter, in the fall. And that's where the ideas of the patrons get discussed and come forward. And we rely of course on our pasture managers to ensure that those get fed into the decision-making process for all of the pastures. So when Mr. Rempel makes decisions about where to spend the money to get the greatest improvement in productivity and meet the needs that are out there across the pastures, he presumably has a full set of information to do that with.

Ms. Stanger: — And I'd like your rationale on why you haven't included elk on the Crown pastures. I don't know if I'm in order or not. If I'm not in order, they certainly can rule me out of order. But I think you'd find that this would work really well on Crown lands, and I just don't understand the rationale of it, Terry, and I'd appreciate you telling me.

Mr. Scott: — That's one of the issues that is being dealt with in the consultation document that we now have put out. Right now in terms of operating the pastures, we are restricted by another set of regulations, the game farming regulations, which say that there's no game farming on Crown land, and of course the pastures are Crown land. So it's . . . we'll need to deal with that policy issue of game farming on Crown land before we'd be able to make decisions about what to put in the provincial pastures.

Ms. Stanger: — Are those regulations under SERM?

Mr. Scott: — Those particular regulations are under Saskatchewan Agriculture and Food.

Ms. Stanger: — Okay. Thank you. I didn't know whether I was out of order, but that's it; I'm done.

Mr. Tchorzewski: — . . . on this subject, as I understand it in the discussion here, there is the recommendation and the department is saying that they're working towards complying with this recommendation?

Mr. Scott: — Yes. Yes.

Mr. Tchorzewski: — And some progress has been made on that? Then unless there's other discussion I . . . do we move these motions, or just sort of make a comment? Okay, if it's

agreed with the committee, I think we should note the concerns raised by the Provincial Auditor under the number, whatever it is, and that the department has made progress towards complying with the recommendation.

The Chair: — Is that agreed? Agreed.

Okay the next four recommendations, I know they're ones that the Provincial Auditor said have already been handled, so I guess then we'd ask if the committee agrees and notes compliance? Okay.

Now we'll go on to 131, which is the Canola Council and recommendation .47, and I'll ask for a department comment.

Mr. Scott: — Recommendation .47?

The Chair: — On page 131.

Mr. Scott: — Okay, the commission, Canola Development Commission, has informed us that effective October '95 they require all funding recipients have written contracts, including contracts that they have had the Canola Council of Canada administer on their behalf, and there are some of those I understand. So we believe we've made some progress towards resolution of this one.

The Chair: — Okay, you've made some progress?

Mr. Tchorzewski: — So we're talking about the recommendation, the department should control and safeguard money it collects in the fund? Am I on a different one? Because I was . . .

The Chair: — .47.

Mr. Tchorzewski: — Okay tell me what it says.

The Chair: — The commission should have written agreements for all grants. These agreements should set out all terms and conditions of the grants.

Mr. Tchorzewski: — Okay, got you. Okay, sorry. I was on the wrong page.

The Chair: — So you have made some progress towards this?

Mr. Scott: — We believe that one has been resolved. The commission has advised us that they now have established a policy of having written contracts, clear terms and conditions, for all of their funding arrangements that they have with the recipients.

Ms. Stanger: — Mr. Scott, would you explain what you mean by written contracts. I concur with the recommendation of the auditor, but I just wondered how that improved.

Mr. Scott: — As I understand the concern of the Provincial Auditor's office — and I won't try to describe that in detail; perhaps it's best to have the auditor's office representatives do that — but some of the funding arrangements were not well enough spelled out in writing. So that the expectations of the commission as to what they were looking for from the

researcher or the scientist, were not clearly enunciated.

And so the advice was to ensure that those contract arrangements are very specific; the terms and conditions very clear, and with reporting arrangements built in, as well. That's my understanding. Hopefully that gives it in general terms.

Ms. Stanger: — Thank you.

Mr. Tchorzewski: — So all funding recipients are required to have written contracts now?

Mr. Scott: — Yes.

Mr. Tchorzewski: — Okay. It seems to me then that we note once again that we should note the concern and the recommendation of the auditor's department and note that the department has complied. Am I correct in that?

Mr. Strelloff: — Madam Chair, members, our understanding is that the commission, for all new contracts have set in place a recommendation, and there's still some old contracts that are still — or old agreements — there's still written agreements are not in place. But from a perspective basis, things are much better.

Mr. Tchorzewski: — Thank you. Anyway, that's . . . And I said department. It's the Saskatchewan Canola Development Commission has complied — is complying.

Mr. Scott: — The development commission, yes.

The Chair: — Everybody's happy?

Mr. Scott: — These are not . . . these agencies are not part of our department.

Mr. Tchorzewski: — That's right. That's why I wanted to correct that.

The Chair: — Okay. We go to the next recommendation, 10, .52. The commission should ensure all grant recipients meet the terms and conditions of the grants.

Mr. Thomson: — Madam Chair, perhaps the easier way to go through this is to hear the auditor's concern first and then hear the departmental response.

The Chair: — Sounds good. Okay.

Mr. Thomson: — And in particular in terms of whether they've complied or not in the auditor's view.

The Chair: — We did that already. He's already told us, done or not done. So that's why I was . . .

Mr. Thomson: — So is this done? So can we just recap as we move along?

The Chair: — It's not done. That's why I read it.

Mr. Thomson: — Okay. I'm with the program now.

The Chair: — Okay. That's why I'm going to the minutes.

Mr. Thomson: — Well I was riding slowly by. It's Agriculture. I mean, pastures and growing grass . . .

The Chair: — I'm asking the officials if they have any other comment.

Mr. Scott: — The Canola Development Commission has informed us that they do not require that all funding recipients submit scheduled interim reports. And that they're meeting . . . or that they're requiring, I should say, the recipients to meet evaluation criteria before payments are released. And a final report is obviously required before final payments are made. And that includes the contracts that are administered by, again, the Canola Council of Canada. So that's . . . we believe that at least prospectively we have this issue also resolved with the Canola Development Commission.

Mr. Strelloff: — Madam Chair, and members, my understanding is that the commission has made some recent changes to this item that our office hasn't yet seen but has seen progress on related matters.

Mr. Tchorzewski: — So I guess in this case we do have a recommendation by the auditor, we do have the department saying that the Canola Development Commission is making progress and complying because the work is being done and you confirm that.

Mr. Strelloff: — Madam Chair, Mr. Tchorzewski, some of the matters that he . . . that Mr. Scott referred to are more recent and we haven't, I've been advised, we haven't seen that yet — that part — but we understand from the past that there has been progress made.

Mr. Tchorzewski: — So I think we should note the auditor's recommendation as stated and also note that the Saskatchewan Canola Development Corporation has shown progress in complying . . . towards complying with this recommendation and is working on it.

The Chair: — And you concur with the recommendations?

A Member: — Yes.

The Chair: — Okay. So you concur and note progress. Okay.

Okay, resolution .56 . . .

Mr. Whitmore: — Excuse me.

The Chair: — Yes?

Mr. Whitmore: — Concur and no progress?

The Chair: — Note.

Mr. Whitmore: — Okay. My hearing is off here so I was wondering to myself.

The Chair: — Okay. Let's go on to .57, was that the auditor has noted that this has already been handled so this is . . . the

recommendation is that it has been . . .

A Member: — Noted and it's been complied with.

The Chair: — Yes. No. .62, the commission should update its accounting policies and procedures manual. The auditor has noted this has also been handled.

No. .65, the auditor has noted this has been handled. Okay, so again.

Now we get to one where we're not. No. .69, the commission should obtain Lieutenant Governor in Council's approval before creating subsidiaries. I'll ask the officials for a comment.

Mr. Scott: — Yes, this is one where the Canola Development Commission incorporated an organization called Canodev in 1994, and the reason they did that was to reclaim income tax credits that were available for research and development. And they went ahead and created Canodev after receiving legal opinion confirming that they had sufficient powers to in fact take that action.

Subsequently, the Provincial Auditor has identified that in the view of the Provincial Auditor there is not adequate authority to have done that; that a Lieutenant Governor in Council order should have occurred prior to the creation of Canodev. . . (inaudible) . . . does not have the authority to have done that; that . . . (inaudible) . . .

I think we're dealing here with, one, perhaps a difference of legal opinion and we are going to be reviewing this question. The Canola Development Commission is certainly interested in ensuring that they do comply with whatever requirements are, and I would look forward I guess to further discussing this when we're with the Provincial Auditor.

Mr. Tchorzewski: — Did I hear you say that you've taken some initiative to get clarification of authority beyond the two divergent legal opinions?

Mr. Scott: — Yes, the Canola Development Commission wants the grey area resolved. So one way or the other — and I'm not in a position to say today which way it would go — but we do need some further discussion on that one.

Mr. Hillson: — Madam Chair, do I understand you to say that you do have legal opinions to the effect that subsidiaries can do that which the parent cannot?

Mr. Scott: — The Canola Development Commission had a legal opinion prior to setting up Canodev that it had the legal basis to do that.

Mr. Hillson: — Without order in council? Without questions by legal authority or order in council?

Mr. Scott: — Exactly, without Lieutenant Governor order in council.

Mr. Hillson: — And are you in a position to file that opinion with this committee?

Mr. White: — We can do that but we don't have it with us right now. It's not bound for market yet.

Mr. Scott: — I think we could. I would certainly be happy to check into that but I suspect there's no reason why we couldn't.

Mr. Hillson: — And I guess, legal technicalities aside, does it not strike you as odd though that a subsidiary would do, as you say, that which the parent cannot do?

Mr. Scott: — The subsidiary is not really doing anything that the parent cannot do in terms of its fundamental powers to spend monies to conduct research on behalf of the canola industry or to do market promotion and development. All that Canodev does, is ensure that that expenditure is eligible for the research and development tax credits that are available through Revenue Canada. So it's not a change in the powers. It's that a different structure of organization has eligibility for these credits and another one doesn't.

Mr. Hillson: — So it's not actually as if, you know, they went out and say bought another company without telling the people of Saskatchewan about it.

The Chair: — We have Andrew, and the Provincial Auditor.

Mr. Thomson: — I'll defer to the auditor if he wanted to comment first.

Mr. Strelieff: — Madam Chair, members, just to elaborate on Mr. Hillson's question. You related this to the SaskPower-Channel Lake issues. It's not the same issue. In the SaskPower-Channel Lake issue our concern is that the subsidiary is carrying out activities that the parent can't do by its enabling legislation. In this case we're concerned that the Canola Commission cannot create subsidiaries without Lieutenant Governor approval. It's just a different issue.

Mr. Thomson: — I'm satisfied with what the auditor says. I just wanted to make sure that Mr. Hillson wasn't confused on this issue.

Mr. Whitmore: — Yes, I think it has to be clear too, in terms of the role and responsibility of the Saskatchewan Canola Development Commission, is that of market and research; and this is the arm, in terms of the subsidiary, to perform those roles and responsibilities and allow for tax credits to be utilized too, particularly from the federal government.

And I think one has to recognize that it's not one to set up a business entity in a sense to go out and do business in competition with other entities in the canola industry. This commission is one where all producers come together in terms of dealing with marketed research. And I think that has to be clear in terms of the role and responsibility.

In terms of the legal aspect of the establishment of the subsidiary, I think it has to be noted too that the department is working with the commission to try and deal with these kind of things. And I think the commission has recognized that there is a problem and we have to come to grips with that problem in accordance with the Provincial Auditor to deal with that. And it may be found in a regulatory way rather than a legislative way

to come to some solution in that area.

Mr. Tchorzewski: — I just speak for myself, but every time we get in a situation where there is a legal opinion on one side and there's a legal opinion on the other side, that the committee finds itself in a bit of a dilemma. So I think that the best thing for us to do in this kind of situation is to recognize, and I'll come to the recommendation in a minute, recognize that the department is in the process of seeking some clarification of this. I want to ask, is it by seeking a change to regulation, legislation, or some other way, or can you say?

Mr. Scott: — Well I think, if for example we were to follow up on the Provincial Auditor's recommendation, what it would take would be a regulatory change to the Canola Development Commission's powers. That's one option.

Mr. Tchorzewski: — I would then recommend that the committee at this time, because of the conflicting legal opinions, not approve the auditor's recommendation, notes that the department is seeking some clarification of its authority . . . of the authority of the Saskatchewan Canola Development Commission, and looks forward to further report on that.

Mr. Hillson: — Madam Chair, I do not concur with that, in that I think that we should make note first of all of the undertaking to file legal opinion. But I think beyond that, as I say apart from legal technicalities, I think that this committee should go on record as saying order in council is the proper way to proceed, and therefore I would concur in the auditor's recommendations.

The Chair: — Since there isn't an agreement then, we need a motion for somebody to put.

Mr. Tchorzewski: — I'll so move my motion then.

Ms. Stanger: — Madam Chair, may I make a suggestion for tomorrow — that we have a binder of blank pages for Mr. Hillson so that he doesn't have to look for more paper.

Mr. Tchorzewski: — The motion is:

That the Public Accounts Committee does not at this time agree with the auditor's recommendation and notes that the Saskatchewan Canola Development Commission is seeking to clarify its authority and asks that this be reported to the Public Accounts Committee when completed.

The reason I put it this way is then there'll be an accounting and we'll be able to review it again. And at that time we may very well agree with the auditor.

Mr. Hillson: — Yes, thank you, Madam Chair. I'd like to move an amendment:

That we also in the report note the undertaking to file the legal opinion obtained.

Mr. Tchorzewski: — You've given an undertaking to provide the legal opinion, right? Madam Chair, I think the department gave an undertaking to provide that legal authority.

Mr. Scott: — Yes we did.

Mr. Tchorzewski: — Okay so that's fine.

The Chair: — Okay, so then we have the amendment. Okay. And the amendment is going to add the following words:

That undertaking to file the legal opinion is obtained.

Question? Agreed? Okay.

Mr. Hillson: — I have a further amendment, Madam Chair. I further would like to add a further amendment:

That we express our preference for the approach recommended by the Provincial Auditor.

The Chair: — I understand that's another expanded negative that changes the motion.

Mr. Hillson: — Well except Mr. Tchorzewski's motion does not say we are opposed to the auditor's report, it just says we don't express a view on it at this time.

The Chair: — It says we do not agree.

Mr. Tchorzewski: — No I didn't say that.

The Chair: — I'll read the motion. The motion says:

The committee does not at this time agree with the auditor's recommendation and notes that the Saskatchewan Canola Development Commission is seeking to clarify its authority and ask that this be reported to the next committee meeting when completed.

Okay, so this one is out of order.

Mr. Hillson: — With all due respect, I challenge the Chair's ruling. I think that my amendment should stand and is a good amendment.

The Chair: — I also understand it's not in the form of an amendment, so I guess I have to ask if the committee is going to agree with me.

A Member: — Sustained. Agreed.

The Chair: — Thank you. And now we'll go to the motion, which I've read. Do you want me to read it again?

A Member: — Just the question.

The Chair: — The question: does everyone agree with the motion? Opposed? Okay.

Mr. Hillson: — I request a recorded vote, Madam Chair.

The Chair: — Agreed? Those who agree? Six. Opposed? One.

And just noting to the department officials that you'll be submitting 15 copies to the Clerk.

We have ... That is no. .69. No. .73, ask for officials' comments.

Mr. Scott: — Is there an outstanding issue here? I think we've got this one resolved, if I'm not mistaken.

A Member: — Not according to them.

Mr. Scott: — Oh, I'm sorry. The Act, The Agri-Food Act, was amended to deal with this issue and the Agri-Food Council subsequent to that approved an extension of the reporting limit for the Saskatchewan Canola Development Commission. So I believe there's no further action required as a result of that.

Mr. Strelloff: — Madam Chair, members, Mr. Scott is right — that is resolved.

Mr. Tchorzewski: — We comply, we comply.

A Member: — We agree and we comply.

The Chair: — Concur?

A Member: — Concur, yes.

The Chair: — Okay, then we're going to no. .79, ask for the officials' comment.

Mr. Scott: — The question here ... I said in my opening remarks that there are some outstanding questions around the accountability of these agencies that are established under The Agri-Food Act. These agencies are ... they're producer-elected bodies that run them. They do not handle government money. They have an accountability system that has those producer agencies accountable directly to the producers that run them and that fund them and that those agencies make decisions on behalf of.

In addition to that, these agencies file their reports annually with the group known as the Agri-Food Council established under The Agri-Food Act. And as a result of the particular unique nature of these agencies, it's our view, since the Act itself, The Agri-Food Act, does not require the tabling of their annual reports in the Legislative Assembly, that there is no, in fact, no requirement that they do so. Now I do understand that this is not the position of the Provincial Auditor's office.

The Chair: — Do you have another comment?

Mr. Strelloff: — Madam Chair, members, our comments or position is set out in paragraph .75 to .80 and basically it revolves around the facts that the commission is a corporate body and the government controls the commission and its subsidiary through the Agri-Food Council, and as a result the commission is a government corporation managing public money. Because the commission is ... or the government controls the commission through the Agri-Food Council. And then in past meetings, the Public Accounts Committee has recommended that all government corporations table annual financial statements in the Assembly.

So for those organizations the government controls, they are required to table financial statements in the Assembly, and the

government controls this commission through the Agri-Food Council. So that's the link.

Now from what I heard from Mr. Scott, because the commission receives its money through check-offs from producers, it seems like it's not public money. But for the definitions in The Provincial Auditor Act and for the purposes of our dealings with this committee, the government controls the commission through the Agri-Food Council and therefore it's a government-controlled organization. Therefore by tabling its financial statements, it allows members to find out, ask questions about, what the government is doing through its ability to control this corporation and others.

The Chair: — I have Andrew, then Vi, then Walter, then Ed.

Mr. Thomson: — So could I just ask for Mr. Scott's response to that then? What is the nature of the control in terms of this particular — what is it, a council now? — that we're dealing with. What is the relationship between the Department of Agriculture and the council? Is there a control relationship or a reporting relationship?

Mr. Scott: — There is a reporting relationship between these agencies and the Agri-Food Council which is staffed from within our department. This Agri-Food Council is appointed by a Lieutenant Governor in Council, and the Minister of Agriculture and Food is the minister responsible for that council.

The council's powers with respect to the agencies that are established under it are powers of general supervision. They deal with questions of whether, for example, a quota allocation by the Saskatchewan Commercial Egg Producers' Marketing Board was done according to procedures as laid out in their marketing plan, which are essentially regulations.

The agencies themselves are an unusual creature in the sense that they are ... they have that level of accountability to the Agri-Food Council but yet they have their own, built-in accountability with their producer members because their producer members elect them and they also fund them. There is no government money that goes to these agencies. The Department of Agriculture and Food does not fund them. The only time we would ever fund them would be on some kind of a project or a grant to ... that would be project related. And that would be picked up in the normal process of auditing Saskatchewan Agriculture and Food.

Mr. Thomson: — But as I understand the auditor's argument — and correct me if I'm wrong — the auditor's argument is that this public money is defined under his Act, which says that the money is:

collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;"

How do you respond to that?

Mr. Scott: — This goes back many years; and we've had

discussions within the government and with the Provincial Auditor's office and I certainly respect their opinion. Over the years this is an area where the department and the advice that we've been getting I guess differs with the Provincial Auditor's view.

And if we were to require that all of these boards and agencies report, file their financial statements to the Legislative Assembly, and as we'll see with some of the other recommendations, file lists of whoever received payments from those organizations, what we would end up seeing is every — in the case of Saskatchewan Pork International — every hog producer who had a hog sold by SPI on his or her behalf would have that payment publicly listed for public view.

And I do know that some of these agencies would have tremendous difficulty with that kind of a system of accountability. What they feel would be their confidential information — how much revenue I get from raising hogs or in the case of the milk control board, how many milk sales I have — that would all be open for public view. And it strikes me that would be not appropriate.

Mr. Thomson: — So may I ask hopefully one final question then? So the argument here is one in terms of not the auditing of the fund — because the auditing occurs and you have access to those funds and it's reviewed — the question is a reporting one.

Is there a requirement under The Tabling of Documents Act that would cover this particular area? Okay, so this is not a statutory requirement now that's not being adhered to, this is an expansion or an improvement or an enhancement or whatever you want to call that.

Mr. Strelieff: — It's something that the Public Accounts Committee has recommended in the past, that they wanted to have access to all the financial statements, annual reports of all organizations that the government controls. So remember, the government controls this organization through its powers through the council and the Ag-Food Council.

Mr. Thomson: — See, I can understand the argument that it's public money, under the definition of your Act. I'm not however sure it's a government organization in terms of the nature of the control and I'd have to give some thought as to how that control works, but it sounds fairly distant to me.

Mr. Scott: — I think it is quite distant. When I think of the kinds of activities that these boards undertake, like if the government does not make decisions about where Saskatchewan Pork International markets hogs, if it doesn't make decisions about the level of price that the Milk Control Board sets . . . We don't make decisions about who gets the money from the Canola Development Commission to do the research. Those are all decisions that are made by the producer boards who are elected by the producers who make the contributions of research check-offs and who those agencies market, in some cases, product on behalf of.

So while the government, through the Agri-Food Council, has some very general watchdog kinds of powers, it would be a stretch in my mind to think of the government as being in control of these agencies.

Ms. Stanger: — Mr. Scott, it would seem to me that some of these agencies would find this fairly intrusive because it is their money; they have their own auditing systems — and just tell me if I'm correct in this logic — they use a check-off; they have their own financial statements audited. That is done. The ag and food Act generally runs them, but they specifically make the bylaws that govern their body.

It would seem to me, seeing as . . . a government's role would be to make sure that things are done properly, but specifically that wouldn't be our role, to look at that money. Am I right in general, or what?

Mr. Scott: — The Agri-Food Council receives a copy of the financial statements from the agencies that report to it. The main check in that system, or the main accountability I would argue, would be the tabling of that financial statement at an annual meeting of the producers whose money it is. And the Agri-Food Council would have some general oversight powers with respect to these agencies.

As far as the Agri-Food Council intervening in how the financial control systems work, I would describe that as relatively minimal.

Ms. Stanger: — So something like this would be seen as intrusive by their people.

Mr. Scott: — I would suspect so.

Mr. Jess: — Yes, Madam Chair. I suppose I have much the same question but maybe somebody can clarify it for me. Is there a distinction here? It seems to me that the government does control . . . in effect controls the council at least in one sense, but not the cash, so to speak. That's why I'm questioning whether we should give approval to the auditor's recommendation.

Mr. Tchorzewski: — I've listened to the discussion and I've looked at the information I have and it seems to me that I hear references about . . . to a former recommendation of the Public Accounts Committee about all these reporting. And I'm not sure that it was meant to be quite that blanket.

I was not here in the debate, but if I had been here in the debate I know I would have certainly been cognizant of some of these unique circumstances where we have, one would have to say, a pretty independent bodies that fund themselves, that report regularly and explicitly to their members, as does the Canola . . . the Saskatchewan Canola Development Commission. All this is provided.

The people who are the stakeholders or the owners are reported to. And I'm not sure, as Ms. Stanger has just pointed out, that by going beyond that we're not even going beyond what we ought to be doing here and becoming a little intrusive in some of those operations.

I don't want . . . so I think what we need here is a specific recommendation of this committee and I'm prepared to move one if that's okay with you.

Okay, my recommendation, if the committee accepts it, is that

Public Accounts Committee — and I've got it written out this time:

That Public Accounts Committee recommends The Agri-Food Act is the relevant legislation for supervising the activities and operations of boards and commissions such as the Saskatchewan Canola Development Commission. The Act has a supervisory structure in place that ensures financial reports are scrutinized not only by the producers who fund all the activities, but also by the Agri-Food Council, which is charged with the responsibility of reporting to the Minister of Agriculture and Food. The Act has no requirement for tabling financial statements of boards and commissions in the Legislative Assembly.

That was mentioned earlier as well.

I would so move. And I've just got one small sentence to finish here.

Mr. Hillson: — Yes, Madam Chair, doesn't that amount to a legal opinion? This is a question of interpretation of the Act, as to whether or not that is a requirement of the Act. And I'm not sure that we ought to be offering a legal opinion on this matter.

A Member: — We set the laws.

Mr. Hillson: — We set the laws but we don't pass our views on providing legal opinions on what the legislature has already passed.

Mr. Thomson: — Let me address this very specific point because this has come up time and again. Legislatures have a responsibility for creating legislation, refining legislation, interpreting legislation, to ensure that it meets the objectives originally set out.

This arrogant, lawyerish attitude that only somehow lawyers, whether it be that they work for the department or whether they work for the auditor or that they are in a particular caucus, is not one that I hold. We have a responsibility to make these decisions, and we have a responsibility to make sure that they suit the needs of the legislature.

I think to argue that we should somehow abdicate that responsibility in favour of an LL.B. just does not suit what I think we are elected here to do.

On the specific motion though, I would say that I think this is an appropriate way to go and is in fact in keeping with what we've discussed previously, for instance with the cancer foundation, where we have specifically noted that even though it is public money, that we do not want disclosure of payments made to individuals.

So it appears that there is an accountability in place. And I would certainly support the vice-chairman's motion.

Mr. Hillson: — Well, Madam Chair, at the risk of sounding arrogant, while I accept that the House can certainly amend the legislation to say that reporting is not a requirement, the issue presently before the committee is whether or not reporting is

required. So I do question whether it is appropriate for this committee to take upon itself the role of interpreting legislation of the entire Assembly to say that the Act does not say that which the auditor believes it says.

And I don't think it is arrogant of me to point out that say the Assembly could pass legislation, the Assembly can amend legislation. But I'm not sure that this committee needs to take upon itself the role of interpreting the legislation. You can instead of course . . .

Mr. Tchorzewski: — I think, Madam Chair, it's not the question of interpreting. I think the member from Battlefords is wrong in what this motion says. It's not a question of interpreting legally anything, it's a question of interpreting what the Legislative Assembly intended. And we are legislators and it is our job as a committee of that Legislative Assembly to state what is our view as to what the Legislative Assembly intended. I think — at least I speak for myself and I think, I hope, I have the support of the whole committee — this is what the Legislative Assembly intended.

And I suspect if you look at the debates and if you look at the consideration of the Bills clause by clause, opposition members probably asked that question and that the answer . . . what you see in this motion is what the answer that was given in the Legislative Assembly. I have happened to have sat in some of those debates and I know that to be the case.

So it's not a legal question. It's us doing our legislative job and sort of interpreting what the Assembly intended; that's what we're elected to do after all.

The Chair: — We have a motion before us right now. Would the committee take it as read or would you like it read?

The motion then, call a question on it? Who is in favour, those in favour of the motion? Those opposed to the motion? It is passed.

Being past 4:30, we will call . . .

Mr. Tchorzewski: — We'll start with this first thing in the morning and take about 10 minutes.

The Chair: — Unless you want to finish it now. I'm open to suggestions from the committee.

A Member: — Why don't we finish?

The Chair: — Okay.

Mr. Tchorzewski: — Let's finish. No sense bringing the officials back for 10 or 15 minutes tomorrow. We can send them home tonight to watch the Olympics.

The Chair: — Next recommendation we're looking at is one from the Provincial Auditor on .83: the board should publicly record a list of persons who receive money from the board.

Mr. Scott: — This recommendation relates to the requirement for the Canola Development Commission to publicly report a list on funding activities. And the Canola Development

Commission does in fact provide reports on these activities in public each year at its annual meeting.

Now I don't know for certain exactly how much further the Provincial Auditor would want it to go than that in terms of a public report. I don't believe that in this particular one there was reference to publicizing this in the Legislative Assembly, for example, by way of a report.

Mr. Strelloff: — Madam Chair, members, both recommendations in paragraph .79 and .83 are similar. Again, first they come from a recommendation of the Public Accounts Committee that wanted the financial statements of all government corporations or agencies that are controlled by the government to table their financial statements and then provide lists of persons who receive money from the board. The actual structure of the lists, in some cases you have decided that lists of persons who've received money might only pertain to the administrative part of organizations and not to individuals who have received specific amounts of money like payments from Social Services, that there maybe some privacy issues related to those matters.

But the two recommendations relates to the Assembly wanting to know how the government is carrying out its responsibilities when it controls organizations.

For example, for the Canola Commission, the council that we referred to before which is appointed by cabinet, the council sets the fees charged — the check-off fees charged by these agencies — and they ratify all the key strategic decisions made by these councils. It was under the ag-food Act that the . . . what SPI is going to be doing, if it changes, has been decided; that the minister through the ag-food Act has the ability to decide significant strategic issues for these agencies.

So as a result, through these kinds of means the government controls the activities of these marketing-type boards. And to help legislators assess how these organizations are carrying out their responsibilities, normally they table financial statements, and in this case we're recommending that they provide a list of payees because that's what previous committees have thought to be appropriate.

It was stated earlier that this is not required by the ag-food Act, and that's the case. It's not required by the Act. It just has become good practices. So both of these recommendations are similar.

Mr. Tchorzewski: — Whoever wishes to answer; I suppose, Madam Chair, the Department of Agriculture maybe is the one. But am I correct that the members or the producers who are part of the Canola Development Commission are reported to on how the commission spends its money? For example, the commission reports to its members where it has paid some funds. Is that correct?

Mr. Scott: — Yes, that's correct.

Mr. Tchorzewski: — So the people who are actually most interested in this have a reporting mechanism. I'm not sure that this is something the legislature cares much about, as long as the producers who organize this organization on their behalf get

that information reported to them directly, and you're telling me that it is.

So what I'm concerned about . . . I'm not arguing, because I know what has to be done. I think maybe some of the interpretation of Public Accounts Committees' recommendations in the past are being taken too literally. This is not a criticism; it's a comment.

And I think we have to as a committee re-examine some of that, because maybe the wording of that — well none of my colleagues here moved it — needed to be a little more clear, to help you in the work that you do in the Provincial Auditor's department.

And I've sort of . . . I'm saying that deliberately because I think we may want to examine that. Because I have not seen it that I can remember seeing it, but hearing it mentioned as often as it's been mentioned, it seems to me there is a very strict interpretation of it because that's the way it reads. And maybe it was not intended to read that way.

Mr. Strelloff: — Madam Chair, members, Mr. Tchorzewski, in general our work is designed to help you hold the executive government accountable. And through the Acts, through The Agri-food Act and through the council, the executive government does, as you know, can control the activities and direct activities of these marketing boards. So one mechanism to help you scrutinize what is going on through these commissions and how the executive government is carrying out its responsibilities is to table financial statements and lists of persons who receive money from these kinds of organizations, and that's why we in general bring these matters to your attention.

Mr. Tchorzewski: — And I think rightly so. I do not suggest that we should disagree with your doing that. I'm suggesting that we maybe need at some point of time to clarify what the legislature means by that, and maybe in some cases, and I know in some cases definitely, the legislature needs to clarify. And it's our job to sort of recommend that to the legislature when that's necessary.

So it seems to me, if I may move another motion here, that the most appropriate way to dispose of this would be to move:

That the Public Accounts Committee recommends that Saskatchewan Canola Development Commission continue to report all information regarding funding recipients be made available to the producers who provide the funds; and

no public funds are administered by the commission, only refundable levies that are collected from the producers when the canola is marketed.

That's not to argue with what the auditor is saying because I think we still need to address that. But the purposes of disposing of this, I move this particular motion.

Mr. Goohsen: — I'd like to speak to that, Madam Chair. I think, with all due respect, that there is considerable difference between the recommendation in .83 and the one that we did in

.79. In .79 we simply were saying we want to get the government out of individual people's farm business. And they shouldn't have to account for what they're doing in their personal lives to the government because that's their business. And I fully agree with that. I think the less we have government interference in personal people's business the better. But this is different.

As I see it, here we have a situation where we're accounting for how our commission spends the money that they have collected. And I'll give an example, and I might be right off base, so you guys can correct me if I'm wrong.

If this commission were to let out a tender for somebody to do research for a particular kind of canola variety as to whether it had less acid or more acid for example, and if that tender were not properly let out, there could be a conflict of that, to say the chairman lets his brother-in-law have the contract because he doesn't tender properly. That's the kind of accountability that we are asking for in .83 that we weren't talking about in .79. And no producer could ever know that that type of conflict had occurred.

And so it is incumbent then that the legislative process provide a vehicle to check that out, because producers individually being reported to at an annual meeting could so easily miss that. They'd never have any way of knowing that. Only the auditor would have the ability to detect that sort of thing and that should be reported through the system.

So at this time I disagree with you, Mr. Co-Chair.

Mr. Tchorzewski: — Not to argue, but it seems to me the auditor does the audit now so the auditor has access to all of this and is able to be . . . able to identify that.

Mr. Goohsen: — But you don't, pardon me for butting in, but you don't identify the persons who are getting the money. There is no way then that you know that there may have been an impropriety or a conflict in the way monies were spent and who got the contracts. You have to identify. When I do my personal income tax and I buy a tractor, I have to have a receipt for the income tax man showing who I bought it from because he's the guy that got the money and has to report an income.

Also, you have the same principle here that the people that got the money have to be identified because they may have gotten it inappropriately if the system isn't a watchdog. And that is our job, is to watchdog.

Mr. Thomson: — I think the question here is really one of what type of public money this is. This is not tax money. And as such, should the list be made available to legislators who look after taxpayers' money? This is granted, under the auditor's Act, public money, but it is collected by, in this case SCDC (Saskatchewan Canola Development Commission) on behalf of the producers and it is expended back out in that regard based on their own decisions.

The question that we need to make sure of, I think as legislators, is to make sure that the money is handled appropriately and is accounted for. And in that regard the auditor should have full access to the books, does have full

access and reviews and provides a comment on that.

Beyond that though, I would think, if anything, your previous argument would hold even greater weight in this particular paragraph because it is a question of allowing them to make the expenditures that they feel necessary. My ability to review who they made any expenditures to I don't think is particularly important in that it is not taxpayer money. If there were to become a sufficient or substantive amount of taxpayer money in here, absolutely that should be fully disclosed.

But this is a producers' organization that is dealing solely with producer money. And I am comfortable that so long as it's accounted for and that the appropriate mechanisms are in place, they should feel free to continue as they are.

Ms. Stanger: — I totally agree with Mr. Thomson from Regina South. I mean it's getting to the point where I mean, people when they are putting their own money in and they are producers, if they cannot watch their own money, I don't think it's my job as a legislator to watch their money that's been taken out of their own check-off.

If they can't be informed enough at an annual meeting to come to the conclusion that there may be something done that wasn't according to Hoyle, then I don't think it's my job as a legislator to do that. If there is public money, it is my job. This is private money.

If they do not want to take the responsibility of going to a meeting and fully finding out how the money was spent, I don't think it's my job to do that, especially when it's their money. I mean we're getting to the point where people today, I don't think are as responsible as they should be sometimes. And if you don't want government interfering in your life, you certainly shouldn't be expecting it to correct things that are wrong within your own organization. You should do that. That's democracy.

So I fully support Mr. Tchorzewski.

The Chair: — We have a motion. Will you take it as read before or should I read it? Agreement for the motion? Opposed?

The motion is passed.

Mr. Hillson: — Point of order, Madam Chair. I would say that just because the electorate may have made the odd mistake at a general election is not grounds for my friend opposite to accuse the public of Saskatchewan of being irresponsible.

The Chair: — We'll go on to . . . the next one is .102, page 138. We'll go on to .102: the director should establish written governance policies. And this is on SPI. Should establish written . . . Do you have a comment?

Mr. Scott: — Madam Chairperson, on all of these to do with SPI, just to point out again that of course with the wind-up of SPI as we know it, the follow-up on these observations obviously will probably not be the issue. The issue will be with the new organizational structure, ensuring that all of the systems and the financial control and the compliance with authorities are in place for whatever piece of that falls within

The Agri-Food Act.

On this particular recommendation .102, that the directors of SPI should establish written governance policies, it's my sense that while some progress has been made on that over the past couple of years, that there would still probably be some outstanding issues that would be of concern to the auditor. But from the point of view of practicality, our effort in terms of dealing with those at this point, we think the energy would be better spent on the new organization once it's set up.

Ms. Stanger: — I wonder if we could, in compliance to what Mr. Scott said, if we could support the auditor's recommendation for paragraph .102, .110, .111, and .116 as it follows . . . the logic follows that we support these according to what Mr. Scott has said. Is there any disagreement with that in the committee?

The Chair: — Does anybody have any objections to the comments? So you are going to concur and . . .

Mr. Thomson: — Are we noting progress or are we simply in concurrence with it?

Ms. Stanger: — I think we're in concurrence.

Mr. Thomson: — Could I just ask the department officials then, is progress being made on this issue or is this issue essentially now done with because of the changes which are coming to SPI?

Mr. Scott: — Some progress has been made on this issue, but also with the wind-up of SPI in its current form, these observations will no longer be particularly relevant, I don't think. Now if the Provincial Auditor is of a different view, perhaps he could speak to that.

Mr. Strelloff: — Mr. Chair, members, these recommendations are relevant to a new organization as well and I'm uncertain as to what the form of the new organization will be. So that is still outstanding. And SPI over the last few years needed significant improvement, and I think it will still need a lot of discipline and scrutiny.

The Chair: — So are we noting that you are concurring with the auditor's recommendation?

A Member: — Yes.

The Chair: — Is there anything further that needs to be said then? Okay. Are you saying that with all of them?

Ms. Stanger: — On to .119 now.

The Chair: — Okay, .119.

Mr. Scott: — .119 relates to the same issue as we dealt with with the Saskatchewan Canola Development Commission. It's the issue of the director should publicly report a list of persons who receive money from SPI, is the recommendation of the Provincial Auditor and for . . . SPI of course is a little different than the Canola Development Commission in that SPI of course markets hogs on behalf of producers and a literal interpretation

of the recommendation would mean that all of the sales that SPI made on behalf of an individual producer would need to be publicly reported, and for the same reasons as I indicated previously, I suspect quite a number of producers would see that as inappropriate and somewhat in violation of their privacy with respect to their marketings.

The Chair: — Comment?

Mr. Tchorzewski: — Can I just ask a question? I think you earlier spoke to the changes that are likely to take place with SPI organizationally, and it seems to me that — and I'm going to ask whether you would agree to this — that it may be appropriate in this case, knowing that as of March 31 of this year the whole structure of SPI as we knew it no longer exists, that would it be appropriate for the Department of Agriculture and the Provincial Auditor to work together and determine what needs to be done as the new organizational structure develops? Does that make sense to you, or is that okay with the department?

Mr. Scott: — That would meet our needs, certainly. Yes.

Mr. Tchorzewski: — Then at least nobody gets caught by something that happens at the end but there's a process by which that happens.

Mr. Strelloff: — As chartered members that's reasonable for us as well.

Mr. Tchorzewski: — There you go. Now I may have to write another recommendation out.

Mr. Jess: — I just have a question. This is sort of almost like tabling this and we'll deal with it later right?

A Member: — No, they'll work it out. Hopefully.

Mr. Jess: — So when would we deal with it is what I'm talking about. It's not tabling it where we have to lift it; no, that's right, but it will come back again and when. Are we looking at dealing with this two months from now or two years from now or . . .

Mr. Tchorzewski: — When your new organization is in place.

The Chair: — We've had some discussion going on about when it should be looked at, Ed?

Mr. Tchorzewski: — Yes. Go ahead, Terry.

Mr. Scott: — Just a couple of observations on that. I suspect similar concerns will crop up in the auditor's report for '95-6 and '96-7 because these continue to be issues as we know. But in terms of the new organization, the first year that that organization is audited would be I think the time that Public Accounts Committee would have a look at how these are being addressed within that new organization. Does that make sense?

Mr. Tchorzewski: — Okay, I wrote something up here; see if it fits what we seem to be agreeing to. With respect to .119 to .124, because I think it sort of covers that whole package, the Public Accounts Committee recommends that the Department

of Agriculture and Provincial Auditor work together to determine reporting requirements when the new SPI Marketing Group structure is determined. Okay?

The Chair: — We have a motion. Do I have to read it again? Okay, take it as read. Question? Is there an agreement? Opposed? Okay, then that was135 was actually . . . the auditor said had been handled. So that was concurred. And .140 and .143.

Mr. Strelloff: — .143 is still outstanding. It's the same recommendation we just dealt with.

The Chair: — Yes. We're looking at .140 and .143 right now. Comments?

Mr. Scott: — On this one, the Milk Control Board is another unique creation. It's a little different than the Canola Development Commission and the Saskatchewan Pork International. Canola Development Commission and Saskatchewan Pork International are both . . . both have boards that are elected by the producers, so there's the accountability back to the producers.

But just to point out a slight variation of the Milk Control Board. The Milk Control Board is actually appointed by Lieutenant Governor in Council. The members are appointed. And the Milk Control Board does, in fact, file its report with the Legislative Assembly.

The recommendation here relates to completing a list of persons, again, who receive money from the board. And again, since the Milk Control Board is actually handling the money from sales, to do this would reveal the individual producer's marketings, which as I've indicated before, producers I think would have some difficulty with that information being published in the Legislative Assembly.

Mr. Strelloff: — Mr. Chair, members, you might want to decide that the board should continue to do what it does now in terms of publishing a list of its administrative costs, but that you, depending on how you view things, don't require a list of the producers who have received money for the reasons Mr. Scott mentioned.

And then if you make that clear, we won't bring that back to you in the future. And they'll continue to do what they do now.

Mr. Tchorzewski: — I'm easy with that.

The Chair: — The recommendation from the Provincial Auditor read that the board continue to publish a list of the administration costs but not the producers' list.

Mr. Tchorzewski: — Well that's got to be our recommendation but we'll take it as . . .

The Chair: — That's something that is agreeable?

Mr. Tchorzewski: — Thanks for your help.

The Chair: — Okay. I can't believe it. We're at no. .143. No, that is it.

A Member: — We just finished .143.

The Chair: — Okay. Done. We're done. We had so much fun we should stay for awhile. Thank you very much to the officials. We appreciate your staying later.

Mr. Scott: — Thank you very much, Madam Chairperson.

The Chair: — And the rest of the committee, we'll see you at 9:30 tomorrow morning. Tomorrow morning we have Workers' Compensation Board and we have Finance; the department officials are coming in at 9:30. But it was proposed that probably the whole time wouldn't be taken up with them, so we'll deal with Finance people first and then deal with Workers' Comp?

Mr. Tchorzewski: — I'm not . . . I mean I can't predict what will happen at a committee, but from what I see in Finance, it shouldn't take all morning and I think . . . You're not going to take all morning are you, Jack?

Mr. Hillson: — I will certainly adopt a totally reasonable position.

Mr. Tchorzewski: — Absolutely. So I think if we start with Finance and if we get it done, we can get into Workers' Compensation. Because I'm like you; I want this agenda finished. I don't want to have to come back to 1996 again.

The Chair: — Let's deal with the agenda as it is and try and work in Workers' Compensation tomorrow, whenever it works.

Mr. Tchorzewski: — Okay. And that will then discipline us into the length of our debate.

The Chair: — Any other comments? The committee now stands adjourned.

The committee adjourned at 5:15 p.m.