



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Kelvington-Wadena

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Regina Northeast

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Melfort-Tisdale

Jack Goohsen
Cypress Hills

Jack Hillson
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Saskatoon Northwest

Public Hearing: Liquor and Gaming

The Chair: — I welcome the officials from Liquor and Gaming Authority and I'd invite Mr. Innes to introduce the people he's brought with him today.

Mr. Innes: — Hi. Good morning. Thank you, Madam Chair. I have with me, Kathy Langlois on my left, vice-president of corporate services; Paul Weber on my right, vice-president of operations; and Wes Mazer, who is our manager of financial services.

The Chair: — Welcome. I trust everyone didn't have the same problems getting here this morning as Mr. Innes did to our meeting. I'll ask the Provincial Comptroller to introduce his officials.

Mr. Paton: — Yes, Madam Chair. I have with me today Cindy Ogilvie, who's a senior analyst, and Jane Borland, who is a manager in the financial management branch.

The Chair: — Welcome. And the Provincial Auditor also has familiar faces . . .

Mr. Strelieff: — Okay, the familiar faces are Bob Black, and Rod Grabarczyk is leading our work on the Liquor and Gaming Authority as well Bashar Ahmad and Fred Wendel.

As well on this, just one last comment on this luncheon. It also is going to be promoted by the Institute of Public Administration of Canada, the Regina chapter of it. And Kathy Langlois who is with us today is the president of the Institute of Public Administration of Canada on a national basis so she's here also to promote people attending this luncheon as well as of course the Liquor and Gaming Authority.

Mr. Gantefer: — Can I ask her why you're having it in January?

The Chair: — Well now we've had our commercial break. I'm going to read the statement to the witnesses before I ask the Provincial Auditor to give us an overview of chapter 9.

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 asks for written information of your department, I ask that 15 copies be given to the Clerk so

it can be tabled. And please address all your remarks through the Chair.

So we will ask Mr. Strelieff to have his officials give us an overview of chapter 9.

Mr. Strelieff: — So thank you, Madam Chair, members, and officials. Chapter 9 deals with our audit of the March 31, 1998 year of the Liquor and Gaming Authority, and of course the Authority has a number of important tasks: monitoring and regulating casinos; as well as operating retail liquor stores; and managing and operating the video lottery terminal programs.

With me today is Rod Grabarczyk who is going to provide an overview of our chapter. Rod.

Mr. Grabarczyk: — Thank you, Wayne. Good morning, Madam Chair, and members. Chapter 9 contains our audit findings and conclusions for the Saskatchewan Liquor and Gaming Authority. Also included in the chapter is the description of the background structure of the gaming industry in the province and key areas of risk that the Authority faces.

The Authority regulates liquor and gaming activities in the province. It also manages and operates retail liquor stores and video lottery terminals. In 1998 the Authority had revenues of \$526 million — a net income of 282 million. The Authority also held assets of 443 million at March 31, 1998.

Some background structure of the gaming industry in the province. Under the Criminal Code of Canada, the province must own, conduct, and manage electronic gaming devices such as VLTs (video lottery terminal) and slot machines. These devices are located in casinos and in approved liquor establishments in the province.

The Criminal Code also allows charities to obtain a licence from the Authority to operate gaming activities such as bingos, raffles, and break-open tickets.

In 1995 the government and the Federation of Saskatchewan Indian Nations made a partnership agreement called the Casino Development Framework Agreement for commercial casino development.

Currently, in addition to the exhibition casinos in Saskatoon and Moose Jaw, there are five commercial casinos in the province. They are located in Regina, North Battleford, Prince Albert, Yorkton, and on the White Bear Reserve.

Casino Regina is managed by the Saskatchewan Gaming Corporation, a Treasury Board Crown corporation. Its net profits flow to the General Revenue Fund. The other four casinos are operated by the Saskatchewan Indian Gaming Authority which is referred to as SIGA. The Authority entered into a casino operating agreement with SIGA to operate the other four casinos.

Under the Casino Development Framework Agreement a revenue-sharing formula was established. The agreement as well as The Saskatchewan Gaming Corporation Act requires a portion of the casino profits to be distributed to the First

Nations Fund and the associated entities fund. These are Crown agencies that were established by the government to distribute casino profits to benefit the First Nations people, the exhibition associations, Metis, and charitable organizations.

The Department of Municipal Affairs, Culture and Housing pays these funds their share of the profits. The percentage of profits paid to these charities depends on where the casino is located and on the type of revenue that is generated from the casino.

As I said before, the Authority entered into a casino operating agreement with SIGA, and SIGA operates the four casinos located in North Battleford, Prince Albert, Yorkton, and on the White Bear Reserve. It's a non-profit corporation. And the agreement addresses the issues of management of slot machines and table games. The Authority owns the slot machines and the profits from the slot machines belong to the Authority.

The table games are licensed by the Authority, but the profits from these games stay with SIGA and they're to be distributed to the First Nations charities.

The Authority regulates all casinos in the province and the casino regulations. Examples of areas that they regulate are the conduct and management of games of chance, internal management and control, and reporting requirements.

The chart shows what the Authority regulates and monitors. It is a rather small chart in terms of trying to get everything onto one page. But what it does indicate is that the Authority regulates and monitors the VLTs approved in liquor establishments, bingos and raffles that are licensed and carried out . . . or licensed by the Authority and carried out by charities; exhibition casinos that are operated in Moose Jaw and Saskatoon; the Casino Regina which is owned and operated by the Saskatchewan Gaming Corporation; and the casinos in North Battleford, Prince Albert, Yorkton, and White Bear which are owned and operated by SIGA.

The next chart shows the Western Canada Lottery Corporation is responsible for the maintenance, operation, and reporting of VLTs and SIGA slot machines. The Authority receives assurance on the operation of the VLTs and slot machines by way of an audit service bureau report from the Western Canada Lottery Corporation.

The Authority's key areas of risk are outlined in the next two slides. In order to carry out our audit work we must understand the key areas of risk facing an organization. The key areas of risk are those that the Authority must manage well to be successful. The key areas of risk we identify in this chapter are consistent with the key areas of risk or risks that have been identified in the Authority's corporate plan.

The following are the key areas of risk. The Authority needs to ensure responsible use of liquor and gaming products while optimizing net income from these products. The Authority needs to ensure that there's a balance between equitable licensing and revenue opportunities for charities and businesses.

The Authority also needs to ensure the integrity of the liquor and gaming industry and the Authority must develop and

maintain policies and operating agreements that are fair, clear, and contemporary. The Authority also must ensure compliance with legislation and operating agreements.

In our opinion the Authority's financial statements are reliable. The Authority complied with authorities governing its activities, and the Authority had adequate rules and procedures to safeguard and control its assets except for the matters reported in this chapter.

We made several recommendations in our *1997 Spring Report*. In this chapter we summarize those recommendations and noted progress. These matters were presented to the committee for consideration in the November 25, 1998 meeting of this committee, which we at that time presented in our chapter 12 of our *1997 Fall Report Volume 2*.

The following points were previously reported, which the Authority is working towards implementing. The first point is the board needs to define and document the financial and operational needs . . . or information needs it has. We note management provided some financial and management operational reports to the board for its November 1997 and March 1998 meetings. The board's minutes noted approval of the reports presented.

Management has told us now that the board now meets regularly and reviews the financial and operational reports, and the board minutes record all of the reports that have been received and the decisions made. Management also has informed us that they intend to work to more formally document the reporting requirements of the board.

The second point is that the Authority needs to update its written and tested contingency plan to ensure continuous operations in the event that computer processing operations are interrupted. Management has told us they continue the development of a contingency plan for computer processing and information system activities.

The third point is that the Authority needs to fully document its rules and procedures for computer system operations. Management has told us they continue to improve and refine the Authority's operating rules and procedures.

Also we have not yet completed our in-depth examination of the Authority's systems and practices for regulating and monitoring casinos operated by SIGA. However, we have developed criteria which we will use in the examination. The criteria has been discussed with the Authority's management and their agreement obtained on the criteria that they are reasonable and obtainable.

The agreed upon criteria are as follows. The Authority should have systems and practices to ensure that the SIGA operates in a manner that maintains gaming integrity. An example of this is that the Authority ensures that the board of directors of SIGA has a conflict of interest policy guideline.

The second one being SIGA manages and conducts licensed games in accordance with licences issued by the Authority. An example of that would be all blackjack games being played at the casinos have been approved and are played in accordance

with the licence issued by the Authority.

The next one being is that appropriate policies and procedures for SIGA are approved on a timely basis. An example of this would be that the Authority approves the operating policies and procedures for counting money before the casino operations begin at a casino.

The next one being SIGA is adhering to the operating policies and procedures. And the last point being that revenue from SIGA is received as complete.

We plan to report our findings, if any, on the SIGA examination in our *1999 Spring Report*.

I will now turn it back to Wayne for some concluding comments on this chapter.

Mr. Strelloff: — Thank you, Rod. Just a final comment is to express appreciation for the co-operation we did receive from the Authority's management in carrying out this audit, particularly in the areas of identifying the key areas of risks, the ideas that we talked about yesterday and the day before; and also the criteria, the preliminary criteria that we're using for our examination of the regulation and monitoring of casinos operated by SIGA, which is an important issue that we want to pursue.

And that concludes our presentation on this chapter. Madam Chair, thank you very much.

The Chair: — Thank you very much. And I'd welcome any comments Mr. Innes may have before we go to the members.

Mr. Innes: — Thank you, Madam Chair. I'll just make my comments very brief. The Authority has no disagreement with the conclusions of the Provincial Auditor and, as has been indicated during the presentation, we are working towards progress on the three areas identified. And I believe we are achieving progress on those areas.

I would just point out that the criteria the auditor has identified with respect to overall objectives of the Authority and the criteria that they propose to use to evaluate compliance of the SIGA casino operations are a reflection of the wider mission objectives of the Authority and again we are in agreement with those criteria.

The Chair: — Thank you very much.

Mr. Gantefoer: — Thank you very much, Madam Chair. Good morning, Mr. Innes, and guests. Having had the opportunity to visit with you just very recently in the past year, I'll try to stay on new topics.

One of the areas that struck me, and I'd like to pursue it, is in the recent weeks and months I noticed a lot of development on the liquor store on south Albert. And I guess the question that arose is asking what the marketing strategy of the liquor vendor system is. And it seems to be changing to be much more upscale, much more contemporary.

I don't know what the right words are but what I'm looking for

is an explanation or description of what the marketing philosophy and strategy is for the liquor outlets.

Mr. Innes: — Thank you very much, Madam Chair, for the question.

That particular store represents the high end of the Regina market for liquor products. And we have attempted to first of all update our space and other facilities in that store to meet the new market trends. We needed more space in the store so what we did was reduce our warehouse space and increase our retail floor space. At the same time recognizing that this was a high end of the market, we chose to display and emphasize products that appeal to the higher end of the market. That's not . . . That is one of the market segments that we target.

There are various other components of the market that we target specifically to as well. The Victoria store on Victoria East for example is more of a big box type of retailer, similar to the other retailers located in that area, aimed at more of a mass market. In rural areas of course, through the franchise system and the small stores, we provide a different type of market profile to meet the demands of rural markets.

So what we're attempting to do really, as demand for liquor products changes — and there's been a fair amount of change over the last decade in types of products the public demands — rye, for example, which traditionally has been our biggest seller, is declining in sales. White products — vodka, white rum — are increasing. There are different trends and changes in wine consumption for example.

So in an attempt to meet the needs of those changes in the marketplace as they change and as we perceive them change, we — as we renovate our stores and bring them up to date — have attempted to provide the kind of physical facility that will best meet the public's demands.

Mr. Gantefoer: — I certainly understand the philosophical approach in some respects. I guess it's a little more difficult to understand it in this particular market because in a competitive market, of course, you have to do that because if you don't, your competitor will upgrade and the customers will go to your competitor.

But you don't have any competition. You're operating in a monopoly, so how do you do the cost-benefit analysis of the capital investment against the return in that kind of a market or an operational loan?

Mr. Innes: — I guess I'd make a couple of points in response. First of all, in terms of the competitive marketplace, we sell only 30 per cent of the beer sales in the province; 70 per cent are sold through private outlets. So there's certainly private sector competition for that sector of the marketplace.

With respect to renovations of our stores, we feel it's important as a service to the public and to the customer to deliver to the customer the kind of service that's available in traditional, typical, private sector retail operations. We believe the customer expects contemporary and modern service and we attempt to provide that both through our physical facilities, our physical plant, and through our staff and customer assistance programs.

Mr. Gantefer: — In terms of . . . do you do like not a market analysis, but a cost-benefit analysis, the kinds of things that would identify a return on investment if you're doing the new . . . you know that a standard business practice would dictate in terms of what's a recovery time on a capital investment? You know, the kinds of management decisions that a private enterprise would have to?

Mr. Innes: — Yes, very much so. For example, in this case as in all we would, first of all, do a lease or buy analysis, and that would tell us on a long-term cost-benefit analysis which is the better option.

We would also look at the capital cost of the improvements with the idea of keeping them at a minimum while delivering the maximum level of customer service that we can. So we're very conscious of the cost of improvements. At the same time, we recognize that we need to reinvest in our aging capital plants in order to ensure that the customer receives the kind of service that he or she demands.

Mr. Gantefer: — You also . . . in business generally, one of the motivations of making those kinds of capital investments and improvements is to increase business, to increase the market share if it's in a competitive market. Do you do analyses, and have you analysis of the results of those kinds of things in terms of the effect on the gross sales if you'd like? Is that part of the motivation as well?

Mr. Innes: — To some extent yes. Just as a bit of background, I think we should recognize that over the last 15 years in Saskatchewan and really across Canada throughout North America, the consumption of alcohol beverage products has declined by a significant amount — as much as perhaps 50 per cent. So we're looking at a market that in fact is declining.

That's driven really by demographics, healthier lifestyles, those kinds of features. The market is now beginning to grow back very slowly. So the liquor business, the liquor retail business as it were, unlike many other retail or service operations is working in a situation where the actual market demand for the product has been declining steadily over a fairly long period.

Having said that, again our objectives are to maximize customer service and, at the lowest cost we can, provide facilities that are both cost-effective and meet the needs of the customers and our staff in terms of being able to serve those customers.

Mr. Gantefer: — Do you do any analysis of it? It strikes me that you see more and more of, I guess the right word is the home-brewing beer and wine products in groceries and speciality stores. Do you do any analysis of the impact of that segment of the industry on the segment that you're responsible for?

Mr. Innes: — We certainly recognize that's a component of the wider consumption pattern. We have studied trends in other provinces. Saskatchewan does not permit, on a commercial basis, operators to brew a beer or make wine for customers the way for example British Columbia and Ontario do, suggesting that our market activity in that sector is much smaller than it is in the other provinces.

At the same time it is there and we recognize that's a factor. It does contribute to some degree to the absolute size of our market base. No question about it. It's a small factor but it's at play.

Mr. Gantefer: — Did I misunderstand you when you said that you don't permit commercial brewing for direct sale or . . .

Mr. Innes: — We don't permit you brew on premises for . . . in other words it's certainly legal for individuals to buy home beer, home wine kits and make that product in their home for their own consumption. It is not legal for a private business to set up production in the business and sell that at a retail basis to the customer.

Mr. Gantefer: — How do — I don't know what the right word is — brew pubs, how do they work?

Mr. Innes: — Brew pubs are, of course, a special category. They do have a manufacturer's permit which allows them to do that.

Mr. Gantefer: — Yes, that's where I got confused . . .

Mr. Innes: — I'm sorry.

Mr. Gantefer: — . . . because brew pubs indeed do manufacture their product on premises and sell it.

Mr. Innes: — Very much so.

Mr. Gantefer: — But that's under special permit.

Mr. Innes: — It is. A manufacturer's permit.

Mr. Gantefer: — Thank you very much, Madam Chair.

Mr. Hillson: — Yes, I think you were notified that I was interested in the break-open ticket sales — the share of sales from hotels that goes to the hospital foundation in the two cities, and whether or not the new agreement could share those with foundations around the province. You were notified that I was interested in that area?

Mr. Innes: — Yes.

Mr. Hillson: — And are you able to respond to that this morning, Mr. Innes?

Mr. Innes: — I guess to say that first of all, the current licence is in effect and comes up for renewal in June of this year. We're certainly aware in the Authority that other hospital foundations have suggested that they participate in those revenues, and that's an option that we're currently considering. We would obviously consult with the Department of Health for their views on this because this essentially is a health facilities funding mechanism through the break-open ticket distribution program.

At the same time it's recognized I think, that by and large capital equipment investments in the base hospitals do serve both rural and urban Saskatchewan. And there is some rationale for higher investment levels in the base hospitals from this particular revenue source. So no decision, I guess bottom line,

no decision at this point. But we will be evaluating the various options: consulting both with the foundations and with the Department of Health.

Mr. Hillson: — Thank you. Can you tell me how much funding has been supplied to the two cities on the basis of Nevada ticket sales.

Mr. Innes: — For the year under review about three-quarters of a million dollars in net profits.

Mr. Hillson: — And I understand that's declined significantly.

Mr. Innes: — That has declined significantly since its peak in '92-93 of about 2.4 million.

Mr. Hillson: — So do you have the cumulative then over the last . . .

Mr. Innes: — I could calculate that figure for you.

Mr. Hillson: — Just give me a rough estimate.

Mr. Innes: — The rough estimate would look like, perhaps about \$7 million over the last five or six years. I can give you a precise figure if you wish.

Mr. Hillson: — Okay. If you wouldn't mind doing that.

Mr. Innes: — Certainly.

Mr. Hillson: — Thank you. So about \$7 million in the life of the last agreement but that has been declining presumably because of the opening up of other gaming opportunities.

Mr. Innes: — Primarily from competition from VLTs. VLTs are located essentially in the same sites as the break-open tickets are sold. It's a very similar game. This is a paper game and the customers are more attracted to VLTs. Recognizing that, I should add that government took a decision last year to grant an additional \$600,000 to each of the two hospital foundations in Saskatoon and Regina from the associated entities fund which we heard from earlier from the Provincial Auditor was a means of offsetting some of the revenue that the foundations have lost.

Secondarily we are working with the foundations to attempt to put into place a system of more effective marketing and supply of break-open tickets through the use of simple vending machines in the hotel sites, which they are very excited about and we hope will renew the sales base of break-open tickets to some extent.

Mr. Hillson: — When the agreement was put in place, was it just the two cities that had foundations at that time?

Mr. Innes: — I believe so. I can't say for certain, but I believe that's the case.

Mr. Hillson: — So historically that would have been the reason for not sharing around the province.

Mr. Innes: — Yes.

Mr. Hillson: — And, of course, you've correctly pointed out that the two cities do provide tertiary services for the entire province. But presumably that is taken into account in other budget grants.

Mr. Innes: — Again, that would be a budget decision primarily driven by Health. So I can't really give you any specifics on that.

Mr. Hillson: — Yes, obviously not. Not from Liquor and Gaming.

Would you agree with the principle though, that if we are going to fund health services out of Nevada sales — and I have some question about that — but at any rate if we're going to do that, at least it should be shared around the province.

Mr. Innes: — Again, I believe I have to defer to the hospital foundations and Health on this. We're not experts in health funding, sir, we're experts in the delivery and regulations of gaming and it's a funding vehicle that we're looking at here.

Mr. Hillson: — Very well, Mr. Innes. I won't push you on that. I'll maybe renew that question another . . . to other quarters. Okay. Thank you, sir.

The associated entities fund. Is there any public accounting given of that in terms of like how much is in the fund, how much is taken out, how much was taken in, how much is paid out?

Mr. Innes: — Yes, yes, very much so. It's in fact voted through the legislature as part of the annual budget. So it would appear in the *Public Accounts*, the auditor would audit the fund. An annual report must be produced and presented to the legislature.

Mr. Hillson: — I'm sorry, what would that be under then. Pardon me, I guess it's my ignorance . . .

Mr. Innes: — Municipal Affairs.

The Chair: — It's under Municipal Affairs.

Mr. Hillson: — Okay, so if I look under Municipal Affairs, I'll find . . .

Mr. Strelloff: — Yes, that's right. So we have Municipal Affairs next on the agenda, I think.

Mr. Hillson: — Okay. So it's not appropriate for this particular session then.

The Chair: — I know that that's what it's under.

Mr. Hillson: — Okay. So under Municipal Affairs, we'd have the complete accounting of what came in and what paid out?

Mr. Innes: — Correct.

Mr. Hillson: — Okay. Then I'll hold off on that. Another question too that you may not find appropriate for this forum is that we're hearing periodic rumours of a new store for North Battleford. Is that something you can . . . you can respond to in

this forum?

Mr. Innes: — I guess I could certainly comment that we are looking at our options at the present time. Our current store is not the most desirable site. We haven't made any decisions to move or not but we are looking at options.

Mr. Hillson: — So it is under active consideration then.

Mr. Innes: — Under consideration. Correct.

Mr. Hillson: — And following Mr. Gantefer, of course we know that Alberta has privatized. Have you tracked what experience Alberta's had? Has it led to any particular problems in terms of illegal liquor sales, in terms of abuse? What has been the response in terms of customer satisfaction? Do you have any information that you can share with . . . Has the Alberta experience been positive or negative?

Mr. Innes: — I do have some information I can share with the committee, Madam Chair. By and large when Alberta privatized its liquor retail distribution system, it went from about 200 government stores to a system of roughly 600 private outlets. That had a number of impacts on the market.

First of all government made a decision to increase its tax take from retail sales by about 10 per cent as part of the privatization effort so that base prices tended to creep up about 10 per cent on many of the products.

In terms of impact on customers, our sense is that in the bigger markets in the specialized stores there's a very diverse availability of products, more so than you would find in our medium-size store, certainly. There is an open pricing mechanism in place which tends to reduce the price of higher end products, but perhaps increase the price of lower end products. In a typical small store however we've become aware of customer complaints that the inventory is very limited to basically base brands, simply because smaller outlets can't afford to carry a very diverse or large inventory.

I think in terms of customer service, hours are longer and customers appreciate that. There are more sites and customers appreciate that. But I'm also hearing that customers are not satisfied with, with the selection in many of the smaller stores, having to go from one to two or perhaps three stores to actually get everything that they would like to purchase. So I think it's had mixed results in that sense.

In terms of government revenue, I believe there's not been any real change. The government still draws the same levels of revenue from the system through its taxation system as it did prior to privatization, but with about a 10 per cent boost in that revenue.

Mr. Hillson: — So at the risk of generalizing, it's maybe been good for the customer in the larger centres and not so good in smaller communities?

Mr. Innes: — Even within some of the larger centres, the smaller stores I understand are not providing a particularly strong segment to the market. In terms of its impact on employees, many of the operations of course have gone from

full-time staff to part-time staff. There's probably more employment, but much more of that employment would be on a part-time basis with of course lower pay rates and lower benefits. So I suspect in terms of its impact on the employment, that has not been particularly positive.

Mr. Hillson: — So would these now be basically minimum wage jobs we're talking about?

Mr. Innes: — Yes. By and large, yes.

Mr. Hillson: — Or something approaching that?

Mr. Innes: — Yes, yes. I should add that Ontario — when the current government was elected in Ontario — had a platform commitment to privatize along the Alberta lines, studied their system in Alberta, looked at the system in Ontario, and made a decision recently to retain the government owned and operated system in Ontario.

Mr. Hillson: — I think Ontario's twice elected governments committed to privatization but they dropped the plan after they got elected.

Mr. Innes: — Funny how that happens.

Mr. Hillson: — Okay. But just the last part of — we were having non-partisan co-operation here — but the last part of my question, are you aware of any evidence of abuse in terms of sales to minors or if there is such things as that?

Mr. Innes: — No, we're not. Now certainly with simply more numbers, higher numbers of outlets, more abuse is potentially possible. I certainly can't report that we have any evidence of, for example, the private outlets offering sales to minors or to inebriated customers. Potentially the more outlets that exist, the greater the potential that is simply through human error. But we're not aware of any reports that . . .

Mr. Hillson: — You have no information to suggest that . . .

Mr. Innes: — No, no.

I should also mention that in Saskatchewan we do have a very mixed system of delivery here. We do have, in addition to the 80 government operated stores, about 200 franchises in rural Saskatchewan which of course are all private business enterprises that as part of their service do offer retail liquor services. We also have about 450 hotels who are in the business of providing off-sale beer and wine.

So we have a pretty large number, a fairly high number of outlets, most of them, the majority which are controlled by the private sector.

Mr. Hillson: — And back to the Nevada issue. My information — I wonder if you're able to confirm it here — is that about 80 per cent of break-open ticket sales are in rural Saskatchewan.

Mr. Innes: — I couldn't confirm that. I could certainly review the data and provide that to the committee, Madam Chair.

Mr. Hillson: — If that's correct, that would certainly be

another strong argument for sharing these revenues throughout the province. I'm not asking for a response there, Mr. Innes. Thank you, Madam Chair.

Mr. Koenker: — I want to begin, Mr. Innes, by thanking you for your remarks at our November 25 meeting on the problem of false ID (identification). In reviewing those remarks in *Hansard*, I appreciated them even more than I did when you shared them because they really are very thoughtful and they indicate that you are really seriously grappling with this problem.

And I want to return to this because I think this issue is a problem not just for the hoteliers but for the Liquor and Gaming Authority. I think it's a . . . dare I say I think it's a problem because of the failure of our government to wrestle with a solution.

And I'm going to go even further than that. And I think the elected members of the government need to take responsibility for this and not people like yourself and the Liquor and Gaming Authority.

I note that the auditor identifies four risks, and the fourth one reads, and I'll quote:

The Authority must develop and maintain policies and operating agreements that are fair, clear, and contemporary. The Authority must also ensure compliance with legislation and operating agreements.

And, as I read that recommendation, I think that's certainly accurate. And yet it really points out the horns of the dilemma that I think you find yourself in when it comes to this problem of false identification. You have a mandate to regulate the hotel industry and the serving of liquor in the province and you're called to do that in a fair, clear, and contemporary fashion, and yet you really don't have the authority to secure compliance if I may say.

And I want to point very deliberately and intentionally to a correspondence that I've received within the last two weeks from SGI (Saskatchewan Government Insurance) that indicates they are working on the issue of driver's licence identification. And they hope to have an analysis of the issue done by this summer — 1999 — but then go on to say that it will take at least two years to implement any solution that they have. And to my way of thinking, I don't think this is good enough and I want to use this public forum to say that.

And I understand that you have meetings between the Authority and SGI on this issue and I want to encourage you to vigorously pursue action from them . . . (inaudible interjection) . . . Okay. And I think that there are . . . I think you might have . . . I think they need you to put some heat on them and I hope you do that.

You also pointed in your comments on November 25 to discussions you have with Justice. And you alluded to the fact or mentioned that you are reviewing the penalties associated with false identification and the penalties that accrue to the hoteliers and the penalties that accrue to the person who is passing off the false identification. I'm wondering if you could comment on those particular discussions with Justice and if

there's any movement in Justice to bring some solutions to this problem that are fair to all parties involved.

Mr. Innes: — Certainly, Madam Chair. Perhaps I could comment on both issues. First the SGI initiative with respect to driver's licences. We are in fact, Liquor and Gaming is in fact part of the committee with SGI looking at the options.

We have recently agreed to include the hotels association as a member of that committee and in fact we'll be meeting later today to review progress. And I will certainly take your comments to that committee and urge that we reach a speedy solution.

The situation as it exists today of course is we must enforce and respect the existing laws. It is an offence to produce and display false identification to gain access to a bar. And we have reviewed with Justice that issue in terms of fines. We don't have a conclusion at this point. I think part of the issue is that legislation tends to set minimums and maximums for fines, leaving the discretion of the exact amount to the courts.

And again, certainly a number of representatives from the hotel community have raised that issue, that we should have at least comparable fines or penalties for producing false ID as are in place for not requiring false ID or allowing minors to be on the premises.

Another comment I would make, Madam Chair, is — it revolves to this issue — is that there was an amendment to our legislation very recently and we'll be putting regulations in place shortly that will allow the Authority to levy fines as an alternative to suspending a bar or hotel operation for certain infractions of the law.

And that's intended to be perhaps a more mild penalty, but still a significant penalty, in cases where the infractions are seen to be moderate as opposed to severe. We would certainly retain the ability to suspend an operation where we have severe and continued violations of liquor legislation.

Mr. Koenker: — I want to, I guess conclude. I don't want to belabour this point, but conclude by also commending you for the . . . what I think was a thoughtful way of handling the concerns expressed by the Sutherland Hotel in terms of the penalties that were assessed and the review of the penalties that were assessed in that circumstance. I know you work under constraints, the constraints of the regulations and the law, but I think you handled that as best you could given the, I will say, inability or unwillingness of the larger arms of government to work toward a solution to this problem.

And I guess that's my basic beef in this situation that the other arms of government and particularly the political side of government hasn't brought enough resolve to deal with this issue. And that needs to happen and that's why I'm raising it publicly right now. So thank you very much for your efforts in this regard.

Mr. Innes: — Thank you.

Ms. Stanger: — Well you're going to get lots of compliments today, Mr. Innes, because I just wanted to say thank you. I think

that you're doing an excellent job. When I travel to other jurisdictions and stuff and see how well we have done in this province to regulate our liquor and gaming. And this is one place where I can give governments, previous governments, our government, some kudos besides yourselves, the people that carry it out and have done such a good job.

I also have a personal question. As you know of course because there's been previous comments and questions on what has happened with the Alberta experience, Lloydminster is in a peculiar position because we have privatized stores on one side of the border and our own store on the other, the Saskatchewan side.

I just want to say publicly that our store is old there, it's in a very poor location, and when you talk about upgrading, I think we could do much better because some of our . . . We could compete with Alberta's side, but we can't in the location we're in, hidden behind stores, places where nobody goes, where if even some Saskatchewan people wanted to find it, can't. And we are a very transient area.

We also are the youngest and fastest growing area in Saskatchewan and Alberta both. So it would seem an investment there would make some sense, Mr. Innes. So I would implore you — I will do this also and have with my colleague who is the minister — but I think that we should take a look at the store in Lloydminster. I haven't had great pressure to do this politically but it makes some sense.

And when I look at the whole thing, I would rather be proud of our store there than it's stuck where it is. I don't even know how it does the business it does do.

So I can just see a little more competitive type of store and I think we would draw some of that business from the . . . because you see, you're absolutely right. The privatized stores are small and they aren't as attractive and the poor people working there — I'm glad you mentioned that — are receiving minimum wage. You don't get the same kind of service as you do, and that's not their fault. It's just when you're paid minimum wage, it's very difficult to be enthusiastic about your job.

And it was really amazing because I went to a dinner, was invited and went to dinner when Premier Klein was in Lloydminster. One of the things that he mentioned is their big accomplishment was privatizing the liquor stores and the amount of employment that they had increased in this area.

It was all I could do to sit there without jumping up and saying but, sir, you have now created minimum wage jobs that nobody can live on, and part-time jobs where you had some half decent jobs, and you're not really doing that much better. So anyway I just thought I'd add all of that in. But I'd just like you to take a look at the Lloydminster store and if you have any comments I'd appreciate that.

Mr. Innes: — Just a brief comment in response, Madam Chair. We do recognize the Lloydminster store is old. It's in a poor location. It in fact as part of our five-year capital renewal plan it's up for review next year so we will be looking at options for renovation or relocation of that store very soon.

Ms. Stanger: — I have a good spot for you and I don't own it. But it's just that it's in a dynamic growing area. You know even with the oil downturn, we still have more housing starts than many other cities of that small size. It's just actually amazing. It is a growth area and anything that you invest in there you're going to get . . . it's not going to decline. It's just Lloydminster's location and the resources that we have in our area. Okay, thank you.

The Chair: — I just have a couple of questions myself unless any other members . . .

Mr. Jess: — Yes, I was just wondering if you'd be in a position to say how the profits are coming from the various casinos; which appear to be working well; and could you indicate which ones, if any, are doing better than others? Like I'm wondering if there's a relationship to the size or the population of the community and to the success of these operations. I understand, for example, that the Gold Eagle Casino in North Battleford is doing very well, but then the people of North Battleford will take a chance on anything once.

Mr. Innes: — Thank you, Madam Chair. I think it's fair to say that all five of the commercial casinos are certainly doing very well as commercial ventures. That the four SIGA casinos combined, in Prince Albert, North Battleford, Yorkton, and White Bear reserve, for the year under review will earn approximately \$20 million in net revenue. The Prince Albert casino being in the largest market, will earn about half of that amount, about \$10 million from that amount; so in that case there's a very direct relationship between the size of the market and the earnings of the property.

North Battleford and Yorkton are also doing well in the size of those respective markets. The White Bear casino does not have as strong earnings and that is directly related to the fact that there is no large permanent population centre nearby. That casino relies very heavily on summer traffic, resort traffic, and during the winter months goes through some slower periods of activity so again that's a function primarily of population and marketing.

Casino Regina — its net income for the year under review is, and I'm just picking figures here, an estimate of about \$11 million, \$12 million, in that range. Again it's doing very well. It's had some higher initial costs associated with the renovation of the rail facility which has been a real asset to downtown Regina, and again is very successful on a commercial basis.

Mr. Jess: — Thank you.

The Chair: — Thank you, Mr. Innes. I just have two issues that I wanted to talk to you about. I heard you say that, that you . . . There was some study or some information available that the more, that if there was additional outlets opened it doesn't necessarily mean there would be additional sales of liquor. Is that just what you had said?

Mr. Innes: — That's generally fair. Because our market basically is flat. It's not growing — it's probably through its major decline. We believe that if we expand the retail outlets that will spread the business amongst the existing outlets more than grow the business.

The Chair: — Then in rural areas I imagine most of the MLAs (Member of the Legislative Assembly) here have had requests from different small towns wanting to know if they can have a liquor outlet.

Mr. Innes: — Right.

The Chair: — And there's some rules about the distance between towns. And I would think that in some cases they have different cases for being able to have an outlet because of a nearby resort village or something that would be, make them a lot busier in the summertime. Has there been any movement towards changing some of these guidelines?

Mr. Innes: — We do have some guidelines that we use basically to approve or reject applications for liquor franchises in rural Saskatchewan, and I'll just share those with the committee. The minimum population of a community must be 250 and the minimum distance between the proposed site and an existing liquor store or another franchise 20 kilometres. And that's really an attempt to ensure the viability of the entire franchise market.

If we were to add, for example, 20 or 30 per cent more franchise units within rural Saskatchewan, we believe that would seriously harm the viability of the existing outlets and likely not increase service to the public because that would probably force the closure of some of the existing outlets.

The Chair: — Some of the communities, I guess the two communities that I get the most pressure from are ones that are very close to resorts.

Mr. Innes: — Yes.

The Chair: — And they say that they're, that people are bringing the liquor from the city rather than using a nearby town where at which time they would maybe pick up bread or whatever, if it's brought into a store. So if it's guidelines that have been there for awhile I think that there may be a chance to review them and at least add another clause in there saying that there's another reason or another factor that can be brought into it that maybe there should be an opportunity to re-look at some of these guidelines.

Mr. Innes: — I think that's reasonable in those kind of cases. I should add that we do review the guidelines on an annual basis with the franchise association. And of course their perspective is that we should adhere very strongly to the current guidelines in order to sustain the viability of the current system.

So it's a matter of a balance between service to the public and ensuring that we can maintain viable outlets across Saskatchewan and serve every community in rural Saskatchewan.

The Chair: — Part of doing business is to make sure that you attract the right . . . attract customers so it might just mean that another franchise would have to bring something else in. And I guess being somebody that believes in business, I think that that would probably create some opportunities.

So it's just, it's just something that a number of my constituents

have asked your department or your group to look at to see if there can't be some other way of looking at these guidelines.

And one other aspect that I wanted to ask you about is the government has been talking about doing a study on the social impact of gaming. And I know this is a government issue, but I wonder if you've been involved in it? If it's something that you're looking at? Or if you've got some thoughts on that at this time?

Mr. Innes: — Our involvement is through our partnership with the Department of Health, which is the lead agency on assessing the social impacts of gaming. We certainly have a keen interest in this.

At the same time, Health is the lead agency. They will, I understand, be conducting a measurement of the incidence of problem gambling later in 1999 once they, together with every other province in Canada, have satisfied themselves that they now have a measuring device that is reliable and accurate. That research is currently being pursued by health departments across the country to refine the measuring device to a second incident survey across Canada.

The Chair: — I understand that British Columbia does have a report that has been out for a year or so talking about it. Have you had an opportunity to look at that report?

Mr. Innes: — Yes. Several jurisdictions have done independent incident surveys in the last two or three years. There is a concern, as I understand, amongst professionals that the results are not comparable. They're not particularly reliable on a comparable basis and there is a very strong need to define a universal measuring standard against which these measurements can be taken and the same conclusions for each jurisdiction can be drawn. So that's the situation today. And as I say, I would suspect a year from now we would then have a revised impact assessment survey done for this province.

The Chair: — Okay I guess I do have one more question before I turn it over to Mr. Jess again. I've been watching . . . I watch the news. At 6 o'clock you often see that the advertising around that time is . . . they say the news is brought by Saskatchewan Indian Gaming Authority. Is this advertising budgeted directly from them or does the money for advertising come on the top of the pile before it's divided out to each group?

Mr. Innes: — No. That would be part of the basic budget for SIGA. Part of the budget for SIGA, as with Casino Regina, would include a promotional component. And that would be funded out of gaming revenues just as all of their other costs — their staff costs, their rent costs, and so on — are funded out of gaming revenues. And that would be spent before the net profits are calculated.

The Chair: — Before the net profits are calculated?

Mr. Innes: — Yes, correct.

The Chair: — Okay.

Mr. Jess: — Thank you. I want you, Madam Chair, to pay

attention to this because I'm supporting what you said.

The Chair: — I'm paying attention.

Mr. Jess: — Good. No, I just wanted to mention that the issue that you raised about the communities that are in some cases not eligible because of population or distance.

For example, I have one in my constituency that applied and they do meet the criteria as far as the distance is concerned, not as the population, not in the village. They have within a half a mile of their business an average of about 5,000 vehicles a day that goes by there. And we know about drinking and driving, so that's maybe not a strong argument, but the stronger argument I think is the . . . like why would you just consider the population of the village? I've done some checking into this and some of those farm boys in the RMs (rural municipality) around the towns, if they were encouraged, could learn to drink too. But if they're outside of the town limits they don't count and that doesn't make any sense.

Mr. Innes: — I take your point, Madam Chair. I guess a general comment — these kinds of guidelines do need to be assessed regularly because situations change over time and community populations are changing in rural Saskatchewan and we need to be aware of that. So I would first of all say that these guidelines are not cast in stone. We need to assess them and change them over time to make them as contemporary as we can.

We currently don't include rural populations because rural populations use more than one urban centre for services. So we would have some difficulty, for example, if we have two or three RMs in which we have 10 urban municipalities located of splitting that rural population up amongst the various urban municipalities for purpose of calculation of these numbers. And I'm sure we'd get all kinds of debates as to where the rural population should be allocated.

So we have traditionally relied on the urban population to this point. But you make a valid point that we need to take into consideration when we look at the numbers.

The Chair: — Thank you very much. If there isn't any further questions, we can go on to the recommendations.

I think the first one is 174. We continue to recommend the board formally define and document its internal reporting needs, regularly review financial and operational reports for management, and document its review.

I think that was that there was progress being made.

A Member: — I think concur and note progress.

The Chair: — Concur and note progress? Agreed?

A Member: — Agreed.

The Chair: — No. 2, we continue to recommend the Authority should update its written contingency plan and test the plan. Concur and note progress?

A Member: — Agreed.

The Chair: — And I believe the last one is no. 3 — we continue to recommend the Authority should fully document its rules and procedures for its computer system operations and ensure staff understand those rules and procedures. Concur and note progress?

A Member: — Agreed.

The Chair: — Agreed. Thank you very much, Mr. Innes, and your staff for coming down. We appreciate again your co-operation today.

And members, we are 15 minutes early so we'll have a break until 10:30.

The committee recessed for a period of time.

Public Hearing: Municipal Affairs, Culture and Housing

The Chair: — I don't like to see the officials waiting when they make the effort to come down, especially a large contingency like this one. And we normally have . . . I'd wait for more members to come, but by the time we introduce everyone and go through some of the overall efforts we usually do, then I'm sure there'll be more members here.

So welcome everyone, and I'd ask the deputy minister to introduce everyone here with him.

Mr. Pontikes: — Good morning, I'm Ken Pontikes, the deputy minister of the Department of Municipal Affairs, Culture and Housing. And with me are not only officials of my department, but also officials with two of the independent funds that receive funding through our department.

From the department, next to me is Brij Mathur, who is the associate deputy minister of municipal and community services; and next to Brij is Marj Abel, who is the acting director of finance and administration in the department. In the far corner, Maureen Woods is the Provincial Librarian who will address the library issues.

Over here representing the Saskatchewan Heritage Foundation is Garth Pugh, who is the manager of the foundation; and Garth incidentally is an employee of our department also. And representing the board of the foundation is Bill Hutchinson, the Chair of the board.

Behind me is Keith Martel, who is the administrator of the First Nations Fund. And I understand there are representatives from KPMG here who are the auditors of the First Nations Fund and perhaps the auditors would like to introduce them.

The Chair: — Thank you. Before we go on, I'd just ask if someone other than yourself answers questions because of the sheer numbers of people here, maybe you'll identify yourselves for the record. Thank you.

And I'll ask the Provincial Comptroller to introduce his people.

Mr. Paton: — Yes, Madam Chair, I've got one new individual

joining us — Cindy Raedeke, who's a senior analyst in the Department of Finance.

The Chair: — Welcome. And the Provincial Comptroller . . . auditor.

Mr. Strelloff: — Thank you, Chair, and members and officials. With me on my left is Bashar Ahmad who leads our work in the Department of Municipal Affairs.

Also joining us are Gord Stewart from KPMG in Saskatoon, who works with us to carry out our responsibilities at the First Nations Fund; and Jamie Wilson, who's also with KPMG in Regina who works with us in the audit of the associated entities fund.

The Chair: — Thank you very much and welcome to everyone.

Before we continue on, I'm going to read the statement that we give to witnesses as they appear 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 forth by the committee. And where a member of the committee requests written information of your department, I ask that 15 copies of that information be submitted to the Clerk, who will distribute the document and record it as tabled. And please address all your comments through the Chair.

I'm going to ask the Provincial Auditor and the officials he has with him to give us an overview of this chapter before we go to the department officials.

Mr. Strelloff: — Okay, thank you, Madam Chair, and members, and officials. The chapter is chapter 10 and it focuses on our work at Municipal Affairs for 1998. A number of the issues relate to the department and others relate to the financial statement standards for local governments as well as libraries and then our work at the heritage foundation and the First Nations Fund.

I'm going to ask Bashar Ahmad to present an overview of our chapter.

Mr. Ahmad: — Thank you, Wayne. Madam Chair, members, good morning. Chapter on the Department of Municipal Affairs, Culture and Housing is on page 179 of our fall report.

In this chapter we provide background information about the department, list the agencies and special purpose funds the department is responsible for, and provide our opinions for the department, its agencies and special purpose funds listed on page 181. In this chapter we also explain our inability to discharge our duties relating to First Nations Fund.

In our opinion, the financial statement for the funds and agencies where we have completed our work are reliable. The department and its agencies where we have completed our work had adequate rules and procedures to safeguard and control its assets, except for the matters reported in this chapter. And the department and its agencies where we have completed our work complied with the authorities governing their activities.

On page 182 and 183 we repeat recommendations we made in our fall '97 report and note progress. These recommendations relate to proper financial statement standards for libraries and local governments, and the need for the department to obtain assurance that the libraries' rules and procedures are adequate.

Your committee considered these matters in October 1998 and concurred with our recommendations. The department is making progress to address our recommendation. The department has told us it plans to require libraries to follow CICA's (Canadian Institute of Chartered Accountants') local government standards beginning in the year 1999-2000. The department also told us it proposes to start requiring local government to follow CICA standards after 1998.

The department has also begun to obtain additional assurance for conditional grants made to the libraries. We commend the department for these efforts. However, the department needs to do more work to ensure libraries have adequate rules and procedures to safeguard and control their assets and to comply with authorities and to ensure that the money the department gives the libraries is used for the intended purposes.

On page 184 we report Saskatchewan Heritage Foundation need to monitor the progress of projects to ensure the recipients of financial support comply with the prescribed terms and conditions. Management told us it is now monitoring the progress of those projects.

On page 185-186 we explain our inability to fulfil our duties to the Legislative Assembly relating to the First Nations Fund. We are unable to fulfil our duties because the fund's trustees have restricted our ability to obtain information and explanation we require to properly carry out our duties.

We reported this matter in spring of 1998 report. In October 1998, your committee considered this matter and concurred with our recommendation. We continue to recommend that the department should direct the trustees to allow our office to carry out our responsibility to the Legislative Assembly.

Madam Chair, subsequent to our meeting with the Chair of the trustees of the fund on October 16, we met with the officials from FSIN (Federation of Saskatchewan Indian Nations) during December 1998. Those officials still believe this is a jurisdictional issue. We continue to seek a meeting with the First Nations' executive committee to resolve this issue.

That concludes my remarks.

Mr. Strelloff: — Thank you, Bashar. As you can see from the chapter, the department is responsible for a wide range of organizations. On page 180 it lists the type of organizations. Most of the matters that we bring to your attention have been brought to your attention before.

That concludes our opening comments, Madam Chair.

The Chair: — Thank you very much. I'll ask the deputy minister if he has any comments he'd like to make to the committee before we go to questions.

Mr. Pontikes: — I was going to address each one of these separately and maybe we could take the questions after each one because there are substantive pieces here. If that would be fine?

I'll begin first of all with the library item and I have asked the Provincial Librarian to go through some specifics with you. But I would like to clarify one item on page 183 of the auditor's report where at the top it's suggested . . . (inaudible interjection) . . . 183 at the top.

There is a suggestion here that the department plans to require libraries to follow the CICA local government standards for financial reporting beginning in 1999-2000.

It is correct that they will be following those requirements or those standards, but I wanted to clarify that our department is not pursuing this as a requirement. We have worked with the library directors and have worked with them to get them to buy in as a partner with us on the new standards. We are not imposing it on them; they have agreed with us that this is the right thing to do and the timing is right to do it.

And the reason I raise this in this fashion is that's the same procedure that we're using with local governments, that we work with them rather than try to impose things on them. And I'll speak more about that when we get to that item but I just wanted to clarify that the way this wording is, it's as if we've imposed it on them and that's not been the approach that we've used. We've certainly worked collaboratively with the library directors.

I will ask the Provincial Librarian to go through the issues that have been raised by the auditor. We had addressed this matter generally the last time I was here in October and we'd like to be a little more specific because the recommendations are essentially the same as they were the last time and we felt that the committee needs to hear what we have been doing. So Maureen Woods is the Provincial Librarian.

Ms. Woods: — Thank you, Ken. Okay. We have met with the financial analyst from the Provincial Auditor's office and — last year — and we showed her all of our documentation and at that time we were led to believe that we were moving in the right direction and in fact it was satisfactory.

So this has come as a bit of a surprise to me and we have also noted that in the minutes of the Public Accounts that steps are being taken to comply and we thought that, so therefore we

thought, we were going in the right direction and on the right track. So the comments I'm going to make then are within that context.

The Provincial Library has taken the following actions to comply with the Provincial Auditor's recommendations. We have first of all revised the public library legislation, that means the Act and the regulations. We have reviewed library services, that's at all levels of library service.

We have articulated the goals of resource sharing for the public library system and we've been very clear to take everything within that context of resource sharing as the provincial interest and that is the ground point that we . . . the departure point that we've moved from on everything that we've done with libraries. We recognize inter-library loans and reciprocal borrowing and participation in the union catalogue as the fundamental components for resource sharing.

And we are working with a financial reporting committee to use the PSAAB (Public Sector Accounting and Auditing Board) standard for audited financial statements so that I will reiterate what Ken said earlier, that we had a request from the client base that we adopt a financial recording standard — reporting standard — that was similar for all libraries so that they could compare information back and forth. And we have complied with that — working with the client base — and they are all in complete agreement with that. And I have minutes to show all of that.

So we have a report that we've used regional libraries and that was accepted by the department and it contains recommendations for a new grant formula for regional libraries and this reflects the goals that are in the legislation. At present, libraries submit annual reports and audited annual statements to the Provincial Library.

As well they provide annual statistical data and specific financial information on separate forms and we use those then to compare back and forth. And when you . . . we can tell whether or not what someone is doing if they're reporting it one way in one set of forms, we can then compare it to another set of forms. So there is a cross-check in reference there.

We've talked about the financial reporting and the statistical information. Then we have also worked with the client base to improve the statistical information that we're collecting because when you standardize the financial piece we also recognized that we needed to standardize some of the statistical pieces. So that is in the works as well. Those will all be happening after the year 2000. And I have timelines on all of those items if anyone is interested.

In terms of the auditor's specific recommendations of safeguarding and controlling the assets — that's the first item that was identified — we have several sections of our Act that specifically speak to that. For example, the library boards are constituted as corporations and so are obligated then to follow the Act.

We also have a duty of public library boards to provide service. And that's articulated in the Act. This is by way of saying that we believe that we have clearly articulated the expectations to

the library boards, primarily through the Act and through meetings that I have on a regular basis with the directors and the board Chairs of all of the systems.

We require each library board to prepare policy statements by the Act. We also require that they make bylaws and that they have governing procedures and policies.

We also outline . . . in The Public Libraries Act, 1996 we outline financial accountability:

Every library board must keep distinct and regular accounts, receipts, payments, assets, and liabilities.

The auditors of the municipality shall audit the accounts of the municipal library board, (all the northern boards), etc.

Every regional library board shall submit its accounts annually to be audited by an auditor designated by the board.

This is all quoting from The Public Libraries Act, 1996.

The northern board shall submit the same thing and it must be audited.

We have annual reports that are required and those are submitted each year to myself and a copy to the minister. Each public library shall, by May 15 in each year, prepare a report on operations of the immediate preceding fiscal year an audited financial statement, and the municipal board shall submit an annual report and financial statements as well. And those must go to myself and to the minister.

In terms of complying with the legislation and related authorities and meeting the department's objectives, we believe that we have also done a substantive amount of work here.

In accordance with the legislative requirement, the department receives the annual reports and, if we do not receive them, we follow up on this. And this has happened and we have done the follow-up.

Also department staff attend the annual general meetings and take note of any concerns that are raised by the public. And we always have a staff person at every annual meeting of every library system.

There is also formal meetings that I hold with the library directors and board Chairs. And so again we have a communication link that happens through that context.

We have new financial regulations which were enacted in April of '98, and they outline eligibility criteria for grants that support the department's objectives for the public library system and facilitating equitable access to basic library service by all residents through resource sharing. I'm back to that context which is going to run through everything that we do.

The department articulates its expectations to the library systems by defining resource sharing objectives as outlined. And we outline it in the legislation.

So we define resource sharing as the sharing of resources between and amongst the libraries. We fulfil the purposes of the library system through the Act. We facilitate equitable access to basic services. We ensure the existence of availability through three items. The first one is everyone must report all of their holdings — that's their books and their materials that they purchase — to the union catalogue.

The second thing that they have to do is they must participate in interlibrary loans. The third thing that they have to do is participate in reciprocal borrowing.

Those three items are what we say, if you're doing those, you are participating in resource sharing.

The department can verify that public libraries report their holdings to the Provincial Library for the listing in the Saskatchewan Union Catalogue because of course the Provincial Library holds the Saskatchewan Union Catalogue. If they're not reporting their holdings, we know it. So we have a statistical analysis of that, again verifiable if you cross-reference it to the statistical summary.

We also have a statistical, annual statistical summary, that is prepared and this is quite detailed as only librarians can be. This also provides information on interlibrary loans, total catalogued books, collections, etc. We also get the annual reports then that I've mentioned earlier and those as well are crossed. Here's an example of an annual report — and I have them all in my briefcase over there — so that each one of those annual reports again has an audited financial statement and has the statistic, the primary statistics, for each one of the systems.

So the department should require the libraries to use the standards for financial statements recommended by the CICA. Again I think we've spoken to that. We believe that it is important that we have a standard so that we can compare and contrast. The systems again agreed with that and we are indeed moving towards that. And I have an outline of a timeline as to how exactly that will be implemented across the library system.

The department should tell libraries what performance it expects from libraries to meet the department's objectives. The department expects that public libraries meet the system's objections because it has a legislative objective to facilitate equitable access and I've articulated those to you before.

So it is clearly stated in that and the grant is contingent upon that. If they do not participate in the union catalogue, participate in reciprocal borrowing, participate in interlibrary loans, we do not give them a grant. So there's the carrot and the stick I think in terms of how that works.

The department should receive and verify reports on how successful libraries were in meeting the department's objectives. Again we receive the annual reports, the audited financial statements; we attend the annual meetings. In addition, the Provincial Library is able to check the information which is supplied, as I've said, against the statistical summary, and in addition, these accountability measures we believe are . . . okay, in addition to these accountability measures, we are planning a meeting with the Provincial Auditor's office . . . we had that planned to see if there was anything else that we could be doing

that would meet the standards that are required.

So that's . . . and any specifics I have.

The Chair: — Thank you very much.

Mr. Pontikes: — Did you want to pursue that one before we move on to the next one?

The Chair: — I think that would be a great idea. If any of the members have any questions — I think it's Ms. Woods? — we can go with them now. But I must tell you that I haven't been Chair of Public Accounts very long, I haven't been on this committee that long, but I can tell you that you probably are the person that has been most anxious to make sure that the public, that the auditor, and members are well aware of what you're doing and we thank you very much for your overview.

Are there questions from members?

You gave us a very detailed information. I guess for myself, I know that with the changes in the library Act, some of the smaller libraries in my area phoned and wanted to know about the granting issues and I'm sure that if I direct them to you that you'll be able to give them all the answers.

Ms. Woods: — I will certainly try.

The Chair: — Thank you very much for coming today and for your efforts.

Ms. Woods: — Thank you.

Mr. Pontikes: — If I could move on to the next one which is the proper financial statement standards, I would like to — in this one again — reiterate the points that I've made with the library situation in terms of the direction that the department is taking and that is to work with municipal administrators and municipal councils in implementing new accounting standards that are meaningful and appropriate to them.

These are the comments that I did make to the committee when I was here last October. I do have a bit of a concern here about suggestions that we would require it. It sounds very imposing and that has not been the approach that we've taken. The message that I did give to you last time that I was here is that we feel this is something that we need to work as part of an education process involving administrators, the auditing profession, and councils. And that is certainly the route that we're pursuing.

We also have the appointed task force on legislative . . . municipal, legislative renewal which is headed by Professor Joe Garcea of the University of Saskatchewan, and that committee is looking at relationships between municipalities and the province, and municipalities, their taxpayers, and their councils. And as a result of that, we feel that that will be a major component in determining what the appropriate accountability should be and the kinds of financial reporting that will be required.

As I say, in the end we certainly in the department agree that there is a need to move in this direction but it is not our

intention, even though the legislation requires . . . says that we can impose standards, that is not the way we do business with municipalities. And we will move towards that — recognize the capacity that exists in municipalities.

We're finding that while the cities are able to accommodate this because they have professional staff that can do it, the major problems occur in the smaller communities, in the RMs and small urbans that don't have the kind of accounting expertise that make them feel comfortable about imposing this, and we feel there's a big education process that is needed here.

The Chair: — Thank you. Are there questions from any of the members?

Mr. Shillington: — Just a very last question. What kind of resources are reasonably available to them to do audits then? If there aren't, if we're not meeting these . . . In their eyes, our standards are probably pretty exalted.

Mr. Pontikes: — The department has a format that has been put forward for years and the department requires that the information, the annual statements be in fact presented in that format.

The cities have, in particular, have had some objections to us imposing a format on their financial statements, so they tend to do their own thing and then reframe it. But each municipality has its own auditor; it appoints its own auditor. And our view is that this is something where the auditor and the council and the administrator should be working together. We feel that there is a great deal of education and support that could occur in that, which is very one on one, face to face.

At one time the department many years ago had a lot of people in the field as municipal advisers. We don't do that any more. So we rely very much on the standards that we set, the educational standards that we set through legislation on administrators and on a good working relationship between the council, the auditor — their auditor — and the administrator.

Mr. Shillington: — This is my experience. This is very old; it was during the '80s. But I remember at least down in the south country where I used to practise law, many of the smaller municipalities preferred to have their work done by what I think then were called GCAs — general certified accountants. Is that resolved? Are they able to do that?

Mr. Pontikes: — They can use essentially CA (chartered accountant), CMA (certified management accountant), CGAs (certified general accountant). The key is that the standards are essentially chartered accountant standards that are established nationally and accepted nationally by the accounting professions, and what is being suggested here is that the department require that these standards be performed. We're certainly advocating that they should, that they're the right thing to do. But we believe that in the smaller communities we need to go slow. And their auditors will have the standards and the knowledge to be able to help them do that.

But we do get letters from administrators who are feeling pressured and we do get letters from councils who are wondering, because of the pressure that they're hearing and the

feedback they're hearing from administrators, they're wondering whether they need this. And so even councils have to understand the value of this information before they are going to be looking at perhaps replacing their administrator and finding somebody who has even accounting standards that can do this. It's a time question.

Mr. Shillington: — I would appreciate a comment from the Provincial Auditor on this. As I say, my experience is very old but I do remember during the '80s, particularly the smaller municipalities, heavens, these things would . . . one old truck and three employees, some of these very small municipalities. I would appreciate a comment on the need for these standards in such municipalities.

I mean I have no sympathy for Regina or Saskatoon. These are very large entities. But yes, the village of Pike Lake — I picked the name out of the air — I think there are two employees and I think the assets, the largest asset is an old half-ton. You don't want to put them to a huge expense to do an audit because with the same money they could get another half-ton, probably for the same price.

It may be unrealistic . . . (inaudible) . . . the budgets. Some of these budgets are very small . . . (inaudible interjection) . . . Yes, they are.

Mr. Strelloff: — Members, and Madam Chair, there is an issue of resources for the smaller local governments. And remember, as the deputy said, each of the RMs do have public accounting firms working with them, or auditors working with them. And those auditors do help them prepare the financial statements right now. And what we were looking for is direction from the department that the expectation is that all RMs will move towards more rigorous comparable accounting practices and systems.

One of the arguments that we're hearing and receiving from our colleagues across the province in terms of professional accountants, whether they are CAs, CMAs, or CGAs, is that, well if the department doesn't require a better system of accounting — they require a whole series of forms to be prepared — and if the department doesn't say that that's important to them, then why should we bother changing?

So that's an issue that always surfaces in terms of a leadership responsibility. I'm happy to hear from the deputy minister that they are advocating; it's just a matter of how soon.

The other issue that I hear often is that if we changed the nature of how we record revenues and expenses to a more rigorous basis, it'll impact what we disclose to people on whether we've balanced the budget. If revenues and expenditures are measured more rigorously, whether revenues and expenditures are balanced becomes a more . . . it's measured in a more rigorous way.

Right now it isn't measured very rigorously, and so how a local government balances its budget from one year to the next year or from one local government to another lacks comparability and lacks consistency, and therefore it's very difficult to assess performance.

So those are the two main issues that I hear when I listen to discussions about whether more rigorous accounting standards should be used. One is, well from the practitioners, if the department doesn't say that this is important, then why should we encourage the local government to do that? And then on the other side it says, and this usually comes from local government officials, it'll impact how I portray the balanced budget report to council and also to electors.

Mr. Shillington: — I guess what's important is that some patience be exhibited with this smaller crowd. Okay thank you very much.

Mr. Paton: — I just might want to provide a little bit of clarification here. The standards that the auditor's referring to I think are fairly new, not the current year but you know in the previous two or three years where they've been developed and stated to be applicable to local government boards. So this isn't something that's been in place for 15 or 20 years and municipalities haven't been adopting them so some of these standards are fairly new.

And I know that across Canada, the CICA is pushing for the adoption of these standards on a wide basis, and I think Saskatchewan is probably pretty much in tune with a lot of other provinces. I don't think it's where Saskatchewan's lagging but if you listen to what the deputy minister had to say, they've developed a task force and they're looking at how these standards can be accepted by municipalities and adopted to suit the needs of the varying municipalities.

Ms. Stanger: — Madam Chair, I just wanted to say that I can understand having standards, and I understand what the auditor says. But some common sense also has to prevail here, because I'm not concerned about the RM of Eldon. When you look at their income and everything, they're adjusting. They're not complaining at all about anything like this — or the RM of Hillsdale or the RM of Britannia. It isn't them.

It's the village of Waseca with an income of 6 or 7,000. I mean . . . And do you know what? Nobody wants this . . . I mean this village. They can't join with the RM of Eldon which would be a solution. But if they are billed \$2,000 to . . . It just doesn't make sense. A person like myself could go over their accounts and see if it was done properly and I'm certainly not trained as a CA (chartered accountant).

What I'm saying is to the deputy and to the auditor, it isn't so much the big RMs. I mean they're fine with it. I haven't heard any complain. It's these small entities that are just finding it increasingly difficult in a complex world to come up to all these standards, and so I think that eventually something will have to be done. I don't know what. They don't know what. But I don't think you should pressure these people right now on top of everything else where you have a village of 150 people to conform to some lofty standards when common sense doesn't prevail here.

The Chair: — Can I just read something to the committee? On October 6 in Public Accounts we discussed something like this and we said the committee noted the department has established a task force in order to assist local governments to comply with the recommendations. So I guess . . . I understand all the

concerns and I agree with them, but we did deal with it. I'm just wondering if this task force has been established and if you're being able to hear all these concerns?

Mr. Pontikes: — As I indicated in my earlier comments, the task force is in place. The Chair of the task force is Professor Joe Garcea of the U of S (University of Saskatchewan). I would just like to point out sort of our department's position and say we accept the value of moving in this direction. Our concern is that the recommendations that keep coming out of this are that it's recommended that the department should require local governments to prepare financial statements.

And this is basically a difference of opinion on the way we do business in our department. We are not in the game of being a paternalistic department to municipalities. We work with them. I would much prefer that we encourage them to do this, and we would certainly work with them. And that's our intent. The task force report which is expected in the year 2000 will be talking about the relationship between the province and municipalities, and we hope out of that it will also talk about the accountabilities that councils have to their taxpayers which is the primary responsibility that councils have.

So that's been my only point of contention here is that we're being asked to be required. If this continues to be put in the auditor's report, I will continue coming back here with this as an unfinished piece of business.

The Chair: — Is there any other comments on this issue? I don't believe there's any recommendations in this issue at all that we can report to unless somebody wants to make a statement. I guess it's something that's going to have to be worked on through your task force, and hopefully there's somebody that can do some negotiating or something that will bring resolve. Continue on.

Mr. Pontikes: — Okay. I'll ask Mr. Hutchinson and Mr. Pugh to join me here as we move into the next one, which is the Saskatchewan Heritage Foundation. And the reason I've asked both of them to attend is that the recommendation here talks about monitoring procedures with respect to the various projects that the fund funds. And I think it's important to recognize that these grants are actually quite small in terms of the number of dollars that are involved.

The foundation when I came back here in October did present some comments which I related to the committee concerning the actions that they've taken in this regard. I note that in the auditor's report there is acknowledgement that management has told us that the monitoring progress is in place.

There has been correspondence from our department, from me, and from the Chair of the foundation to the auditors on what has been done. We've not received responses to that. And I guess I would like to have the foundation go through again with you what they have done. Because it appears . . . the items just keep coming back here, and I'd just like to clarify that with you. So I'll leave it either to Bill or Garth to respond to this.

Mr. Hutchinson: — Well thank you for the opportunity of addressing the committee, Madam Chair. Bill Hutchinson, Saskatchewan Heritage Foundation Chair. The auditor's recent

comments include the following note:

The Foundation does not have rules and procedures to monitor the progress of the projects and to ensure the recipients of the financial support comply with the prescribed terms and conditions.

Well the foundation is here today to assure you that in fact it does have rules and procedures regarding monitoring and compliance and applies them on a regular basis.

From our perspective the auditor's comment appears to arise out of a situation which a relatively small number of approximately 100 active accounts were not entirely up to date by fiscal year end. Now staff of the foundation advised me that their normal rules and procedures, the ones that I just spoke of a moment ago, would ensure that the accounts would be updated in due course, but at the auditor's request they have accelerated the timetable to ensure that this task is routinely done by December 31 of each year. So this new requirement, now known, will in fact be carried out on a routine basis ever afterward.

Now we regret that the auditor's comment appears to suggest that no controls exist because quite clearly this is not the case. I drew this to the auditor's attention in my letter of November 12, I believe, as the deputy minister mentioned. We're not entirely sure what the reaction would be from the auditor's office because as mentioned, we have not yet received a reply.

What we're looking for more than anything else, I understand from today's proceedings, is acknowledgement that controls already did exist previous to the auditor's scrutiny of our reports. And in fact that the improvements that were suggested, although not known beforehand, now being known, will in fact be routinely undertaken on a year-by-year basis so that we can retire this concern.

Mr. Strelieff: — Madam Chair, members, Mr. Hutchinson. I note we have received your response in November and certainly is part of our audit for March 31, 1999. We'll be looking at the steps that have been put in place. And if as a result of our audit we conclude that they're adequate, we will report that, but once we go through the '99 audit.

The other comment is that the phrasing of our words on 184, if it leads one to believe that there's nothing in place, that the foundation is run amok, that's certainly not our intention and we shouldn't phrase it that way. Certainly the problems that we found at the foundation . . . I mean there are problems but it doesn't mean that the whole operation is out of control. That's for sure.

The Chair: — We have one member but would you like to respond, Mr. Hutchinson?

Mr. Hutchinson: — Thank you, Madam Chair. Yes, I'd very much like . . . I appreciate the opportunity to respond. But we are grateful to accept that clarification because we know that all through the years in fact rigorous controls have been put in place and maintained on a year-by-year basis. But we're delighted to work with the auditor to improve that reporting and accountability in any manner that can be undertaken.

Is it possible to get some sort of a clarification further as to when your response might be anticipated?

Mr. Strelloff: — When is our audit scheduled for '99? Because that's when this will happen. In May.

Mr. Hutchinson: — In May. So at that point in time we might expect some comments that could finally resolve this issue from your perspective.

Mr. Strelloff: — I sure hope so.

Mr. Hutchinson: — Thank you very much.

The Chair: — Okay, we have Mr. Koenker.

Mr. Koenker: — Yes. Mr. Hutchinson, could you just sketch some of the contours of . . . We aren't talking about a lot of money here. Could you sketch what most of these projects involve; how much money is involved on an average basis?

Mr. Hutchinson: — Through Madam Chair to you, sir. A lot of the grants will be well under \$5,000. A few of them will be in the range of 5 to \$10,000, and on occasion they may exceed that.

The total budget that we have to allocate in any particular year, given some of the ongoing commitments that we'll have with other projects, might be in the range of perhaps a quarter of a million dollars on an annual basis. Many of our grants are as small as several hundred dollars.

Mr. Koenker: — Typically, and I know there's probably a wide range of groups that you deal with, typically what kinds of community groups are you dealing with that receive these funds?

Mr. Hutchinson: — Well, Madam Chair, a typical project might be a group of community members in a rural municipality who would like to upgrade an existing rural church. So they might in fact then apply under one of our grant programs to reinforce the foundation underneath the church and perhaps to paint the exterior and possibly to repair windows and the roof.

Any one of these things might be in the order of a few hundred to perhaps a few thousand dollars. A large project in that regard might be \$10,000, and a smaller one could be in fact 2 or \$300.

Mr. Koenker: — To you, Mr. Hutchinson, and to the auditor I say, God help you to get a project like a foundation or a roof on a rural church done in a timely basis, in my experience at least. So I . . . given that example, I have total sympathy for what the foundation must have to deal with in dealing with some of these projects.

The present congregation I'm serving has a number of projects that are just internal; they have nothing to do with the heritage foundation but we need all the help we can get to get them completed.

And so I can understand why some of the accounting details of that might be prolonged beyond anything that would be

acceptable in any normal circumstance. We're dealing with, and I suspect in a situation like that, just a mere handful of individuals who are leading some of these preservation projects forward. And I think we have to commend these people for their efforts in the individual communities.

The Chair: — Mr. Pugh wanted to make a remark before we go to Mr. Hillson.

Mr. Pugh: — Just to follow up on that point. Garth Pugh, manager of the heritage foundation.

Yes, there are a whole range of very legitimate reasons why some of these smaller, often rural, projects aren't completed in as timely a fashion as we and the grant recipient would both ideally like. And we've tried to strike a balance and we've had discussions with the auditor's people on this point.

We historically have been reasonably generous in granting extensions where we feel it's warranted. And there are many reasons, from an individual who is spearheading the project leaving the community, or someone passing away, or difficulty in fundraising, severity of weather, scarcity of capable contractors in some rural communities. There are many, many reasons why some of these projects aren't carried through to fruition at the point when it was initially determined it would be completed.

So we have to try and strike a balance in being reasonably generous in granting an extension where it's warranted on the one hand, and being prudent in our commitments to public tax dollars on the other hand.

And the auditor's people are always anxious that we err on the side of the latter rather than the former and we appreciate where they're coming from. And I think they've gained some appreciation where we're coming from on the other hand. So we try and strike what we think is a reasonable balance, given that we're dealing with public dollars that we all need to be accountable for.

The Chair: — Thank you. I have the speaking list now, starting with Mr. Hillson.

Mr. Koenker: — I just want to make a small parenthetical supplementary question or statement. I want to applaud the kind of good stewardship that you're exercising in using that discretion because I think we have to remember here we're talking about the heritage conservation restoration projects. And for me in this regard, in some respects more important than the small amount of dollars involved, is seeing that some of these historic buildings or sites are protected adequately. And if they're a group of individuals who are exercising personal stewardship to get that done with your assistance, I think we've really got to give them the benefit of the doubt.

Mr. Hillson: — Yes, I think this may be along the same vein as what's brought up, but my understanding is that Saskatchewan Heritage was set up in the '70s and there were significant funds at that time to fund projects, and that since you've really become a program without resources.

Mr. Pugh: — Well the Saskatchewan Heritage Foundation was

created in 1991 and we assumed at that point pretty much the sole responsibility for providing cost-share grant assistance on behalf of the province.

Prior to that the heritage branch and it had been in various departments, dating back to the mid-1970s, had had an active grant program ranging anywhere from several hundred thousand . . . well, from about 200 to \$320,000 per year. In 1991 the Heritage Foundation, as I said, was created based on models in other provinces — Alberta, British Columbia, Ontario — where it worked well and was given pretty much the — apart from the museums which is a somewhat different animal — responsibility for other community-based, cost-sharing heritage initiatives around the province. We're pretty much the principal funding agency that they can approach.

And our annual budget or the annual appropriation that we receive from the General Revenue Fund is \$345,000.

Mr. Hillson: — But I note that there's a reference here to 17 projects, \$31,000. That would seem to suggest . . . and there you're talking about a bit over 1,500 per project. You're talking about under 2,000.

Mr. Pugh: — It seems that as the popularity of the programs has increased and the availability of money through the foundation is becoming better, more widely known across the province, the volume of applications has increased and therefore the average grant award has fallen over time.

And the foundation also has the financial commitment to the Claybank Brick Plant a national historic site that it owns near Avonlea and there is some financial requirements for that site as well.

So it's a relatively modest annual budget that we work with, we have an ever increasing demand on those monies, and so we must exercise ever more scrutiny and rigour in applying those dollars so that they go to the most deserving projects. And sometimes, as the Chair can confirm, it's difficult when you have a grant review session with 40, 45, 50 applications before you and maybe only a hundred and forty thousand dollars to allocate. And they all have some merit. They've all met our minimum requirements so they wouldn't be on the table.

So it's tough to send some away with nothing or to send some away with less than you know they deserve, but we try and allocate the dollars as wisely as we can for the most effect and the most benefit for the communities and for the province because we are a provincial agency so we have to take a broad provincial view of these things.

The Chair: — Would you like to add a comment?

Mr. Hutchinson: — Thank you very much, Madam Chair. Mr. Pugh has spoken very eloquently about the sometimes delicate situation which we find ourselves with more requests on funding that funding available. But I think it's also worthy of note that in fact many of the requests are modest to begin with. Just to go back to our rural church as an example. It might cost only a thousand dollars to paint the exterior of the church, and if that qualifies on our grant program for a 50 per cent grant, then

the call would only be for \$500 in the first place.

So while we do have some very ambitious projects, no doubt, we also have some extremely modest ones too and everything in between. It's quite an interesting spectrum.

The Chair: — Mr. Shillington — no, are you finished? Oh, pardon me. Ms. Stanger, you have a comment?

Ms. Stanger: — Oh, thank you. Well, Madam Chair, I just want to say to Mr. Pugh and Mr. Hutchinson I do appreciate the work you do and how difficult it is. My constituency seems to be more ambitious than others and has some larger projects but they're doing a really good job of them.

I just want to say that I totally agree and what we should emphasize here is that these projects are all done by volunteer people, and I think that is a different kettle of fish when you . . . when things are done for pay and things are done for volunteer. Now that's not to say the people that have come forward say for the grant in Lloydminster, they're all ex-professionals and a farmer who knows his heritage too. That doesn't mean they don't work very hard on it but because they're volunteers, they're not the same as a 9 to 5 job.

So I just thought I'd put that in that most of these heritage projects are done by volunteers and I can understand why you have some difficulties meeting deadlines, because of course when you are retired you may really put your heart and soul into the heritage foundation, but also if you want to go away for two months that's why you're retired, aren't you? So I know that these people have worked very hard in my area and I'm sure it's not any different than Walter's or Jack's or Rod's to restore the heritage.

But I want to say thank you and I wish that we had more money, a bit more money in this area. Hopefully some day we will have a little more so we can give some more of these grants out. But again, Madam Chair, ask the auditor to be a little patient when you're dealing with volunteers.

The Chair: — Thank you, Ms. Stanger. Mr. Shillington.

Mr. Shillington: — Yes, I wanted to make a comment on this because of the comments made by both Jack and Vi. I was the first minister of this and was the minister for several years. In the '70s, Alberta began with a program and one must remember that in the '70s the price of oil went from a dollar something a barrel to \$10 a barrel overnight. And Alberta had just for all purposes limitless resources. They began a program whereby the province took the primary responsibility for funding the restoration of heritage projects. And that was just an unmanageable program and even Alberta's resources were sorely taxed to deal with it.

This program from its very beginning has been a program whereby the responsibility for preserving heritage buildings designated by local committees is the responsibility of the community and not the province. And I, for my part, think that's the way it should stay. I have no objection to small donations in appropriate cases. But I'll tell you if you begin to fund the restoration of heritage projects in local communities, the budget of Saudi Arabia won't manage this one. It's just . . .

I'll tell you it's just limitless.

It has always been, it has always been the responsibility of the local community except for those rare projects which are designated by the province — that's quite different. But the vast majority of these projects are designated by local heritage committees. The responsibility has got to be on the local community.

If it becomes our responsibility it's just, I'll tell you, it's unmanageable. I know it may strike members that the province is a bit parsimonious with this fund. But for my money, for my part I think that's the way it should stay. It's got to be the responsibility of the local community to restore it and to make use of the building thereafter.

So I wanted to make a defence of the Department of Finance here. I think the amount which has been appropriated is about right, and I wouldn't extend it a whole lot for my part.

The Chair: — Thank you, Mr. Shillington. I just have one comment or question myself. I think most of us in this room have shown that we have a special feeling for this, for the heritage foundation and what it's doing.

Our province is only 90 years old, and we look around and we have very few structures to show what our history is. And ten years goes by pretty quickly, and even you hear things like elevators are going to be disappearing off the landscape before long and we won't know . . . Our children and grandchildren may not know about history.

But I had occasion a while ago to talk to Mr. Pugh about going to Revenue Canada to talk about a tax credit for special buildings and at that time he said they were doing some work on it. And I'm just wondering if maybe you can just give a brief summary to the board about what Revenue Canada is talking about when it comes to heritage buildings.

Mr. Pugh: — Well they're not saying anything that I particularly agreed with or appreciated hearing. But the issue basically was, would they be agreeable to a community, an individual, a corporation, an entity, donating a particular property to the Saskatchewan Heritage Foundation, and then — providing it was provincially significant — and then the heritage foundation in turn passing it on to a third party for the long-term use and development and maintenance and promotion.

I thought that would be doable, but there are a number of tax issues related here. So we thought we should be prudent and receive some response from Revenue Canada on that point. And unfortunately they don't agree with us. So consequently there are a number of . . .

And again the foundation would only be interested in being a useful middle man, as it were, or conduit or agent in the preservation of significant, provincially significant properties. And there are a number of them out there that we have been approached on and will be approached on.

And it would have been useful we thought, staff and the board, that in selective instances where there was clearly a benefit to

the province, that a site or a structure was so clearly significant that its preservation and development was a benefit to the province and to the community in which it was located, that it would be nice if we could legitimately play a useful role in receiving the property, issuing a tax receipt to the donor, which is what they're looking for.

And then we don't have the resources to maintain an inventory of sites and structures clearly. But if we could find an appropriate third party that would receive the property and we would, could enter into some kind — either they could accept it in its entirety or at least enter into some kind of reasonable agreement whereby they would take on long-term day-to-day management and development of the site and the property — we felt that would be a useful role for us to play.

Because of our limited resources it couldn't place too much of an administrative burden on us. But just to be involved as the middle party, the middleman, to receive the property, issue a tax receipt and then flip it over to another party for the long-term development and maintenance, that seemed a good thing to do, to us.

But Revenue Canada simply does not agree. They say it violates the spirit of gifting. And we even had a consultant in Ottawa who is very well versed in these tax issues at the federal level enter the lists on our behalf and he put together, I thought, a very articulate and well reasoned brief which we submitted on behalf of the board to Revenue Canada, and they still said no. They seemed to be saying it regretfully, but they still said no.

So that door, that avenue for our involvement in the preservation of what clearly are significant heritage resources from a provincial perspective, seems at least for the moment to be closed.

The Chair: — Now we all have added reason to not like the tax man.

We have one recommendation that I'd like to deal with before we move on to the next issue, and that is recommendation no. 1 on page 185. We recommend the foundation should establish rules and procedures to monitor the progress of projects and to ensure the recipients of financial support comply with the prescribed terms and conditions.

I would think with all the various dialogue, that we can note that this is concurring and making considerable progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — Now we again go to . . . and thank you.

Mr. Pontikes: — Madam Chair, for Mr. Hutchinson, this is a busy time of the year and I wonder if he could be excused.

The Chair: — Certainly.

Mr. Hutchinson: — Thank you so much.

The Chair: — Yes.

Mr. Pontikes: — Madam Chair, I'm now going to move on to the First Nations Fund and specifically comment on the recommendation that has been put forward by the Provincial Auditor concerning certain actions that are being requested of the department, specifically with respect to directing the trustees of the First Nations Fund. And I'd like to make some comments about that. Some of these are comments that I did make in October.

Last year the Department of Municipal Affairs, Culture and Housing was cited by the Provincial Auditor in relation to the First Nations Fund. Specifically the auditor's report recommended that the department should direct the First Nations Fund trustees to allow the Provincial Auditor access to the files of the fund's appointed auditor.

The Standing Committee on Public Accounts concurred with the auditor's comments and encouraged the department to pursue this matter and take action to try and resolve the matter.

After being advised of this issue by the Provincial Auditor, the Minister of Municipal Affairs, Culture and Housing corresponded with the Federation of Saskatchewan Indian Nations on April 23, 1998 and again on August 18, 1998, encouraging co-operation with the Provincial Auditor.

Under existing legislation, the options that are available to the department, specifically to the department, to address this matter are limited. And I'd like to clarify this point because it is central to some of the comments that are being made here and have been made publicly.

The Minister of Municipal Affairs, Culture and Housing has responsibility for Part III of The Saskatchewan Gaming Corporation Act that deals with the First Nations Fund. Saskatchewan Justice, at our request, has advised that under sections 23 and 24 of the Act, the minister has general responsibility for ensuring that the board of trustees complete financial statements and in addition, provide the minister with a copy of the statements. The trustees have done this, and the department has received the documents and has been taking the appropriate procedural action to have them tabled in the House this spring.

Saskatchewan Justice also advised the department that The Saskatchewan Gaming Corporation Act does not contain provisions allowing the minister to force or require further action by the board of trustees with respect to providing the Provincial Auditor access to the files of the appointed auditor.

Other options, including withholding payments and amending the appointment order in council for the First Nations Fund outside auditor, were considered by the department. And based on advice from the Department of Justice, these options were not pursued because of the doubtful authority within The Saskatchewan Gaming Corporation Act to do so.

The department has again now been cited by the Provincial Auditor on the same issues. Again, under current legislation, the minister does not have the legislative authority to force or require the board of trustees to comply with the Provincial Auditor's request. However, we have taken a proposal forward for consideration and have tabled it with the Provincial Auditor

to look at legislative changes to accomplish what is being directed here.

However, the response that we've received from the Provincial Auditor is that the auditor believes that he has the necessary authority to audit the fund through The Provincial Auditor Act and would prefer that amendments not be made to the legislation that we're responsible for, and I'm quoting from correspondence that we've received from the Office of the Provincial Auditor. And this is a quote:

The Provincial Auditor Act provides the Provincial Auditor authority to fulfil the responsibility to the Legislative Assembly. Currently we think our office has the authority to audit the First Nations Fund and the associated entities fund.

In summary, the range of options available to our department are limited under the current legislation. However, based on advice from the Department of Justice concerning the minister's responsibility in the existing legislation and the Provincial Auditor's position on the proposed amendment, we are of the opinion that this is not an issue for the Department of Municipal Affairs, Culture and Housing, but one that exists between the Provincial Auditor and the FSIN. And hopefully you'll concur with this position.

We are in a very awkward position here where we're being asked to direct in an area that the auditor believes he has the authority to act. In effect we're being asked to implement the authority that the auditor believes he has and we find that very difficult. I've asked Mr. Martel from the FNF (First Nations Fund) fund to come and talk to you about this issue and to make any comments he wishes to make on it.

Mr. Martel: — Good morning, Madam Chair, committee members. Keith Martel. I'm an executive with the Federation of Saskatchewan Indian Nations and I advise the First Nations trustees on this issue. I hope to clarify some of the issues in regards to our position on the audit of the financial statements of the First Nations trust fund. It is basically our opinion that the First Nations audit as presented to the minister completes our requirement under the legislation and agreements we have with the Saskatchewan government.

In a letter from Chief Bellegarde to Minister Teichrob on June 19, 1998, we outlined our analysis of the issues and the support for our position in regards to this audit. I'd like to briefly outline our understanding of the gaming agreements and the financial reporting and other requirements that are outlined in those gaming agreements.

The situation with the Provincial Auditor is not a normal case situation of a provincial entity as in a Crown corporation subsidiary or a direct agency of the government. This is a trust that was created under an agreement with a third party, the Federation of Saskatchewan Indian Nations, to enable the gaming activities to happen and First Nations to participate in those activities in Saskatchewan.

The Gaming Agreement dated February 10, 1995 defines the First Nations trust as a First Nations Fund under The Saskatchewan Gaming Corporation Act or a trust fund with

similar purposes established and designated by the FSIN. This trust was established by an Act of the FSIN assembly and our appointed trustees and operations of the trust continue to comply with the direction given by the FSIN assembly. The Gaming Agreement dated February 10, 1995 is basically silent on the issue of appointment of trustees to the fund, the audit and reporting issues that the trust fund must follow.

However, in section 23 of the gaming corporation Act it requires that the Provincial Auditor or any other auditor or firm of auditors, that the Lieutenant Governor in Council may appoint, shall audit the accounts of the financial statements of the fund. The trustees as appointed by the Lieutenant Governor did in fact appoint KPMG as auditor of the fund for the First Nations trust fund. This appointment is in accordance with section 23 of The Saskatchewan Gaming Corporation Act.

Section 24 of The Saskatchewan Gaming Corporation Act states that within 90 days of the end of the fiscal year the board of trustees shall prepare financial statements showing the business of the fund for that fiscal year, and within 30 days of the preparation of the financial statements the board of trustees shall provide a copy of these financial statements to the minister and to the Federation of Saskatchewan Indian Nations.

The FSIN and the board of trustees have complied with this requirement and the financial statements have been filed with the minister.

We feel that these actions that we've taken are in accordance with the February 10 Gaming Agreement that did establish a structure between the Saskatchewan Liquor and Gaming, the First Nations entity fund, and the minister responsible for this area.

We have . . . the trustees do recognize their accountability, obligations, to the beneficiaries of the trust being the First Nations citizens of Saskatchewan, and the trustees have made a motion to make a public disclosure of the financial statements of the trust fund and a disclosure of the trust operating methods and processes made widely available to the public, the First Nations Fund, and Saskatchewan beneficiaries.

If the Provincial Auditor wishes to rely on this disclosure, we will ensure that a copy of this report is filed with his office.

If there's any questions, I would be pleased to answer.

The Chair: — Okay, thank you. I'm starting with Mr. Whitmore.

Mr. Whitmore: — Yes, thank you, Madam Chair. I think we have a classic case here of trying to determine who has the power and authority, and the department is caught in the middle with neither the power nor the authority to act.

I think the department has outlined actions that could be taken, but in light of the provisions of the Act, the Department of Justice deemed that these actions cannot be taken because there is no teeth. The question of withholding monies or the questions of appointment or whatever are difficult because they are not within the Act. I think too the Provincial Auditor recognizes, in terms of his interpretation of The Provincial Auditor Act, that

he has that power and authority.

The one problem is in terms — and again we're into interpretation here which is a difficult thing and I'm not the lawyer in order to interpret such things — is that we have the trust of . . . the First Nations Fund deeming to be a trust. And they feel by interpretation they fall outside the category defined by the Provincial Auditor.

I come from the view that I think there's a need for legislation. I think there's a need to amend and clarify the position of the minister in this area in terms of those powers and responsibilities. In order to clarify that, the Provincial Auditor does have a role to fulfill those responsibilities that he deems to be appropriate. And those are the rules that we follow as any government entity.

So I will be proposing a motion and a recommendation to the Public Accounts Committee that the legislation regarding the First Nations be amended to clarify the responsibility of the trustees and to have the fund audited in accordance with the requirements of the Provincial Auditor.

I think we have to note too that the fund is being audited. It's not a question of some wrongdoing or whatever; it's a question of information flow. And I think that's the desire to get the information out to make sure that there is clarity there.

I don't want to leave the impression and I certainly don't think that KPMG would like to leave the impression that they are withholding something because there is something wrong. I think they are simply following the requirements that they think is outlined in terms of legal responsibility.

I think that's why there's a need for clarity, and that will be the motion I will put forward at the appropriate time upon your request, Madam Chair.

The Chair: — Thank you, Mr. Whitmore. Then this is actually a notice of a motion so it will allow us to speak and then come back to your motion. Thank you very much.

Mr. Shillington: — Speaking to the motion, Keith Martel is essentially correct in his comment that they are in compliance with their agreement which we signed with them, and the Justice department tell us they're in compliance with the Saskatchewan gaming Act as well, and therein I think lies the problem.

We should have drafted an agreement which was a little tighter. When we signed that agreement, we should have dealt with this problem but we didn't. And probably when we passed the Saskatchewan gaming Act, we should have dealt with it with a little more clarity in that Act as well. But this is all hindsight.

Just as an aside to the comptroller's office, the comptroller's office does have the opportunity to review legislation before it's passed. And I know your role in the past has been much more restrictive than this, but it may well be that in the future your office may want to be a little more aggressive in bringing to the attention of the Legislative Review Committee the need to clarify the responsibility for auditing these kind of funds. That would have been the time to deal with it.

I'm not in any sense being critical of your office, because it would be something of a new role, I think. But in the future it's something you may want to do. But that's all not terribly useful.

This is a situation where I think the Department of Finance, the Department of municipal affairs, the Provincial Auditor's office, and this committee are all of one mind and that is that while the existing audit may comply with the requirements of their contract with the government and with the legislation, it does not comply with the requirements of the Legislative Assembly or the Provincial Auditor's office and therein lies the problem.

Thus I understand that the Minister of Municipal Affairs has written the Chief of the FSIN and suggested that the audit should be done in accordance with the standards and the requirements of the Provincial Auditor's office. The Chief wrote back and said it meets the contractual and legislative requirements, which the Justice department say is a fair case.

Thus I think the motion which was referred to — I guess not formally proposed yet — was referred to, I think is appropriate. I think it will clarify the responsibility of this fund, as is the case with all funds, it'll clarify the responsibility of the fund to meet the standards and any requirements set by the Provincial Auditor's office and I think will bring the matter to an end.

And properly handled, I don't think this needs to result in a huge controversy with the FSIN because I don't think they particularly object to it. Their position is just it's just not required now. If the legislation were passed requiring it, my understanding is they would not object vociferously to meeting any standards or requirements set by the Provincial Auditor's office.

So I think this is appropriate. I think this handles it. I think this handles the matter. I don't think we should be terribly critical of the trustees of the fund because the existing contract and legislation does not require it and it should have. But that's all hindsight. So I think this is appropriate. I think it deals with it and hopefully in future years we won't have to deal with this again.

Mr. Paton: — Madam Chair, if I just might provide some clarification on the legislation issue. I believe the wording that exists in the Act that we're speaking about is consistent for the most part with other Acts and was arrived at in consultation with the Department of Justice and hasn't caused access problems in the past.

It's also my understanding that the legislation that's being proposed here may be of concern to the Department of Justice because it may have implications that perhaps all the other Acts that have similar wording are not adequate either. So just a caution in that regard. The other Acts throughout government have very similar wording, if not the exact same wording, and are not causing problems at this point.

Mr. Shillington: — I appreciate the concern of the Department of Justice. I would only add, to try to salve their concerns, that I don't know of any other fund which has the particular political problem that is here and that is that what you're dealing with is a group of people who, with some legitimacy, claim a status as

a separate level of government. And thus the matter is very delicate.

I can't imagine any other fund actually taking the same position, and that is that they won't comply with any requirements set by the Provincial Auditor unless legislation's passed.

So while it's maybe a theoretical problem, I think it remains — I think Justice is concerned — frankly remains a theoretical problem and will remain a theoretical problem.

Mr. Gantefer: — Thank you, Madam Chair. I direct this to Mr. Pontikes and it's for clarification. I think I heard you say, and please clarify it, is that the department had proposed changes to the legislation perhaps similar to what's being referred to by Mr. Whitmore. And did I hear you correctly in saying that you didn't have concurrence from the Provincial Auditor as that he wanted it or not.

It strikes me as if this would improve and clarify the situation. I guess if I heard you right, then I would direct it to the Provincial Auditor. And I recognize you feel that you have current authority, but why would you oppose clarifying it? So I just wanted to have that point cleared.

Mr. Pontikes: — We did receive written correspondence back from the Provincial Auditor in response to the draft that we had put forward to make a legislative amendment, and they were not in favour of us doing that. And that's the quote that I had here that they had the authority. And perhaps it's better for them to respond to that.

Mr. Gantefer: — Could you outline in simple terms what the changes are?

Mr. Pontikes: — Effectively it would have been what is being suggested here — clarifying the role of the Provincial Auditor in being involved in auditing these accounts.

Mr. Gantefer: — Are they clearly identifying the authority of the Provincial Auditor to have access to this financial information?

Mr. Pontikes: — In fact we were relying on the Provincial Auditor to ensure that the wording that we had proposed was going to do what he wanted. So we were in fact asking for them to give us advice as to whether it would do what they wanted.

Mr. Gantefer: — Well then I direct to the Provincial Auditor in terms of response as to did you indeed find that unsatisfactory, and perhaps why?

Mr. Strelieff: — Thank you, members and officials and guests. We were asked about a revision to a specific legislation related to the appointment of auditors. And there's two issues that we were concerned about.

One is we share the controller's concern that there are similar phrasing in a whole series of Acts that talk about appointment of auditors. Right now the general understanding of how they're to be interpreted is that when cabinet appoints an auditor to . . . a public accounting firm to audit an agency, a Crown agency or

a Crown control corporation or a corporation, that it automatically links to our office and that we carry the work out together. And there's a whole series of protocols that are established to make sure that that happens.

So if you take one piece of legislation and call into question that particular phrase, does it call into question all sorts of other phrases. And we've had a lot of experience with people suggesting that because there's a phrase as interpreted in one piece of legislation in a particular way, another piece of legislation should be interpreted in a similar way as well.

And so it serves as a precedent. And frequently those precedents take a life of their own and it becomes very difficult to manage. So that was the first reason that we were concerned, is how does it impact all the other legislation that has similar phrasing.

The other issue that we also hold dearly to is that if you want to affect the responsibilities of the Provincial Auditor, the Office of the Provincial Auditor, do that through The Provincial Auditor Act and not through all sorts of other different pieces of legislation that somehow puts a special interpretation of what our responsibilities are. Then it becomes . . . if it's done through a whole series of other legislation, it becomes very difficult to oversee or to understand what the intent is. And of course once you do it in one case, it serves as a precedent for other organizations that from time to time don't particularly want our office to participate in an audit of their organization. As you can appreciate from your work at the Public Accounts Committee, that happens from time to time.

Now why we said that we thought our existing legislation was quite suitable was that in our Act it defines a number of organizations. One is a Crown agency which says it means an association, board, commission, corporation, council, foundation, institution, organization, or other body, whether incorporated or unincorporated, all the members of which are of the board or of management or board of directors of which are appointed by an Act or by the Lieutenant Governor in Council.

So our Act says that a Crown agency is pretty well any organization where cabinet appoints the board. Provincial Auditor — the Assembly is speaking to us — Provincial Auditor, we want you to make sure the audit is done. So we didn't think that it was that unclear. And so when we looked at our Act, we thought well, it looks pretty clear.

The proposal as to changing another piece of legislation, we were worried because we didn't know where that would lead to in terms of other precedents. And then to change the phrase that the comptroller referred to about the appointment of auditors calls into question very similar phrases that are in all sorts of different pieces of legislation. We thought the existing legislative structure was quite satisfactory.

Now on the other hand, quite often when organizations are created by government and agreements are struck on funding and other kinds of reporting agreements, the people involved aren't aware of general laws and other kinds of laws that come into place that perhaps are assumed by those who are familiar with how government works. But perhaps that the organizations that are coming to the table for perhaps the first time aren't

aware. And quite often confusion does happen.

But we thought that that's a different issue — the confusion part — then . . . there's remedies to the confusion than to actually have to change legislation that calls into question all sorts of other similar provisions and legislation.

Now in hearing the deputy minister as well as the official from FSIN, Mr. Martel, I mean there's another possibility to help us work through this issue, and that is to change the existing order in council that says the cabinet appoints KPMG to carry out the examination, to change that order in council to cabinet appoints KPMG to work with the Provincial Auditor. I mean that gets around . . . or it works through the complexities and sometimes the confusion that exists in the current system. And we can get on with it.

So in general, why I was concerned was that The Provincial Auditor Act seems to be pretty clear . . . worried about defining our responsibilities in other Acts because then it's hard to oversee. The comptroller's concern about changing a specific phrase that exists all sorts of places that as well seems to be well understood, and the idea or the possibility that perhaps an order in council can just be revived very simply to refer to both of our offices and move it forward there.

Mr. Gantefer: — I want to ask you as well, and I'm very open to sort of an open participation in this discussion. Are there any other funds created in a similar way by order in council that have trustees appointed by order in council that you do audit on an ongoing basis?

Mr. Strelieff: — I was just consulting on this. As a start, pension funds will have all sorts of trustees that they're appointed and that we do the audit or work with the public accounting firm to audit.

The associated entities fund is also a similar type of creature that is created through . . . Oh, Mr. Wendel advised me that the same Act that has created the First Nations Fund also has created the associated entities fund and there's a board of trustees there and we've had no difficulty in that circumstance compared to the First Nations Fund trustees. So there are . . . this is a unique circumstance.

Mr. Gantefer: — That's what I was interested to hear, if it is a unique situation. Because if it was a unique situation then perhaps it would beg specific unique legislative changes. I accept your position that that isn't perhaps necessary but I'm interested in hearing any other comments on this discussion.

The Chair: — I do have a speaking list with Mr. Hillson on it. Do you prefer to . . .

Mr. Hillson: — Did you want in . . .

Mr. Shillington: — Yes, I wouldn't mind in this point in time, Jack. Thanks for the courtesy.

We have an agreement with the FSIN with respect to this thing. And the agreement is that while nominally cabinet passes an OC (order in council) setting up the trustees, in fact they are nominated by the FSIN and cabinet is a conduit. And this is part

of our agreement. They are appointed by OC to clothe them with certain rights and responsibilities. But we don't exercise any separate discretion with respect to the appointment of the trustees. We nominate who they appoint.

And I think that is unique with respect to this. I think that is a unique relationship here. So that I think it's not like another funds, or a pension fund, whereby we appoint the trustees. And cabinet exercises a discretion. We like this person, we don't like this person. We'll send it back and say, have you got any other ideas because we've got a problem here.

And we don't do this with this one. This one we accept the nomination and we appoint them, and thus I think it is unique. So that I think while nominally we appoint the trustees, substantially they are nominated by the FSIN. And that I think does make it unique.

I hear what the Provincial Auditor says with respect to the other funds. But as I say, I'd be surprised if it were an actual problem. Anyway, for those reasons I think this is unique and I think it is different.

Mr. Gantefer: — I just have a question directed to the member because of his experience with the order in council situation. Is the other order in council referred to unique as well in terms of the provincial or the cabinet being able to direct a joint audit situation?

Mr. Shillington: — No, he isn't. But it would be my concern that if you simply unilaterally pass an order in council changing the terms under which the auditor is appointed, that's going to cause a problem. Moreover, I think it's the wrong way to handle a relationship with the FSIN with whom we have struggled with some success, to the credit of the minister, struggled with some success, to establish a good relationship.

To simply unilaterally pass an OC changing the nature of the audit, the nature of the appointment, I can only speculate but I'm not sure it would be well received. It strikes me that a legislative clarification is just a much more diplomatic way to go. I would think that the minister might be reluctant to propose such an order in council without the agreement of the FSIN, given the fact that the auditor . . . we also appoint an auditor which they sort of name. I think the OC . . . just to simply unilaterally change the OC is not an appropriate approach to the problem.

Mr. Gantefer: — Unilaterally changing the legislation has an effect, the same effect about the concerns that the Provincial Auditor raised are there.

Mr. Shillington: — Well I'm not sure it's unilateral. I think the minister's had a consultation with him. We are kind of bogged down here, Madam Chair.

The Chair: — I think Mr. Hillson has a comment he'd like to make.

Mr. Hillson: — Yes, well actually before I make any comments, I've got some questions just to clarify the situation in my own mind if I may.

First of all, does FNF have funds other than those appropriated by the legislature?

Mr. Martel: — A nominal amount of interest on the funds on deposit. Other than that, that's it.

Mr. Hillson: — So basically the only source of funding is the amount voted by the Assembly?

Mr. Martel: — That's correct.

Mr. Hillson: — Okay. Madam Chair, Mr. Martel made reference to FSIN's position being outlined in a letter of June '98 to the minister and I'm just inquiring . . . not to push, but are you in a position to file copies of that letter with this committee or do you consider it a confidential correspondence?

Mr. Martel: — I'd have to get the approval of the signer of the letter. The letter has been issued to the minister. If the minister wants to release her copy, that would be up to her. If the chief wants to release a copy, then we can follow up on that.

Mr. Hillson: — I just request that you ask if that's possible without violating confidentiality.

Mr. Martel: — It's pretty straightforward, factual details of how we see the agreements line up. And obviously it's been justified because Sask Justice has agreed with us on our opinion.

Mr. Hillson: — Now, Madam Chair, I though I heard Mr. Martel saying that the audited financial statements by KPMG will be filed and made public?

Mr. Martel: — Have been filed with the minister.

Mr. Hillson: — Have been filed with the minister. Well, so are they confidential? Are you in a position to file them with this committee?

Mr. Pontikes: — The statutory requirement is that we file . . . that the minister tables them with the House and so they will be tabled this spring.

Mr. Hillson: — So they will go before the legislature this spring and therefore be public documents?

Mr. Pontikes: — That's right.

Mr. Hillson: — So they're not public documents at . . . it's not a public document at this point in time but it will be when the House sits?

Mr. Pontikes: — That's right.

Mr. Hillson: — So they will be open and available to the examination of everyone this spring?

Mr. Martel: — Just one follow-up on that. Our board of trustees have made a motion that they recognize their accountability obligation to the beneficiaries of the fund. And the statements from our point of view will be released publicly to our beneficiaries, which are all First Nations people of

Saskatchewan, likely before they're released to your House.

Mr. Hillson: — I recall in November asking Mr. Strelieff if he had seen the statements and I believe your answer to me at that time was that yes, you had. Had I misunderstood you at that time?

Mr. Strelieff: — Madam Chair, members, I was just discussing the nature of the audit that's been carried out at the First Nations Fund. You remember when we're involved in an audit, there's three objectives . . . Oh by the way, my answer to your first question is no, I hadn't seen them in . . .

Mr. Hillson: — So you have not seen the First Nations Fund statements?

Mr. Strelieff: — In November, that's what I said and that's true. Now there were some draft unaudited ones, or not draft financial statements available to our office, but the audit hadn't been completed by that day. My understanding now . . . on December 18 the audit of the financial statements was completed.

Mr. Stewart: — On December 18 the trustees approved the audited financial statements.

Mr. Strelieff: — Approved the audited financial statements.

Mr. Hillson: — And have you seen them?

Mr. Strelieff: — Not yet, no. The other thing I just wanted to point out is that when we're involved in an audit we make sure that the auditors carry out of examinations of internal control and compliance with legislative authorities as well as the financial statements. And so I want to make sure that my understanding with my colleague from KPMG who you may want to ask separately is that he's uncertain whether those kinds of examinations will be carried out for the First Nations Fund and whether . . .

Mr. Hillson: — I'm sorry, go over that again for me. I'm not sure I'm following you.

Mr. Strelieff: — So when we're involved in an audit we make sure that there's three objectives: that the financial statements are reliable, that the basic internal controls are adequate, and that they are complying with the key financial legislation that surrounds their activities. And then we make sure that you receive our assurances on those issues or whether there are any exceptions to those issues.

Now what I've been told this morning is that the audited financial statements have been approved by the board of trustees on December 18. And we have yet . . . I assume we'll be getting a copy of those financial statements, but we have yet to get that. And my colleague from KPMG is uncertain as to whether the audit of the First Nations Fund for March 31, '98 will include the other two components of the audit — the examination of internal control and an opinion, and the examination, of whether the organization is complying with key legislative authorities.

Mr. Hillson: — I think another thing that would be appropriate

then is if KPMG is able to respond to those two points.

Mr. Stewart: — I think the issue as mentioned is one of jurisdiction again. We would complete those reports if directed to by our clients, First Nations trust fund. And I think it's really part of the same issue we've been discussing already which is this jurisdiction and the authority and those types of things.

Those reports are specific reports that are normally directed to the Legislative Assembly and not to the First Nations trust fund.

Mr. Hillson: — Are you saying they are directed to the Assembly?

Mr. Stewart: — More properly directed to the Assembly as opposed to the First Nations trust fund.

Mr. Shillington: — At the moment he's got a client. His client is the associated entities fund and the First Nations Fund. His client is not the Legislative Assembly or the Provincial Auditor at the moment. Therein lies the problem.

I have every sympathy for the comments being made by this accountant. His responsibility is to meet the standards of his profession and the request of his client. I think he's done both and can't go on beyond that without directions from his client, I think. I think that's a fair comment.

The Chair: — Mr. Whitmore, do you have something you'd like to come in on this? I know it's Mr. Hillson's turn.

Mr. Whitmore: — Yes, regarding this. As I'd opened earlier, this is a question of jurisdiction. It's just clarity in terms of responsibility. We have an interpretation by Justice that says no, because it's not within the Act. We have an interpretation by the comptroller and by the Provincial Auditor that says well, normal procedure says it has been within the Act, that there are other actions that can be taken. And we have the First Nations Fund trustees saying, well no it's not.

I wonder if there's a possibility here as the Provincial Auditor's done on other occasions, to possibly seek outside legal advice in terms of the question of jurisdiction and bring this forward in terms of dealing with this issue. Or if it has been done already, to see what clarity has been done in terms of the Provincial Auditor's side, in terms of The Provincial Auditor Act and come back and report that back to this committee so we have a sense of what is right or what is wrong or what is the authority here. I don't know. I'm just throwing this out as a suggestion if that will provide clarity.

Legislation to me provides crystal clear clarity but then I'm being told, if you do it here, then you've got problems in other Acts. But then the discussion goes that this is a unique situation because of the relationship with First Nations, so you can do it. So is that one way around in terms of seeking more advice on this, as much as I hate to pay retainers to lawyers.

Mr. Hillson: — I think, before the Provincial Auditor responds here, because I do have a comment on that that I think maybe Mr. Shillington will agree with.

I mean the fact is this committee and the Provincial Auditor has

responsibility for the expenditure of all public funds, the oversight of all public funds, and I think that's beyond dispute. And, as was correctly pointed out, KPMG does not owe a responsibility to this committee or to the Assembly. Its duty is to the client.

It also strikes me that on the issue of paying funds and not receiving an accounting in a form acceptable to the Provincial Auditor, that whether there has been a technical or legal compliance or not is irrelevant in this sense — the government is under no obligation to pay out money even if it's been voted. It is, as I understand it, routine and normal that it doesn't happen.

I mean for example, and I'm not being political here, but I mean the fact is in the last number of years we've voted money to Highways that has not been spent. So the mere fact that monies are voted, they are not necessarily advanced, and that's a routine part of all budgets.

So we do not . . . as I understand it, when the budget is passed by the House, there is authority to Executive Council to expend monies, but not a direction to. So they don't have to.

Mr. Whitmore: — Justice has spoke on that issue, on that specific area, that the authority is there not to do that.

The Chair: — Can I get the Provincial Comptroller?

Mr. Paton: — Madam Chairman, I think this might be a different situation and the deputy minister might be able to speak more clearly to it, but I think this is actually within legislation that the government "shall" make certain payments.

Mr. Hillson: — Shall? So it doesn't create the discretion in the . . .

Mr. Paton: — No, I think it says . . .

Mr. Martel: — Thank you, Madam Chair. I think the difference here would be that, unlike the Highways example, there is a contract here with the Federation of Saskatchewan Indian Nations that these payments shall be made. It's not like you have a contract to build a highway and you decide just not to pay the bill.

In this situation there is a contract with the First Nations as to how we split and divide the revenue from gaming operations in Saskatchewan. So there is a contract and we'd have great difficulty with non-payment of those funds.

Mr. Hillson: — Well I would like to say that obviously I think all members of the Assembly are sensitive to the fact that we are attempting to move to a new partnership with Aboriginal peoples, and First Nations especially, and that the unilateral determination by non-Aboriginals as to what that partnership will be is now a thing of the past. And I think we're all aware of that and we're all sensitive to it.

On the other hand, the responsibility of this committee and of the Assembly for the expenditure of all public funds, it seems to me, is beyond discussion. There's a principle there that it seems to me we're not in a position to compromise or even debate.

And so how we are going to balance these two . . . and I'm told that the present legislation creates a requirement to advance as opposed to a discretion.

So maybe this does bring it back to Mr. Whitmore's suggestion that the legislation itself has to be looked at. And so while I appreciate and I affix myself to the comments made that we want this new partnership with Aboriginal groups and First Nations groups, and we want it be bilateral and not unilateral, on the other hand, I don't see how we can compromise the issue of accountability for the expenditure of public funds. And of course there I make reference to the first answer Mr. Martel gave me that this fund apparently only has the money granted to it by the legislature.

And so there does appear to me to be a principle there that's very, very hard for us to put on the table. But I don't think we want to prematurely move in a high-handed, dictatorial fashion. I think we want to still work our way through this new partnership and I think maybe Mr. Whitmore has pointed the direction there.

Mr. Koenker: — I want to align myself with the remarks just made by Mr. Hillson. I think they're bang on, and they provide us as a committee with a positive solution to the problem that we're dealing with here.

I also want to thank Mr. Martel for his opening remarks. I think that for me there was great clarity to what you said in the very beginning. And I quickly got lost in the discussion here, but I think it spoke of not just an agreement but of a relationship that's been established, and I think we have to respect that relationship, and the only way we can do that is to bring more clarity to it.

It was an agreement or a relationship that was entered into with the best of intentions. Unfortunately it didn't see all the associated consequences that were implicit in the relationship when it was made at that time. We see them here today. We need to deal with them, and I think Mr. Whitmore's motion actually in coming back to it now, very clearly provides us with a solution. So I'd ask that we focus our attention on this motion and maybe debate this motion to see whether it does or does not deliver us of the problem.

The Chair: — Before we go on I have had considerable discussion. The Provincial Comptroller has something he'd like to give us.

Mr. Paton: — Madam Chair, just in further clarification. I've quickly reviewed section 22 of The Saskatchewan Gaming Corporation Act and it does require the government to make those payments. We estimate the profits at the beginning of the year provide an advance equal to 25 per cent, and at the end of the year the government shall pay out the balance due to the fund.

Mr. Hillson: — Then I withdraw my earlier comments.

The Chair: — Mr. Gantefoer, do you have any remarks then?

Mr. Gantefoer: — Thank you. Yes, Madam Chairman, I do. And I guess I'm concerned about the diversity of comment, not

in a negative sense, but I take as a point well taken the comments of the Provincial Auditor and the comptroller about changing the specific legislation that sets precedence that it seemed to me that I thought both offices had some level of discomfort with. So I'm a little nervous about that aspect of what Mr. Whitmore is proposing because of those reasons.

And I also, you know, take the position and I understand the reality of a special relationship with First Nations that maybe makes us have a level of uniqueness that's there.

I'm also concerned about the fact that we as a Public Accounts Committee have I believe a responsibility even if the legislation says "shall" to be very, very sensitive about monies that are voted by the legislature to pass on to any third parties or any bodies. And that one of the principles of accountability that I think has been substantially increased over the term of the present government is the role of the Provincial Auditor in making sure that everything is done according to the intent and purpose of the legislature. And I think this committee has served itself very honourably and well over the last while in discharging that.

So while I appreciate what Mr. Whitmore's motion is attempting to achieve, I am not at all comfortable that it is the best way to go given the fact there was no consensus among, you know, pretty significant offices in this room, in the Provincial Auditor and comptroller that are concerned about approaching it in that ad hoc way.

And I would like to draw us back to where we were when Mr. Whitmore directed a question to the auditor about an opinion or an independent opinion in this regard, because it may well be that that opinion would result in making need for legislative changes a moot point or an irrelevant point, and it would address the concerns that the auditor and the comptroller expressed about dealing with it in that way.

So I am very much in sympathy with what Mr. Whitmore's motion is attempting to achieve, but I'm not at all comfortable that we've got a consensus that it's the right way to go about it. And I don't want to belabour this but I think it's very important. This is a critical issue and it deals with all kinds of pretty substantive things. And I don't want us to just sort of give it a short shrift, to sort of say we're done with the report. I would rather ask for perhaps opinion as Mr. Whitmore has suggested and come back to it, or something in that direction. So I'd ask that the auditor be given the opportunity to respond to Mr. Whitmore's comments or questions.

Mr. Paton: — Madam Chairman, if I could just provide a further comment on this issue. I think it's been said a couple times that I have a concern about this legislative change. In fact it's not a concern that I have. It was a caution that I was raising. My knowledge of what I believe, Justice may have a concern where this may set a precedent. I don't think our office has a major concern with what's being proposed here. And in fact I think if it resolves this issue we would be supportive of the issue in terms of resolving it.

While we've mentioned the fact that it may impact other Acts, there always is an opportunity to use a consequential amendment to make other Acts consistent with this wording if

this is what's required. So if it would perhaps resolve a number of issues, that's one way of going about it.

Mr. Strelloff: — Thank you. The question was, have I sought outside legal advice or should I seek? I haven't sought outside legal advice. We do seek outside legal advice frequently when we think there's some confusion here or something is unique or the legal arguments that are raised by Justice surprise us. And so we will look at it ourselves, and then we will bring in some outside legal assistance.

In this case we didn't, because as you remember, when I read the definition of a Crown agency, which is put in The Provincial Auditor Act, I mean there was just no room. If the cabinet appoints the board just on that one — there was a whole bunch of other clauses — if the cabinet appoints the board, Provincial Auditor, you're supposed to be engaged in the audit. So we didn't. If we did seek, should I seek an outside legal advice with that, it would certainly make the issue pause for awhile. And then I'd come back and I would be pretty certain of saying the outside legal advice confirms what the reading of The Provincial Auditor Act is.

Now the other . . . there's a number of other couple . . . or there's a number of other avenues here. I understood that the motion had to with changing legislation, and one of the key reasons was to allow consultation with FSIN and other groups that should be consulted. Well an order in council can be changed, but prior to changing the order in council, I mean consultation can take place, and that's a simpler way than having specific legislation being introduced.

And then finally if you want legislation introduced to change the way we carry out our responsibilities, well then let's do it through The Provincial Auditor Act and we can bring back proposals on how to make it more clear rather than having it in all sorts of other kinds of pieces of legislation.

But again the Act is, at least from my understanding of the Act and from my assistant here's understanding of the Act, it's pretty clear.

Mr. Martel: — I'd just like to add two comments to hopefully not confuse but clarify this debate.

First of all discussion of change of legislation. It would be up to the FSIN and their discussion analysis of this, but in my opinion change in legislation that requires us to do something that wasn't in our gaming agreement would appear to me to be a very unilateral change of our relationship, and I just warn you that it would be my feeling that that would be seen that way by the FSIN Legislative Assembly as well.

And I think it seems to be consensus here that this is a unique situation because of the relationship of the First Nations contract. The gaming Act changes really enabled the February 10, 1995 gaming agreement.

And as was mentioned earlier, when we nominate a trustee, they are appointed in order in council but there has been never any debate or change in the nominations that are put forward by the FSIN Assembly. When we nominated an auditor, that was put through to an order in council. There was no debate or

discussion of that as well.

So the Act seems to enable our agreement to continue to operate under the terms and conditions that we've set out. And as such I think then we are in the situation where this is a very unique situation and, other legislation aside, solving our problem seems to cause other problems for other areas.

So my recommendation, and I discussed that in my presentation, was that maybe a unique situation requires a unique solution. And as I said, our trustees have already made a motion to do a disclosure to our beneficiaries because that's who we see our jurisdiction and our accountabilities to.

The trustee has already made a motion to do a very similar report to what your Provincial Auditor gives to the House to our beneficiaries, so we make a public disclosure then with not only the financial statements but the terms and conditions of the methods of operating the processes under which our trust operates, how the funds get dispersed. And we want that to go to our members so that we're seen to be open, accountable, and there's proper methods for our members to redress any concerns they have with the methods that were taken.

And if we undertook to do that, and our trustees have already made that motion, I feel that there may be a unique solution here in that that may comply and fulfill the Provincial Auditor's disclosure requirements. And looking at our audits, they're disclosed.

Our auditor's representations on our systems and how our systems operates may by default fulfill the requirements of the Provincial Auditor. My people keep their jurisdiction requirements intact. Your people get the information they need to report back to your Assembly. Maybe that would be a unique solution that might fit in this circumstance.

The Chair: — I think that Mr. Whitmore is taking Ms. Stanger's place at the moment, or did you still want to speak first?

Ms. Stanger: — A very short comment, Madam Chair, and through you to Mr. Martel.

I just want to be crystal clear that there is no thought on any of our parts that the proper auditing hasn't been done. I just want people to know here that we recognize that KPMG has done the audit; it's done properly.

I just want you to know that because I don't want that to be left fuzzy, that somehow the First Nations haven't complied with proper auditing procedures. I want you to be clear with that. At least that's certainly my feeling.

And the crux of the matter is that the Provincial Auditor would like to work and do the work along with the private auditor. But I just wanted to make that clear that that was the discussion here, not that there wasn't some proper auditing done of what you are doing. So that was just my comment, Mr. Martel.

Mr. Whitmore: — Yes, thank you, Madam Chair. You know the discussion that's gone on and we continue to be where we are and I don't know if we're any farther ahead than we were

half an hour ago because of terms of where we're going. This committee does not have the power to bring forward legislation. It has the power to bring forward recommendations. And I think maybe as the Provincial Auditor brings forward recommendations, they become the discussion points either with the parties involved or the Provincial Auditor, be it First Nations, be it the department.

I'm more convinced now in light of also what Mr. Hillson said, the question of responsibility of this committee in regarding the Provincial Auditor and the uniqueness. I don't know if an OC does it or not. I'm of the opinion now this motion needs to go forward in terms of legislation, and there it be a discussion point within the parties involved.

Another solution may be found as Mr. Martel has outlined as a possible solution, or the solution by the Provincial Auditor may be the solution to that in terms of the OC. But I think our responsibility today as the committee is to put forward our solution and maybe other ones can be found by that.

Therefore I would like to move that:

The Public Accounts Committee recommend that the legislation regarding the First Nations Fund be amended to clarify the responsibility of trustees to have the fund audited in accordance with the requirements of the Provincial Auditor.

The Chair: — We have a motion on the floor and Mr. Gantefer wants to speak to it.

Mr. Gantefer: — Thank you very much, Madam Chair. And again I'm very much supportive of the thrust of your motion. I'm asking a question in terms of a friendly suggestion in light of your comments. And that is, your motion as I understand it makes recommendation about specific legislation which would not be flexible enough in my understanding to deal with the concerns that the Provincial Auditor and indeed for clarification the Justice department has commented out. And I wonder if we could just say that the Assembly consider the issue and propose appropriate legislation.

It may well be that the appropriate legislation, rather than making amendments to this specific legislation would indeed change the legislation in regard to the auditor. So in the spirit of trying to give maximum flexibility to the discussion that you propose is asking if perhaps you would consider rewording your motion so that it will allow for that flexibility without referring to any specific legislation being amended.

Mr. Whitmore: — I think that would be appropriate.

Mr. Hillson: — Just one . . . (inaudible) . . . I don't think the motion before us says that this Act has to be amended. So if it can be done through an amendment of another Act so I don't think . . .

The Chair: — I'll read it. It says: "that the Public Accounts Committee recommend that legislation regarding the First Nations Fund be amended to clarify that responsibility."

Mr. Gantefer: — It might be legislation amended in regard to

The Provincial Auditor Act be amended — that's the point I was making.

The Chair: — Okay, so how would you like to see this amended and I'm asking the committee if we should look at this.

Mr. Shillington: — Are you suggesting a specific change to it, Rod?

Mr. Gantefer: — Well I'm thinking something of the wording like this: that legislation be considered to clarify the responsibilities. Like not saying specifically, legislation regarding the First Nations Fund, because it may well be that the legislation that has to be changed is in regard to The Provincial Auditor Act.

Mr. Whitmore: — Legislation regarding the responsibilities of the board of trustees of the First Nations Fund.

Mr. Gantefer: — Yes, it points to the issue but not to the solution automatically.

The Chair: — I appreciate that there's been considerable time dealing with this but at the same time it's a very important issue and I'm sure all parties agree on that.

Mr. Shillington: — Change the sentence from the active to the passive, I think, is all Rod's suggesting and it clarifies it.

Mr. Gantefer: — Not pointing specifically to the legislation regarding the fund. It might be the auditor's Act needs changing.

Mr. Whitmore: —

That the Public Accounts Committee recommend that legislation be amended to clarify the responsibilities of trustees of the First Nations Fund to have the fund audited in accordance with requirement of the Provincial Auditor.

The Chair: — We've all heard the motion put forward by Mr. Whitmore. Is there any other comments on it? A question? Those in agreement?

A Member: — Agreed.

The Chair: — Anybody opposed? It's carried.

This is in response to recommendation no. 2. Okay, so that takes care of recommendation no. 2. So I believe then that we . . . I know that there was other questions, but I'm sure nobody wants to continue right now.

So I do thank everyone for attending. Mr. Martel, deputy minister, and your patience has been greatly appreciated. And I hope you can see that from our debate today that it's all very important to us. We're not trying to push something ahead without working with all parties.

And to the deputy minister, bringing your different officials in that are dealing with recommendations from the auditor was a great idea. And we thank you for all your work and preparation.

Mr. Hillson: — You're not saying we're finished with Municipal Affairs, are you?

The Chair: — Well that's what I was wondering. Do you have more questions that you would like to . . .

Mr. Hillson: — Actually, I mean I don't want to delay lunch but I mean frankly I did have a couple of questions on associated entities and on housing.

The Chair: — Okay. Yes, definitely if the members have questions . . .

Mr. Hillson: — Yes, but I mean I know when Ms. Stanger says she's hungry I don't . . .

The Chair: — The first priority of the committee will be to make sure all the questions are asked that need to be asked.

Mr. Hillson: — Okay, you would prefer to finish?

The Chair: — Yes, I would. Unless the minister himself would . . . deputy minister prefers to come back at a later time.

Mr. Hillson: — Look, I'll try and make it brief, then, if I may.

Housing. The requirement that social housing rents be based on 25 per cent of income. One of the things I'm getting continually from senior citizens in my area and Northerners, is that this works an injustice and there ought to be a cap on it.

And if I could just very quickly explain. Seniors oftentimes want the public housing project for social reasons, and if they have means of their own, they ought to and accept that they should be paying a full economic rent. They ought not to be subsidized. And they recognize that.

But it seems unfair that seniors who have saved, if they wish to move into the project, they have to pay above an economic rent. And that just doesn't seem fair. They should pay the whole shot, they acknowledge that, but should they have to pay more than the full shot.

And related to that very closely, I've been told many times when I've been in the North that people who obtain employment, the theory was that they would move out of public housing and into their own private, but in many of our northern settlements it's just not available. So they are either moving into terribly substandard housing or the lack of housing acts as a disincentive for people to leave assistance and become self-supporting. So in the North, the lack of a cap on rents acts as a disincentive to people becoming self-supporting.

So my question then — I've rambled on here — my question is, can nothing be done to bring in a cap on the rental of these properties so that people will not have to pay more than a full, fair economic rent regardless of their means?

Mr. Pontikes: — I wonder, Mr. Hillson, if it might be better if I asked the president of the Saskatchewan Housing Corporation to meet with you on this specifically. Because this is a fairly wide-ranging question that you've asked. And I think the key here is that up until two years ago, we were following the

CMHC (Canadian Mortgage and Housing Corporation) rules. There has been a change in the administration. It's all been consolidated with us and issues such as the ones you raise are actually now within our authority to actually review and establish provincial rules, whereas before we were using federal rules.

So if that would be acceptable, I'll ask Mr. Peter Hoffmann to call you and arrange a time that he can meet with you.

Mr. Hillson: — Very good. Now, associated entities fund, and maybe this is my fault here, but where is the record of how much is in the fund, how much has been expended, how much has been taken in? Is that open and . . .

Mr. Mathur: — Brij Mathur from the Department of Municipal Affairs. The associated entities fund receives money from two sources. It receives first of all money from the off-reserve Indian-owned casinos. And it also receives money from the Saskatchewan Gaming Corporation.

The way it is set out is that 25 per cent of the profits from the Saskatchewan Gaming Corporation go into the fund and 25 per cent of the off-reserve casinos operated by the First Nations casinos go into the fund. So that's the total amount that goes into the fund in any one year.

Mr. Hillson: — What about the dollar amounts in there?

Mr. Mathur: — Okay. As for the dollar amounts, in '97-98 the revenues that went into the fund were \$7.9 million. And in 1998-99 the estimate was for \$4.3 million.

Mr. Hillson: — Okay.

Mr. Mathur: — Since these depend upon the profits that are made by the gaming organizations they fluctuate, depending upon how much profit has been made.

Mr. Hillson: — And how much paid out? How much still held?

Mr. Mathur: — The status of the account is that according to the agreements that were signed by the exhibition associations which lost revenue as a result of the establishment of gaming, some amount has to go to them.

Fifty per cent of the fund goes to community organizations and 25 per cent of the fund is allocated to Metis organizations. This is the minimum requirement. Depending upon the amount that flows into the fund, they may receive more than 50 per cent — I mean the community organizations may receive more than 50 per cent of the money.

Mr. Hillson: — No, but I'm asking dollar. I don't mean, Madam Chair, to play games with you. But I mean, what we're hearing is that it's sitting on a large amount of money. I'm just trying to find out what is being paid out, what is still in the fund?

Mr. Mathur: — Oh, all right. In '97-98 — I'll give you the actuals — in '97-98 the Metis organizations received 1.993 million. The community organizations received 2 million. Sask Sport was paid \$100,000 to administer the fund. There was a

contingency fund allocated of 3.542 million, and that goes for a total of 7.9.

Mr. Hillson: — So in '97-98 they took in nearly 8 million and you're saying they paid out four and a half million?

Mr. Mathur: — That's right.

Mr. Hillson: — So what is presently in . . . how much is in the kitty?

Mr. Pontikes: — Perhaps we should get that for you. The reference to the contingency is actually money that . . . the reference to contingency is actually, the terminology is referenced to decisions that are made through Treasury Board and there have been decisions made on that but we don't have that information here as to what actually has been paid out on those. So we'd have to provide that for you. Okay. We could do that.

Mr. Hillson: — And is there, again I apologize if I have fallen down on my job, but is there a place where, you know, the AEF (associated entities fund) has filed, this is what was taken in, this is what was paid out, this is what's in the bank. Where can that be found?

Mr. Pontikes: — The statements again are filed with the House in the same way that the FNF fund is. Now I'm not sure, I think we have . . . I'm not sure for sure on this but I think we have tabled one set of statements but I'll . . .

A Member: — Yes, yes.

Mr. Pontikes: — We have. All right. So they are tabled in the spring. There'll be another set this spring.

Mr. Hillson: — So last year's would be available then.

Mr. Pontikes: — You should have, if the information that I have is correct, you should have the first, the first year's at least in the House as public documents.

Mr. Hillson: — But you're saying you're not able to say right now what is the current balance of the AEF.

Mr. Pontikes: — I just don't have the information right here. But I can certainly get that for you.

Mr. Hillson: — You can supply that. Thank you very much.

The Chair: — Then as per the comment that I gave you at the beginning, any written information will go directly to the Clerk and they will, he will send it out to the members. Thank you very much. Fifteen copies of it and then we'll send it to the members. Thank you very much. Any other questions? Okay. Then we will recess for lunch. Back at 1:30. So quickly.

The committee recessed for a period of time.

Public Hearing: Highways and Transportation

The Chair: — Welcome to the deputy minister, Mr. King, welcome, and to your officials. I'll ask you to introduce the

officials with you.

Mr. King: — Thank you, Madam Chair. On my right is the assistant deputy minister of operations for the Department of Highways and Transportation, Barry Martin. And on my left is the acting head of the finance side of the department, Gary Diebel.

The Chair: — Welcome. On this brisk cold day I'm sure that sitting downstairs where it's nice and warm is just a wonderful thing to be doing.

I think the comptroller has some new people with him as well.

Mr. Paton: — Yes, Madam Chair. I've got two people with me this afternoon. Jim Fallows who is a manager in the Department of Finance and Jeannette Lowe who's a senior analyst.

The Chair: — Welcome. And we also have some new people with the Provincial Auditor.

Mr. Strelloff: — Yes with me is Angèle Borys from our office.

The Chair: — Welcome to everyone. Chapter 11 on Highways and Transportation in our 1998 fall report is . . . I'll ask the Provincial Auditor and his officials to give us a brief overview before I go to Mr. King for any comments.

Mr. Strelloff: — Okay thank you, Madam Chair, members and officials. The chapter on page 189 focuses on our work as a result of March 31, 1998. And I'm going to turn it over to Bob Black to provide you the overview of this chapter.

Mr. Black: — Thank you, Wayne, Madam Chair, members, and officials.

During 1997-98 the Department of Highways and Transportation managed the operations of the department itself, the Highways Revolving Fund, the transportation partnerships fund and the Saskatchewan Grain Car Corporation.

The department's role is to develop and administer transportation policies and programs, and to build, preserve, and regulate the safe use of the transportation system in the province. The transportation system includes public highways, winter roads, and bridges and provincial airports. Starting on page 189 and through 190 and 191 of our chapter 11 we present information on the government and the department's spending on transportation for your information.

As we mentioned in October, in 1997 as part of fulfilling its role in developing transportation policies, the department released its long-term transportation strategy, *Investing in Transportation: A Transportation Strategy for Saskatchewan People*.

The strategy describes the challenges the department faces and the actions it has planned to address these challenges. I have a copy with me and the department officials do have extra copies if anyone is interested. I think they are also available on the department's Web site.

Our office looks forward to the department providing members

and the public with reports on its progress in achieving this strategy and thus its own goals and objectives. We encourage the members and the public to use the information in the strategy and the department's work site and its Web site and its annual report to help them understand the issues faced by the department and to help them assess the department's performance.

On page 191 we provide our opinions regarding the department and its agencies that it's responsible for. I've attempted to put them on a schematic on the slide. I've not included the Grain Car Corporation as part of this slide in deference, I believe, to Mr. Gantefer's eyesight. But all the three opinions regarding the Grain Car Corporation were unqualified as I will explain in a moment.

In our opinion the financial statements of the transportation partnerships fund and the Saskatchewan Grain Car Corporation are reliable. We have not yet completed our audit of the financial statements of the highways revolving fund for the March 31, 1998 year end. The department has complied with the authorities governing its funds, and the Saskatchewan Grain Car Corporation's activities relating to financial reporting, safeguarding assets, revenue raising, spending and borrowing and investing.

The department did have adequate rules and procedures to safeguard and control its funds, and the Saskatchewan Grain Car Corporation's assets except for the two matters that we will refer to in a moment on page 192 to 195. In our audit of the Saskatchewan Grain Car Corporation, we worked with their appointed auditors, Skilnick, Robertson, Bezser Miller & Company to form our opinions.

Beginning on page 192 we describe rules and procedures that the department can use to improve how it manages its affairs. First of all, department management needs to improve how it documents its systems and practices for preparing sound interim financial reports. We found that management provides adequate direction to staff to prepare interim financial reports except for three areas that we report on page 193.

Better guidance would reduce the risk of inaccurate reports and resulting decisions. Therefore on page 194, we recommend that the department should clearly document systems and practices necessary to prepare sound interim financial reports. Your committee did consider this recommendation in October of 1998 and concurred with it while noting progress.

Our concerns on pages 194 and 195 deal with the Highways Revolving Fund which, as you may know, is used to distribute the cost of equipment, material, and labour to the department's programs and other custom work projects. On these pages we report the department needs to improve its financial reporting system for the Highways Revolving Fund.

Staff cannot efficiently produce interim and annual financial reports for the fund with the current system. The current system is made up of several manual and computer systems. These systems do not work well together and staff must do much of the record keeping manually. This requires considerable human resources and increases the risk that staff may record transactions incorrectly or late.

As a result of this weakness, the revolving fund's financial statements have not been prepared by the date Treasury Board had required. On page 195, we recommend that the department should continue to develop a financial system that meets management's information needs efficiently.

The department recognizes the weakness of its current system and they have assessed their needs and, as mentioned, are developing a new financial reporting system to meet those needs.

And that concludes my presentation.

Mr. Strelloff: — Thanks Bob. I do encourage you to look at the information that the department does provide about its performance and its plans for the future, particularly its Web sites and some of its planning documents.

The Chair: — Thank you very much. Before we proceed, I am going to read a statement to the witnesses.

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. And where a member of the committee requests information of your department, I ask that 15 copies be submitted to the Clerk, who will distribute the document and record it as tabled.

And please address your remarks through the Chair.

Mr. King, I'm not sure if you have any comments you'd like to give to the members before we proceed to questioning.

Mr. King: — Just a brief statement, Madam Chair. We once again welcome our opportunity to deal with the accountability the Department of Highways and Transportation owes to the citizens of Saskatchewan through the elected members as represented on this committee. And we're certainly prepared to answer both openly and transparently all questions that the members might have about the department and its work.

Secondly, just in brief response to the auditor's report. As was indicated, the new financial systems project that is being implemented in the department is the focal point for compliance with the auditor's recommendation.

The system was rolled out into the revolving fund on April 1 of 1998 and has been undergoing testing and development in that particular part of our department. And we project the remainder

of the department will be covered on April 1 of this year. And at that point all of the work we've been doing in determining our procedures for the department will begin to be documented to become in full compliance with the auditor's recommendation.

One final point. We will be undergoing . . . we are undergoing and we will continue to undergo at a far more rapid pace an evolution or perhaps a revolution in transportation in this province which we haven't seen probably since the coming of the railways.

The recently released Estey report will — depending on what parts of it are implemented — will certainly cause all of us to sit up and take notice in terms of what is going to happen to us as a province and what we're going to have to do to respond to that.

Thank you very much.

The Chair: — Thank you very much.

Mr. Gantefer: — Thank you very much, Madam Chairman, and welcome, Mr. King and officials. I was going to pursue a number of issues with you this afternoon and I'll try to be as brief as I can. And I appreciate the document that you circulated.

And I would refer members to page 13 of the document which focuses on the point I wanted to make where it shows that ranging from an extreme of Great Britain where nationally they pay 100 per cent, as I read this chart on figure 6, for highway expenditure in that country, there is a varying amount of federal commitment to a highway system across the piece.

And our neighbour in the United States pays, as I read this, about 31 per cent national funding of the total funding for highways. And we're at a grand total of 6 per cent. And I understand from figures that have been released, that that 6 per cent is almost solely focused in eastern Canada and the Maritimes, was zero for the Prairies.

I think that's a disgrace both in terms of the percentage of totals and lack of commitment to a national highway system. I'm not expecting the federal government to look after every grid road and things of that nature, but I think particularly Highway No. 1 and Highway No. 16, which are really national roads, it's a national disgrace the fact that there is no funding in the Prairies for these highways. And I wondered if you could bring us up to date on any lobbying or any discussions that you might have had with the federal government to attempt to reverse that?

Mr. King: — Two years ago in June, I guess it would be approaching three years in June I believe, Minister Collette was appointed the federal Minister of Transportation, and we began a dialogue with the federal government on national highway funding. We were coming to the end of the previous funding program which was an acronym known as SHIP (strategic highway improvement program), in which we had shared some monies and which had led to some of the work being done for instance on Highway 16 towards North Battleford, and Highway 12 I believe, north of Saskatoon. That money ran out I believe in the fiscal year we're talking about. We had some expenditure in that program but there has been no

money since then.

We agreed with the federal government to sit down and study as 12 jurisdictions, the 10 provinces and the 2 territories, and we joined together to study the national highway program. What we found was the 1998 study had indicated about \$13 billion would be needed to bring the program up across Canada, a national system, to a standard which was acceptable at that time. The updated study which was recently released publicly found that figure had raised to \$18 billion.

With respect to dollars, we get no dollars for the national highway program from our federal government right now. There are some limited funds available. One of them is a little bit of money left under the CAIP (Canada/Saskatchewan Agri-Infrastructure Program) program, which was really a negotiation for ending the WGTA (Western Grain Transportation Act), and I believe there's some sharing on the final completion of the Athabasca Road which was required because the federal government began to end the dredging up there and a road was necessary.

I think from a national perspective we can look at the United States today. Their federal government just announced a \$218 billion U.S. (United States) program for national highways. Their situation is relatively similar in that the States have jurisdiction over highways but the federal government funds a national system. \$218 billion U.S. is going to make their national system that much better than ours.

We've met with the provinces or the States — well we would like to make them provinces — the states of North Dakota and Montana to learn of their plans. And quite frankly, they have so much money at their disposal right now, they're going to be constructing some roads up to the Saskatchewan border and we're having to scurry to try to have comparable or as close as we can to comparable roads going north/south so we're going to fall further and further behind the U.S. in our national transportation. The federal minister is quite aware of that and he's working quite hard but he has to go to the Treasury Board like everyone else and our indication is there is no federal money coming.

One of the final, as a final point in irony is the Yukon Territories are getting \$93 million U.S. from the U.S. federal government to build the section of the highway that will join the Alcan, the Alaska-Canada Highway. And so the U.S. is paying for Canada to complete a highway. I asked whether we could get some too, but . . .

Mr. Gantefer: — Maybe we can get them routed through here or something. It would be more successful than talking to Ottawa.

On another front, and perhaps I'll stay with a quick comment. On page 16 in your book, it indicated from what I read the chart, while traffic is increasing for road and car, the damage seems to be going up very, very much on a much steeper curve. Can you explain to me why that is so on figure 9? It doesn't seem to, on the first look, make sense.

Mr. King: — The quickest and simplest explanation is that heavier weights are being transferred on the thin membrane

surface highways. Those highways were built — those highways, and I suppose I flatter them to call them highways — those roads were done mostly during the '70s and it was basically a matter of taking what I'll call a grid road, a gravelled road and putting very thin asphalt surface or an oil combination surface on it.

And they've served the province very well during the early days of their usage in that they provided dust free, all-weather roads for rural Saskatchewan. But now that we're seeing grain transferred from the rail system onto the road system and Super Bs, those systems are not able to hold up. And so it would be partially due to the level of maintenance which is a budget driven issue. But the main reason would be the increased weights on those road systems.

Mr. Gantefer: — Okay. Thank you. At this time of year as you're aware, the road builders association has asked for an early indication of what the tender calls may be and better consultation in that process so more foreplanning can be done before you get into the actual road construction season. Can you update us on the department's response to that request or that initiative?

Mr. King: — Barry Martin will cover that.

Mr. Martin: — The winter tender schedule was released at the time of the road builders' convention. The work that's on that winter tender schedule is about 45 million, more or less. That's based on our estimate. Certainly the road builders would like a larger winter tender schedule and an earlier one. I met with the board of directors of the road builders yesterday just on regular business.

Part of the problem is we are in our budget cycle in September-October preparing initial budgets and we're not sure of the budget level next year. And so at this stage when we may have increases of budget of certainly significant amounts, we have limited capacity to advance the work because we don't want to advance the project if it's not going to get approved next year.

In terms of the road builders are satisfied — I shouldn't say satisfied, they're quite happy with this year's tender schedule in terms of the size. It's quite a bit more than they've had in the last two years. But they certainly would like it earlier and more. More is really driven by the overall budget level. And what I've told them that if once we get to a level budget, whether it's two thirty, two fifty, two seventy, somewhat level from year to year, I'll be able to advance that schedule by two weeks to two months.

Mr. Gantefer: — When you talk about this year's tender schedule, are you talking the summer of '99 or the summer of '98?

Mr. Martin: — No, what's referred to is the winter tender schedule which are projects we started tendering about two weeks ago. And so those are projects that are tendered from basically freeze-up through to the end of this fiscal year. So the money's expended this year and it's really the advance work for next year.

Mr. Gantefer: — That's stockpiling gravel and things of that nature? Is that the idea of it?

Mr. Martin: — That's the nature of it. We may have, as an example, we plan on paving the No. 1 West four-lane section that was created this year. To avoid damage to the municipal roads, hauling of the gravel to the highway, we go during the winter and we crush the gravel and haul it to the roads so the contractor can then apply it to the road next year. So the money of the crushing and such is advanced and spent out of this year.

But also it means that the contractor knows what job they're going to have next year and so they can plan their equipment and their manpower and be prepared in their work. So they really are looking in terms of their financial and business, is they do have work to go to. Can they go to the bank and say, I'm guaranteed, I've got some work, you can afford to lend me money.

Mr. Gantefer: — Okay, in terms of — and I don't really care about specific examples — but using a 10-kilometre section of highway, for example if you had . . . you sort of know that you're going to have some budget. I mean the Assembly is not going to say there'll be no road construction this year at all.

Is there any way that you could feel confident enough to preliminarily award 70 per cent of last year's level or some level that, you know, there is a pretty high degree of reliability that it's going to be repeated, not just on the pre-work but actually so that you would be able to tell them, we're going to do this 10 kilometres of road. If we don't get enough money, there might be another project that doesn't go ahead, and I understand why you have to hold that back.

But surely there are priorities that are going to be there as, you know, when you rank the projects and could you not award 60, 70 per cent of them earlier?

Mr. Martin: — Conceptually, yes. Alberta commits close to 80 per cent of their level. But they have a very stable budget and they have a little bit different highway system, basically pavement. They don't have the thin membrane surfaces and more of their program goes into, what I would call big projects that are contracted as opposed to a lot of our crew work.

Forty-five million dollars out of our budget that we've committed in the winter tender schedule is a fairly significant amount. I mean we may have a \$229 million budget, but when you take into our internal expenses and what's done by our own crews, that's not a phenomenal amount that's left for the contracting industry, and committing 45 million is a fairly large — I can't tell you percentage, because that would not calculate to next year's potential budget.

But we are looking to get a higher and higher percentage conceptually where conceivably we could commit probably 60 to 70 per cent. But we don't want to . . . we have to commit 70 per cent of a level that we're almost guaranteed and we can't commit to a level that might not get approved, because it might not be the right projects.

Mr. Gantefer: — And I certainly can appreciate that you can't commit a hundred per cent or a real high number there,

but I guess advocating that a higher number then has been past practice is attainable and responsible and realistic, and I think that you're in agreement with that.

Finally, just before Christmas, the minister asked for breakdown of our entries on our worst highway in Saskatchewan contest and I'm wondering, are they getting weighted up. The winner, do we in addition to a wheel alignment, can we say that there's a likelihood of it getting fixed?

Mr. King: — In response to the worst highway, I took my mother out to dinner in Moose Jaw here a couple of months ago.

Mr. Koenker: — A point of order. I wonder whether this doesn't . . . such a question doesn't put the official at a little bit of a disadvantage. I think that's a question that's appropriate for the minister but I don't know whether it's really appropriate in this format for a departmental official to engage in.

I wonder if the member might reconsider that question.

Mr. Gantefer: — Thank you. Madam Chair, I will withdraw the question and the deputy minister is under no obligation at all to answer it. I will ask a different question though. In terms of the criteria for establishing the priorities on which your roads are selected for improvement, where does it wait in terms of the actual physical condition of the road as compared to trying to do something in many locations.

The question is, is it better to fix 20 miles of very bad highway as compared to fixing 10 miles this year and do some other project in another location. I want to know how the condition of the roads ranks into the priority it gets for repair.

Mr. King: — There are four ways we prioritize what work we are going to do. I'm not too sure I could weigh precisely how many points we give to each one. The first of them is what I'll call a planning process with local people in Saskatchewan. As you're probably aware we have a half a dozen area transportation planning committees up and running. These committees have studied the transportation patterns in their particular area and they're doing reports for us with recommendations on what their priorities are for their area in terms of the provincial highway system. So we take the recommendations through our joint planning efforts into account in our prioritization.

There is public policy. And by that I mean that the province, through its strategy document that you have in front of you, has committed to twinning the Trans-Canada Highway border to border from the Alberta to the Manitoba border in a 15-year period which will now be 12 . . . 13 years I guess it would be. There's 2 years gone by.

That was a public commitment based upon public policy to have a twinned highway for No. 1 Highway. There were benefit/cost analysis done but it wasn't the main factor, it was public policy.

The third area is just that, and it's in terms of capital expenditure. We have a benefit/cost analysis done which takes

into account two major factors, one of which is the reduced maintenance cost if we redo a section of road, and secondly the safety aspect. In other words, what is the predicted cost in terms of safety or non-safety on that stretch of road versus if it was repaired. And we take the top rate of return projects and they're all pretty well equal and we look to see which makes best sense in a project year.

And more to your point, we do measure the condition of all of the roads in the . . . highways in the province each fall and we take that into account through our asset management program in terms of what would be the best expenditure of public dollars.

The condition of the road may not lead it to be considered for a project of high level maintenance if our budget is such that the dollar would be better spent in another location and save the province money in the long term. So it's quite a complex formula. The condition of the road is one part of that formula that leads to the decisions to be made as to what areas are finally on our final plan.

We work very hard to put together various options with different levels of funding and they take into account all of those four items I've just mentioned. Barry, did you want to add anything?

Mr. Martin: — I can give them a more technical description if . . .

Mr. Gantefer: — No, thank you. In the past the department has provided a document that I believe showed the priority or the ranking of different sections and the priority that I guess this process that you outlined has resulted in in sections being prioritized on that basis.

Is that something that you release ongoing or is it released at a certain time of year after you've done this ranking? Is there a current document that lists that that could be made available or how does that process . . . Or how is that document brought forward?

Mr. King: — It's certainly been made available in the past. As to whether it's totally up to date, I turn that over to Barry. It's the department in engineering who maintain that document.

Mr. Martin: — That particular document which is the listing of the benefit/cost analysis has not been updated for two years. What has been released during Committee of Finance to certain members is that one original document.

We haven't updated it because unless there's a new project that hasn't been added . . . But we're trying to move into an environment where we rely quite a bit more on local decision-making for capital investments. The BCA (benefit/cost analysis) is for capital projects, and we use the example of the southwest study where they've released a road report. The benefit/cost takes into account capital investment, maintenance costs before and after improvement, and the anticipated savings due to improved safety.

That doesn't measure what it might contribute to the local economy, what it means to the school boards or to the health boards to have that particular road. So we are looking for the

area transportation committees to put together a road plan where they use our benefit/cost analysis plus their local knowledge to identify the projects that they think are of the most value to the local area.

Within the capital program things like the 20 . . . We have to do it over 15 years so you divide up the money that's required and try to do about one-fifteenth each year. We haven't published a document that explains asset management because it's a horrendous, complex modelling program, and it's got four distresses and about 12 different options of treatments that can go on each segment of roadway.

Mr. Gantefer: — And that process is just beginning in working with these regional transportation authorities?

Mr. King: — It depends on when the authority or the agency developed. The southwest is the most mature. It's been in place for about three years now. Some of them are relatively recent, within the last six months, and so they're at different stages of their evolution.

But the capital budget is certainly well taken care of without having to rely an awful lot on the so-called BCA because there's so much that can be done that the two-year-old study Barry mentioned still will provide us plenty of top-notch or top-priority projects in areas where we don't have a local committee giving us their own advice.

Mr. Gantefer: — So the fact that the committee is less mature is not going to necessarily mean projects within that jurisdiction are going to be put behind.

Mr. King: — No, there's no tendency to poor-boy one area of the province because they don't happen to be up to speed in terms of the planning.

Mr. Gantefer: — Thank you very much. Thank you, Madam Chair.

Mr. Hillson: — First of all, I'm certainly not taking exception with any of the comments Mr. Gantefer made regarding federal participation on highways. I think we all realize how desperate that is if we're going to maintain standards.

But I just wonder if you'd clarify for me, my understanding is that in the United States federal participation is restricted to the interstates, which is their national road system, and they have to meet up to the standards to qualify for federal funding.

Now of course in Saskatchewan we have the two Trans-Canadas that we want to be completely twinned. But beyond that and much as I support that project, it seems to me, and you've made reference to it, the real challenges we're going to be facing in the next several years come about in the secondary highway system as a result of grain transportation, grain transportation changes.

And I believe you've . . . I'm sorry I was in and out of the room, but I think you also made reference to the fact that at one time we oil-surfaced a lot of our province's highways. This was very, very good for light traffic, but unfortunately will almost be worse than nothing for heavy truck traffic . . .

Mr. King: — Yes, in response, the American program is more than just their interstate as you would go down and say, Interstate 12 or T or whatever.

In fact when we met with the provinces of North Dakota and Montana, one of the projects Montana is working on is, I think it's their 16 which joins with our No. 6 straight south of Regina here. And so they've expanded their program to include north-south connections in the United States not just the so-called interstate system.

The second point is our national system is not just Highway No. 1. In 1988 when that study was put together on what is a proper national system, it included in Saskatchewan Highway No. 1; Highway No. 16, the so-called Yellowhead; Highway No. 11, which joins Regina and Saskatoon; Highway No. 39, which runs down to the U.S. border from Moose Jaw; and Highway No. 7, which joins us with the Calgary connection through Saskatoon.

So our national program, as defined in 1988 and redefined and agreed upon in 1998, is that system which connects east-west and a little bit north-south through Highway 39.

Finally, I agree with you that our challenge is going to be very considerable on the rural system, if I could call it that. With the changes that are presently underway and are going to be underway in an even more revolutionary way in rural Saskatchewan.

But it would help very considerably if we had some fiscal assistance on the national side to free up some dollars onto the other side. Because we have the three systems to try to balance. The national system which carries the majority of our commerce — our export/import by truck; the provincial system which carries most of our internal commerce, and tourism, and social benefit of visiting hospitals, of visiting schools, attending schools, and family; and then there's our collector system which draws from the countryside to the main roads. And that third system is going to be under the most enormous of pressures over the next few years. It's under enormous pressure right now.

Mr. Hillson: — I've lost the technical term for thin oil surfacing.

Mr. King: — I call them thin oils but that's because I'm like you; I'm not an engineer. The engineers call them thin membrane surfaces. Oiled road sounds good to me though.

Mr. Hillson: — No one wants to drive on a membrane. But my question though is, will that continue to be an appropriate way of surfacing secondary highways, or because of the advent of big truck traffic, is that something that we won't be able to continue doing?

Mr. King: — Saskatchewan is the only — I stand to be corrected — but we're the only province in Canada which has two distinct weight levels, one of them for secondary roads and one of them for our highway system. So we have weights that are called primary weights which can run on our pavements, and then we have weights for trucking on our secondary road system.

The way the grain movement is changing, the pressure is to provide primary weight loads for the secondary highway system. And grain is known as a cubed commodity — that it goes inside a cube. And people tend to fill that cube up when they're loading up grain. Rather than saying how much weight have I got on it, they just fill the cube up.

And so various work we've done on compliance we're finding up to 80 per cent overweights in the grain business. And so we either work very heavily on the compliance side and try to chase everyone down who's overweight or we provide better roads that they can carry heavier weights. So it's a two-part strategy we have to employ.

But in answer to your question, I don't think the TMS (thin membrane surface) system can meet the challenge coming in rural Saskatchewan. We have done some work with private consultants that we've prepared for Justice Estey which shows that we have about just under 3,000 kilometres of that rural system, that TMS system, that will need upgrading to meet the challenge of the grain consolidation that's occurring.

Three thousand kilometres of upgrading — pick 150 to \$200,000 a kilometre. So you're talking about \$500 million that we're likely looking at as a need for upgrading, or to buy a bunch of rubber-tired wheelbarrows and let people carry their grain. I mean that's being obviously a bit facetious, but that's the sort of drastic challenge we face.

Mr. Hillson: — And you mentioned that part of the answer is this policing for overweights. Would I be correct in saying though that that's really only possible on the major highway system, that there really is no policing on the secondary system? Or is that an exaggeration?

Mr. King: — It's estimated that we would have to spend an extra \$10 million in order to get 97 per cent compliance. So we would have to have people all over the place. So \$10 million would buy us a lot of patrol cars and a lot of scales.

I don't think \$10 million would do it myself because I come from a background where people found ways in the countryside to do things if they had to get them done, and so you learn how to do things if you've got to do them. And so . . .

Mr. Hillson: — I mean frankly — pardon me for interrupting — but I mean I'm hearing that in some cases people who know they're overweight are deliberately taking the secondary system to avoid enforcement.

Mr. King: — Well we're working very hard on the enforcement side; don't get me wrong. I'm just saying we would have to spend an additional \$10 million to try to get compliance, and we wouldn't achieve full compliance.

That last 3 per cent is the tough one, and we'd never be able to achieve that last 3 per cent. And it could do an enormous amount . . . One pass on one of these roads would tend to destroy a lot of the sub-grade on it. And so we couldn't use compliance only. We have to also build up a lot of these roads.

Mr. Hillson: — One last one. This may not be particularly directed to you. But I mean you've already been fair enough to

mention that Ottawa has financial constraints as well. However, it seems from some of the figures I've seen that in the last two years other provinces have done significantly better on the resources that have been made available for highways. And is there not a case to be made that even without increasing the total national budget that it just might be our turn to have some consideration there?

Mr. King: — Anecdotally one might reply or one might guess as to how the Maritimes were able to get some of the money they've been able to get out of the federal government. But that's anecdotal evidence only. It's hearsay I should say on my part as to who's a better golfer or who loses at golf. So I'm unable to provide a key as to how one would approach getting more money.

I can assure you that our minister has met on four or five occasions with Minister Collenette to talk about this very issue, met on several occasions with Minister Goodale. I have met on numerous occasions with federal people. The answer we get back is it has to be a federal program, and there is sort of an embarrassed silence when you talk about, well how did some people get money? And I think it's probably some sort of a one-off that we're not a party to at the present time.

Mr. Hillson: — Okay. We have the last couple of years of course we've been on a 250 million a year highway capital budget. And I understand that's a 10-year program.

Mr. King: — The commitment made at the time the strategy document was released was to expend two and a half billion dollars over the next 10 years. That document is now two years old. So we're two years into the 10-year commitment. I believe, and Barry will have to probably help me here, that we received a \$20 million increase to around 200 and then an extra 10 was put in, so I think we were around 210 in the first year.

Mr. Hillson: — Right.

Mr. King: — And we received around 220 in the second year. So we're moving up towards the 250. But in order to achieve the two and a half billion, we would have to surpass 250 million at some point and continue surpassing it until we had averaged out at two and a half billion.

Mr. Hillson: — Right, yes, okay. Yes, you're correct. It was two and a half billion over 10 years; then the average is of course obviously 250. We're not at the 250 million a year.

Mr. King: — No, we're not. We were at 219 base this year, and an extra 10 million was thrown in, so at around 229 million this year.

Mr. Hillson: — Maybe it's not a fair question to ask you when you think we can get to that 250 a year.

Mr. King: — That's a decision that the Treasury Board makes, not the deputy minister.

Mr. Hillson: — Right. But we won't be at it again this year in terms of spending?

Mr. King: — I'm not in a position to . . .

Mr. Hillson: — I mean the fiscal year ending, not . . .

Mr. King: — Not this fiscal year, no.

Mr. Hillson: — Okay. Thank you, sir.

Mr. Whitmore: — Yes, thank you. Thank you, Madam Chair. Mr. Deputy Minister, you made reference to the report that has just been released, and that being the Estey report. And I know that your department in association with other groups throughout the province had done a lot of work previously in '97-98 regarding the Estey report in other transportation areas.

I have not had the chance to read Estey per se, only what was in the press. But at the same time I had the opportunity to hear an interview of Justice Estey and some of his comments. And some of those comments alarmed me, if that was involved in his decision making of his study.

I guess the first thing then, you made reference that you hired a consultant in terms of providing information to Justice Estey. Justice Estey commented in the interview that he did not think there had been any study or significant study done regarding damage by trucks to the road system and said further study is needed. But at the same time when he said that, we need these other changes in light of not knowing, doing that.

What kind of information did the department provide him on the area of road damage or other information in that area?

Mr. King: — We had commissioned a private consulting firm, Ray Barton & Associates based out of Ontario, to do a study of the grain truck haul in Saskatchewan roads. This was submitted to Justice Estey in September of 1998 at a meeting in Winnipeg. I can provide a copy of the report to members or they can look it up on the Web site because it's been made publicly available.

Based on a very technical, very scientifically valid study by an independent consultant, it was determined that there will be . . . there has been a hundred and eighty-six million dollars incremental damage done to Saskatchewan highways since the consolidation of grain began with the passing of the Canada Transportation Act and the move to larger elevators, and that the total cost to the highway system is going to be \$500 million.

That's only our highway system; that doesn't represent the damage that will be done to the grid road system and the farm collection system in Saskatchewan. If one takes 27,000 kilometres of highways and 150,000-odd kilometres of rural roads, it is not inconceivable that we're looking at over a billion dollar additional cost caused by the deregulation of the grain trade in Canada, in Saskatchewan.

I was quite surprised when I heard Judge Estey's interview. I tried to call him and was unable to get to him. I called some of the people that worked on the commission and they did indicate they received the study. They did indicate that the study was summarized and provided to Judge Estey. I have no explanation as to why he said that grain transportation is not doing any damage to the road system. I present a consultant's report which is scientifically based, an engineering study, and I don't know why he would have said that.

Mr. Whitmore: — That worried me because we have seen the final deregulation of the grain handling system.

Mr. King: — Not yet.

Mr. Whitmore: — Well this is the final nails in the coffin. We see the cap removal taking place. I know when the original Act was brought forward, there was pressure brought on them, on the minister that time not to impose the caps. There were certainly groups in this province and in other provinces that did not want the cap on knowing that it would cause the rapid consolidation of the grain handling system in this province and in western Canada.

I remember seeing some early studies in terms if you did not have a cap on grain handling. Yes, there will be cheaper places to haul your grain, but studies that I saw, saw a variation between Saskatoon and Meadow Lake of \$60 a tonne on wheat and barley. Therefore it does not pay to grow anything of those commodities in Meadow Lake, or it was cheaper to haul them from Meadow Lake down to Saskatoon to ship them. That is partly what's going on.

I was disturbed also by Estey when he stated in terms of the branch railway system, branch lines, that they were gone. He stated in his report he wanted changes to regulations for short lines for railways, but what he proposed in terms of the deregulation of the rest of the system, and he stated that in the interview, that the branch lines were gone. No ifs, ands, or buts — they are gone.

So when you talk about changes, the changes that we thought would anticipate over 15 years I think will take 5. I think you're going to see a rapid consolidation of the construction of concrete elevators.

And as you've indicated, not just the cost of the transfer. Producers may save in terms of hauling to some points to save money, but I guarantee you either property tax or taxes in this province or other revenue sources will be found that will cripple other things to pay for that road system. And I guess . . . it bothered me the comments he made knowing that some of the things, some of the discussions that had gone on which have been going on for 15 years.

I'm sorry to be so long-winded in this area, but I get angry too by those associations throughout this province that call for deregulation. Now deregulation has come and those same groups are now saying we don't want it. Well this is deregulation.

I guess since you've had the Estey report brought forward and I know you're still digesting it, have you had an opportunity to talk to other players, particularly SARM (Saskatchewan Association of Rural Municipalities) who has a great deal of concern with this in terms of the road system, but also SUMA (Saskatchewan Urban Municipalities Association) who suffers a great tax loss with the rapid closure of these elevators. And I wonder what their reaction is in communications you've had with them.

Mr. King: — First a general comment. This has been one of the more non-partisan processes I've ever been involved in. The

four western provinces from British Columbia, Alberta, Saskatchewan, and Manitoba, came together as a unity, as a consensus body, and unanimously went forward to Estey on two occasions — once before his preliminary report and once before his final report.

And we were unanimous as the four western provinces in several key areas. One of them was the rate cap cannot come off of hauling board grain without there being some proof of competition. There was a unanimous position of all provinces.

Where we have studied the non-competitive nature of rails such as in the northern states, you look at an average freight rate of over \$52 a tonne where our average freight rate right now under a capped system is around \$34 a tonne.

And so on average in Saskatchewan we would be facing a likely roughly \$20 increase per tonne to haul grain. Those along the main line will do all right, thank you very much, because there's where your big unit trains, your hundred-car trains are going to be originating and where the incentives will be provided by the railways to the grain elevator companies.

But for Saskatchewan which is a far-flung agricultural empire and which has only the two main lines, the one running in the South and the one running through the central, we're looking to a very, very difficult future with this new scenario.

The rate cap would come off in return for something . . . guarantees from the railways of temporarily reduced freight rates. But it will lead to a far more rapid consolidation because the one railway has indicated we will be juggling our rates to make sure that we give where it's cheaper and we take where it's more expensive.

And so if we think we've seen fast evolution now, we're going to see it go into high gear if that particular recommendation is implemented.

There is a meeting tomorrow in Calgary between the four western provinces to see if we can continue to hold the consensus together in view of Estey's recommendations which are quite complex and not all that easy to put together. Because there is on the one hand removal of the rate cap; on the other he seems to indicate opening up the railways to joint running rights or open access.

But I'm not too sure you take the rate cap off before you find whether Omni Trax will be allowed to haul a hundred cars out to Vancouver. And that's the sort of thing we have to clarify before we can finally decide whether the consensus will hold together.

As to local groups, certainly I have talked to SARM, and SARM is very alarmed. They're very alarmed on some issues which are of more concern to them having to do with producer car ownership. But they're also very alarmed on the road side of it and on the Wheat Board's role side of it.

With SUMA, SUMA is facing the prospects of 2 to 300 elevators closing at roughly \$15,000 a year average taxes paid by each elevator. And so you might want to look at a report that was done by a professor out of the University of Saskatchewan

on the consolidation of towns and villages in Saskatchewan — Professor Stabler's report. If that was a evolutionary scenario with the loss of the tax base that will occur, I think you're going to see a revolutionary scenario occurring.

And so I think people are very concerned. We cannot stand in the way of having to continue to compete however, and you can only fight what there is to fight. So we've got to respond in a way that makes sure that we can continue to survive as a province. But some people are not going to like what the answers are. The answers are going to be bigger trucks; the answers are going to be routes which only trucks can be on and not the general public. The routes are going to be some bitter medicine I think for us to swallow if we're to survive the coming deregulation of the system.

Mr. Whitmore: — Thank you very much for that opinion of Estey. I think it's important that people realize the kind of impact that comes from the study. Thank you very much.

The Chair: — Are there any other members that have questions? I just have a couple myself. The mowing contracts that the department lets out. Are they fairly . . . is there a fairly standard rate right across the province or does one area of the province pay more than other? I'm not asking for the exact amount.

Mr. King: — Barry Martin will respond.

Mr. Martin: — Because it's an open bidding process and competitive, you can get significant variations from contract to contract. But in general the contracts in the southwest where it's dry are the cheapest, and the ones in the north to northwest where there's more bush and tends to be wetter, are more. Probably on average, 30 to 50 per cent more where it's more . . . (inaudible interjection) . . . on average. On average. There's dry years. But if you're in the La Ronge area on Highway No. 2 where you've got lots of rock, it's much tougher to mow there than it is south of Swift Current, so prices will be good.

The Chair: — I'm going to show that I'm not very familiar with some of the department's . . . some of the things that you have to look after when I ask you if the Department of Transport regulations, do you have direct voice into some of them?

Mr. King: — The federal Department of Transport, when they bring forward legislation, they go through a committee process. And I have appeared before federal transportation committees on several occasions.

One of them had to do with the marine Act and the privatization of the ports. I know that before I arrived there were presentations by the provincial government in front of the committee on the Canadian transportation Act which lead to the deregulation and the removal of the WGTA. But my experience in the committee was that it was thank you very much, so we weren't . . . Our representations were not acted on, I guess, or taken into account in the final Bill.

The Chair: — Probably I haven't asked the question correctly then because I have a trucking firm, or a number of them in my area, who are concerned with the different regulations, not only

between provinces but between the northern states and our provinces.

And for example, they were giving me a lesson on how they have to turn their lights on and off in different provinces. You have to move them down six inches if you go into Alberta. You have to turn on different lights if you go into Manitoba. Some of the lights have to be flashing, some are amber, some are blue. It's just like having a panel in front of you when you cross over the border to make sure that you have the right lights on. And that's just one example that they were giving me.

Is there any effort to make some kind of a province-wide issue of this so that the trucking industry themselves have some chance to actually follow some regulations?

Mr. King: — Yes. The Council of Deputy Ministers of Transportation from across Canada have a harmonization group which is working on what you're talking about right now. It's trying to harmonize weights, dimensions, the configuration of the truck, the accoutrements or the lights, etc., on the vehicle so that theoretically one could load in British Columbia and have your load sealed and drive all the way across Canada without having to stop either at a weigh scale or by a patrol looking for any of these differences in regulation.

We have a lot of uniformity now in place. In other words, there is a harmonization up to a certain floor. The problem we run into is that some jurisdictions have weights that are way up here which would tend to cause our roads to fall apart even faster than they are now. And they want us to move our weights up. And we are sort of holding back from doing that.

On the other hand, we have greater lengths than some other provinces do and because of our vast spaces we have to go through, it makes more economic sense to carry your bigger load. And other provinces are reticent to have longer loads.

The most difficult one, however, is the U.S. They continue to regulate far tougher than we do in Canada and so their weights are far more stringent. It's partly because their national government requires that. When they fund or partially fund a road, they demand that weights be at a certain level uniformly across the U.S.

That's where our federal government might take some leadership if they said, we're going to fund the highway system but there's got to be uniformity. Right now all we've got is a wish on the part of the provinces to be uniform, but no buttons, no incentives other than to try to be competitive.

I can assure you though, Ontario is far more interested in being harmonious with Michigan than they are with Manitoba because that's where the bulk of their traffic goes. So it's difficult to get some of the jurisdictions to pay attention to us.

The Chair: — Probably in some instances the states right directly below us are interested in being in the same category as we are as well because that's the trucking firms I'm talking to having difficulties.

Mr. King: — Yes. Some trucks actually that do tandem or double have to unhook one and haul them separately down once

they reach the U.S.

The Chair: — Yes. And I just have one comment on the overweight. I had one firm phone me, they said they were on a side highway — 349 actually — they were found to be overweight by, it was about 3 per cent overweight. And they were two miles away from their destination and they had to turn around and drive the 15 miles back down the road that they came down and so that they could let this overweight . . . take off the extra weight.

Now to me that doesn't make a whole lot of sense, if you're trying to look after the roads, to go back down a road to dump rather than just . . . They were going to get the fine anyway, they knew it. It just seems like common sense should have come into it a little bit.

Mr. King: — I'm not saying that everybody that works for the Department of Highways and Transportation uses common sense and I would — including the deputy minister at times — I would urge members if they come across situations where there is a situation we should be aware of and try to correct, if they bring it to our attention through a letter to the minister or myself, and I would be pleased to look into it and hopefully we can keep working on the common sense side of it.

The Chair: — Okay, we have a couple of recommendations I believe that we should be dealing with; and I believe the first one is on page 194. We recommend the DHT (Department of Highways and Transportation) should clearly document systems and practices necessary to prepare sound interim financial reports.

October 7 we noted compliance and progress. Concur and note progress? Agreed?

A Member: — Agreed.

The Chair: — And no. 2 I believe it is the same. Concur and note progress? I believe last time we noted it was complied. Do you believe it's complied? I think we'll say note progress.

Mr. Strelieff: — Note progress, I think that's what . . . yes.

The Chair: — Note progress?

A Member: — What is the . . .

The Chair: — Okay, I'll read it again. No. 2 — we recommend DHT should continue to develop a financial reporting system that meets management's information needs efficiently.

Mr. Koenker: — Have we heard from the deputy minister on that issue?

Mr. King: — The financial system is in the process of being implemented. The first stage was implemented in the revolving fund last April. The second process which is to . . . cascaded out department-wide, is slated for April 1 of this year. And so I would argue we continue to work towards the implementation of a financial system.

The Chair: — So it's noting progress. Agreed?

A Member: — Agreed.

The Chair: — Thank you very much. Again we appreciate your attending this meeting and for all your helpful answers.

Mr. King: — Thank you, Madam Chair, and members.

The Chair: — Members, Finance is supposed to be in at 3 and we don't have Y2K people . . . Are they here? I don't think the officials are here, are they?

Mr. Strelieff: — They left. They were here before for 12 to 12:30 and then I said to come back around 4.

The Chair: — Okay, so let's . . .

Mr. Strelieff: — Okay, there's an Executive Council one here . . .

Mr. Shillington: — Let's do Executive Council.

The Chair: — Okay, Executive Council.

A Member: — We're supposed to take a break.

The Chair: — If we don't have the right officials, then possibly Finance would be here a few minutes early, they normally are. Okay, let's check here and make sure we're back here by 5 to — that will give us a 10-minute time to walk around and we'll start at 5 to if at all possible. Okay? We're breaking until 5 to. We don't have people here.

The committee recessed for a period of time.

Public Hearing: Finance

The Chair: — So we welcome everyone to our session this afternoon, to the officials here from the Finance department. I'll ask the deputy minister to introduce the officials with him today.

Mr. Jones: — Thank you, Madam Chair, and thank you to members of the committee. With me today to assist the committee, as you've met previously, Terry Paton, the Provincial Comptroller; Chris Bayda, with the Provincial Comptroller's office. At the back, Jane Borland who's also with the Provincial Comptroller's office; Kathy Rintoul, next to Jane; and Kathy Morgan from PEBA, the Public Employees Benefits Agency.

To my far right is Brian Smith, who I think many of you know who is the head of PEBA, and beside me is Bill Van Sickle who is the executive director of the administration area in the Department of Finance.

The Chair: — Thank you very much and welcome. I believe the Provincial Auditor has a person as well.

Mr. Strelieff: — Yes, with me today is Andrew Martens. He leads our work at the Department of Finance.

The Chair: — Welcome, and I'm going to read the statement to the witnesses.

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 and where a member of the committee requests written information of the department, I ask that 15 copies be submitted to the Clerk, who will distribute the document and record it as tabled.

Please address all your remarks through the Chair, and I'm sure we'll have a very good dialogue this afternoon.

We'll start by asking the Provincial Auditor to have his officials review chapter 18 of the Department of Finance.

Mr. Streliaff: — Okay, thank you very much, Madam Chair, and members and officials. The chapter begins on page 249 and as I think all of you know and appreciate, this department has many responsibilities and must manage many important issues.

The bulk of this chapter focuses on our work related to pension plans and pension costs and expenditures and how they're to be recorded or not to be recorded. And in general, I think it's fair to say that the department and our office over the years have worked through a lot of issues and generally are working in the same direction.

On this one, we haven't quite got there. I'm sure some time soon in the future we will but we're not quite there on some of the accounting and the reporting of pension costs and expenditures.

But I'm going to turn it over to Andrew to lead you through the chapter. Andrew.

Mr. Martens: — Okay, thanks Wayne. As Wayne mentioned the chapter begins on 249. It begins with an overview of the chapter, some of its main activities, the agencies it manages, and the key issues that it faces. The key issues on page 251 have been discussed in more detail at a previous committee meeting in relation to our spring '98 report. So if you wanted more detail about those, you could certainly refer back to that.

The first point we raise has to do with annual pension costs, and in this case, the government's general practice is to budget for expenditures in the estimates using the accrual basis. And that simply means that the government budgets for costs in the year that they arise even if they're going to be paid in the future. However, this practice is followed for all expenditures except for pension costs.

At the end of each year the department uses actuaries to help it calculate the amount the GRF (General Revenue Fund) owes in the form of future pensions to teachers, and government employees the benefits that they have earned during that year.

We think the department should make an estimate of this amount and include it in the government's annual estimates. If it did, the Assembly would be debating the full cost of salaries and benefits in the year that those spending decisions are made. At present, the Assembly doesn't receive a complete picture of the government's spending decisions.

For example, in 1990 the government increased teachers' benefits without knowing what they would cost and without presenting an appropriation for these expenditures to the Assembly. In 1995 the government determined that the cost of those benefits was \$63 million and it recorded that amount as a 1990 cost.

We raised this concern in our '96 report and recommended that in order to make informed decisions the government should determine the cost of changes to benefits before awarding the benefits. This committee concurred with that recommendation.

Further to that, we are now recommending that the government include the correct amount of the GRF's annual pension costs in the estimates for the year on the same basis as all other annual costs. This is not a matter of policy. It's more a matter of consistency and completeness which are elements of proper accountability.

On pages 254 and 255 we refer to matters we raised in our auditor's report on the GRF's '98 financial statements. In particular we recommend that the pension costs should be properly accounted for in the GRF statements.

The GRF is responsible for certain pension costs and liabilities by law; therefore the GRF is the only fund that can properly reflect them. We reported that the GRF financial statements are significantly misstated because they do not include all of the pension costs and liabilities that the GRF is responsible for.

For example, we note that the GRF's reported surplus as \$35 million would have been a deficit of \$107 million had the GRF recorded \$142 million of additional pension costs that the Department of Finance calculated that the GRF incurred in 1998. These costs are current costs not future costs. While they will be paid in the future, the department has determined they are part of the benefits that were earned in 1998.

In October this committee noted that the information is readily available in the notes to the GRF statements. However, a key accounting standard that is used to prepare all financial statements is that financial statement notes are not a substitute for proper accounting.

To ensure financial statements are not misleading, all transactions should be properly recorded. That's one of the objectives of an audit and we are obligated to bring that to your attention. Therefore we continue to recommend that pension costs be properly accounted for.

On page 255 and 256 we are reporting that the department does

not provide important accountability information about its activities.

In our previous report, we said the department could provide this information in an annual report. In October '98, this committee was concerned that an annual report may duplicate information provided in other reports, for example, the Public Accounts, and the mid-year financial report. However, these reports pertain to the GRF or the government as a whole. They don't describe how the department is administered or what systems the department uses to manage the key issues that it faces.

To be accountable to the Assembly and the public an organization must provide information about its own activities and performance. Whether that's in an annual report or in some other form.

On page 256 we have listed several examples of the accountability information that we think the department should provide.

On page 257 we report two concerns with the Municipal Employees' Pension Commission. The first is that management needs to develop a complete accounting policies and procedures manual to help its staff carry out their duties effectively. Management told us that it is working on that manual.

The second matter relates to overpayments made to retired members. These overpayments result from errors made in summarizing members' salary history information. And that salary history information is a key component of the formula for calculating pension allowances.

The chapter concludes with two matters related to the MLAs (Member of the Legislative Assembly) superannuation plan. We are repeating the recommendations we made in previous reports. The department has said it is continuing to seek the necessary legislative changes to address these issues. In October '98 this committee reviewed these matters and concurred with our recommendations.

That concludes my remarks.

Mr. Strelloff: — Thank you, Andrew, and I'll turn it over to the Chair.

The Chair: — Thank you very much. I'm going to ask the deputy minister if he has any comments to make before we go on to questions from the members.

Mr. Jones: — Thank you, Madam Chair. I will be very brief. First let me again point out that I think the Department of Finance continues to have a good working relationship with the Provincial Auditor and certainly intends to continue that good working relationship.

Having said that, it would be my view that many of the issues contained in chapter 18 of this report are essentially issues that the committee has seen before so they're not necessarily new. So I won't go through them again.

But finally let me conclude by saying that we're pleased to have

this opportunity to assist the committee in anyway we can.

The Chair: — Thank you, very much.

Mr. Hillson: — Yes. Have you given any further consideration, sir, to the issue of supplementing the budget with a comprehensive government of Saskatchewan statement attempting to integrate both the General Revenue Fund and other public activities in the Crown corporations?

Mr. Jones: — Madam Chair, Mr. Hillson. The short answer is yes. And if I may, let me just expand on that. We, in the Department of Finance, will review the budget documents and so forth. Each year we do that and we will make recommendations to Treasury Board and the government and those . . . I can tell you that process again has taken place or is in the process of taking place this year.

It would be my view that at this point, although that is the prerogative of the government of course, the Minister of Finance and the government, but it is my view at this point that I would not anticipate in this upcoming budget major changes to the presentation of the budget documents.

Mr. Hillson: — It seems to me though, sir, what's being opposed is not a change to the budget itself but rather supplementing the budget with a statement that integrates GRF with, you know, Liquor and Gaming and the Crowns etc., so that we get a total overview of where the province of Saskatchewan stands.

As I understand it, we're talking more about a supplementary document rather than changing how the budget itself is presented which of course is funds voted by the Assembly.

Mr. Jones: — Madam Chair, Mr. Hillson, I respect that viewpoint, and all I can report to you at this point is that I expect, from my personal point of view, there will be little or no major or significant changes to the presentation of the budget from, say, last year.

Mr. Hillson: — And I don't mean to flog as I realize I'm getting very close to policy decisions that aren't made at the administrative level, but I do want to ask you in regards to this too.

In terms of providing information to the members . . . Of course, a very key component each year is transfers from the rest of the public sector, especially Liquor and Gaming, but there doesn't ever seem to be to my way of thinking an explanation as to how we determine the appropriate level of these transfers into general revenue. And we are cuddled up to the feeling that this is an arbitrary figure, something pulled out of thin air, and I've never — and of course I'm a fairly junior member — but I've never heard an explanation of how we decide what is an appropriate amount to be removed from, say, Liquor and Gaming.

Mr. Jones: — Madam Chair, Mr. Hillson, again those are what I will say are very good questions. The Minister of Finance will of course provide the, let me call it, the final answer for those.

But let me say that, in terms of perhaps the two major transfers

that the member may be talking about, the first with regards to the dividend from the Crown Investments Corporation, in the annual report of the Crown Investments Corporation, I would refer the member there. There is explanations as to a dividend policy, as to not only transfers from CIC or the holding company to the GRF or the General Revenue Fund, but also a discussion of dividend policy with respect to the subsidiary CIC Crown corporations and CIC. So that's one source that may be of help. Maybe you would want something more fuller than that, I don't know, but I refer the member there to the CIC (Crown Investments Corporation) sector.

With respect to the transfer from the Saskatchewan Liquor and Gaming Authority, I think I would characterize what I've heard the Minister of Finance say and successive ministers of Finance say is that the Liquor and Gaming Authority acts as a reserve, if you like, a stabilization fund, so that in essence the transfer from the Liquor and Gaming Authority will reflect that stabilization aspect. And I think from my experience that probably will explain a large . . . go a long way to explain the transfer from year to year.

In years that the government feels it does not require additional revenues the transfer will be smaller — if not zero. A few years ago it was zero. In years where the government feels that it has to, for example, fund increased health spending or highways expenditures or it is going to cut taxes, it may wish to take additional amounts beyond the current year income of the Liquor and Gaming Authority. So in a sense it's a stabilization fund, but ultimately it is at the pleasure of the government depending upon how it wishes to manage its budget from year to year.

Mr. Hillson: — And so there is no, there is no policy anywhere that a certain percentage ought to be transferred and a certain percentage ought to be retained, and this will vary as a budget decision in each fiscal year.

Mr. Jones: — I am not aware of any policy that says we will transfer in the next year or the year after this amount based upon this set of criteria. That is determined from year to year by Treasury Board and cabinets, as is the case with most other government expenditure. Ultimately expenses will be voted, but it's debated in the legislature.

Mr. Hillson: — We're all as members then very aware of areas of the provincial economy that will result in shortfalls in revenue this year to the province. Can you tell us where there might be possible improvements to revenue, to the revenue side?

Mr. Jones: — Madam Chair, Mr. Hillson. We tabled, the Minister of Finance tabled a mid-year report a few months ago. That report indicated that certain revenues were up, and those revenues that were up were transfers from the federal government — and in particular equalization. So that was due in large part to an offset for some of the lower revenues in the oil sector, the oil patch, and so forth.

By and large at this point in the fiscal year we continue to see the revenue side of the budget performing more or less in line with the mid-year report which showed that revenues were up, largely these transfers, and in a large part, equalization. But

they are more or less in line with the mid-year reports that says that revenues were up compared to budget.

Mr. Hillson: — But those two sources were Liquor and Gaming and federal transfers. Is that . . .

Mr. Jones: — The major increase, Madam Chair, Mr. Hillson, had to do with equalization which was offsetting some of the decline in the resource revenue.

Mr. Hillson: — I guess it just . . . trying to find something. It's hard to cheer about either federal equalization or Liquor and Gaming being up. I was trying to find some, something to be a little bit happier about.

Mr. Jones: — Madam Chair, Mr. Hillson, I . . . I think the good news in this is that the budget on the revenue side is on track if not slightly ahead of where we said it would be at budget time. If you look at the components, yes, the equalization number is up; yes, oil revenues are down. The equalization program, I would suggest, is working exactly the way it should work and in some years when our oil revenue goes up, like it did a few years ago, we had lower equalization.

But I think all of us should understand that the Saskatchewan economy continues to be dependent in large part — maybe it's changing to some extent, becoming more diversified — but continues, I'm talking now as a treasury management person, it continues to be dependent upon a revenue base again while becoming more and more stable, but in large part is still vulnerable to external factors like declines and commodity prices.

Overall my personal viewpoint is the revenue side of the budget has performed darn well so far this year.

Mr. Hillson: — If I can refer you just to recommendation number 7, specific issue of surviving spouses, where they are saying apparently we are being somewhat more generous than the letter of the law. Does the department agree that if this is the practice we want, we want to adopt it, that legislative changes ought to be, ought to be proposed?

Mr. Jones: — Madam Chair, Mr. Hillson, that, again, this is an issue that the committee has seen on a number of occasions. I'll ask Brian to expand. But in very simply terms this is an issue where the Provincial Auditor has his interpretation or point of view or opinion. We have a different one. We don't think that we are doing anything incorrect or wrong.

But having said that, there may be some ambiguity with respect to this issue and we believe it should be corrected and we will seek remedies to correct that, and that will involve requesting legislative changes. I don't determine the legislative calendar and so forth. But, Brian, I don't know if we should . . .

Mr. Hillson: — So that may be something before us at the coming session? Not to you for you to speculate on.

Mr. Jones: — Madam Chair, Mr. Hillson. Thank you for helping with my answer.

Mr. Hillson: — Thank you.

Mr. Gantefer: — Thank you very much, Madam Chair. I appreciate the mid-term report and the comments you made in terms of the general estimate of revenues. And perhaps the details aren't there. But anecdotally at least in communities where I've been travelling in the Christmas season, I would have to say that the general comment from businesses is that business was down in varying degrees, but very few people admitting to the fact that this was a better year than prior.

And I'm also aware of the fact that in some instances the businesses that are telling me that are significant business. And I think of car dealers or implement dealers that have not sold a combine since harvest. And we're having, you know, the worst year in selling cars ever.

And I wondered if you would have statistics up, more current-like, into December 31 in terms of does this anecdotal . . . is this anecdotal comments being borne out in terms of diminished sales tax, for example, revenue? Is that happening or is everybody complaining inordinately?

Mr. Jones: — Madam Chair, Mr. Gantefer. I don't want to give the wrong impression. As the deputy minister of Finance I'm always very cautious and concerned about how the economy is doing. I do not have any data since — that I've seen — since end of November, early December. There is a lag in the collection of sales tax and so forth. Firms have to report it, and then we have to compile it and so forth. So I think you'll understand that.

Having said that, we do monitor the economic statistics that do come out. There is concern certainly in some parts of the province that I've heard anecdotally, as you suggest, that there is slower times out there. And that is, that is very much of a concern. That is why I would recommend and have recommended and will continue to recommend to Treasury Board and the government that we be very, very cautious in terms of our spending, in terms of how we manage our finances at this point.

The other point, if I may just bring in to the discussion, is another important event that will be taking place in, probably within the next eight weeks will be the federal budget. And again to show my caution and my . . . (inaudible) . . . if you like, rather than my optimism — I hope my previous remarks didn't paint me as an optimist, an optimist necessarily.

A Member: — Your reputation is intact.

Mr. Jones: — But I have some real concerns about the upcoming federal budget and whether we will be in a situation where the federal government will provide additional funding for health care and other priority programs for the province. And at the same time I have some concerns about the issue of them lowering income taxes which we piggyback onto their tax system which will impact the Saskatchewan treasury.

I don't say this to be against income tax reduction for Saskatchewan people; I say that from the point of view of managing the revenue base here. And we will likely be informed of these measures the same time you are, which is disturbing. We should have better consultation. But I'm digressing a bit too much, but it seems that that is the approach

taken by the federal government at this point.

So yes, I am concerned and we are watching that carefully. I'm concerned about the upcoming federal budget. I suppose we in the Department of Finance, and myself in particular, maybe we're too concerned about a lot of things.

Mr. Gantefer: — Thank you very much. And I certainly do appreciate your concerns about lack of consultation between, you know, your department and federal departments. And I wonder if there's consultation interprovincially at all.

And a piece that I've seen that you may want to comment on is the speculation or a paper that was released in Alberta about the uncoupling of the provincial income tax there and replacing it with a new flat tax system that potentially would look very attractive compared to our situation, and would have perhaps also negative impacts on our economy.

And I wondered, is there any opportunity for consultation interprovincially in addition to nationally in terms of those kinds of what would seem to me to be pretty radical departures from the norm?

Mr. Jones: — Madam Chair, Mr. Gantefer, the issue or a part of the discussion that took place in Alberta involves a concept which has been discussed certainly amongst the provinces and with the federal government for a number of years. And it's referred to as a tax on income approach, if you like, rather than the current approach which is a tax on tax — a provincial tax based on the federal tax.

So we would go to a tax on income where the provinces would get to levy a tax; if you like, a regime that is independent of the federal system and therefore you don't have the issue of when the federal government lowers its taxes, it spills over and creates a drain at the provincial level.

That has been discussed and is being considered at this point. I think other provinces have looked at that. Some see merit in that; some are continuing to look at it. We in Saskatchewan are looking at it very carefully.

There are a number of technical issues of changing the way we collect income tax. Just printing of the forms and so forth, that would require a lead time. It's unlikely that there would be any move to attacks on income model either in Alberta or any other province or provinces as a whole, if we could get some sort of agreement across the piece and with the federal government because there would be the issue of who collects the tax. The likely timetable for that will be another two years or so. So I think that's an issue that you may wish to watch for. It will be moved forward, I think, over the next two years.

Mr. Gantefer: — Thank you. I think that the world is changing much more rapidly than it used to in the commercial and financial sector, and I'm sure that Mr. Smith could tell about what's been happening in the investment markets and how volatile and rapidly changing that is.

A new area that I think is going to burst upon us quicker than we realize is the whole issue of Internet commerce and the implications that it has in terms of tax as well. Because you can

order a book from Amazon.com and I have absolutely no idea where that is in terms of real physical space or what jurisdiction has authority on it and all the rest of those issues.

So it strikes me that that whole thing is going to just take off exponentially in the very short while as issues of credit cards, security and those sort of issues are seen to be being solved very quickly. And I'm sure that creates some challenges for your department. I wonder if you would like to update us on the department's reaction to that issue.

Mr. Jones: — Madam Chair, Mr. Gantefer, that's an excellent question. That is an area that we do have significant concern about this point. I do not have a lot of specific information to report to the committee at this point other than to say that we have a group looking at that. We have been discussing this with provinces, other provinces and the federal government.

It's an area where we think, at this point, there is not significant electronic commerce transactions taking place. We do not . . . and we based that on the part that we don't see our revenue bases being eroded over the last five years due to this type of activity that has gone up exponentially.

But it's something that we have to come to grips with, and I would suggest that as we frame the tax system for this province and this country for the years to come, that's going to be an important component of what we base tax policy on.

Mr. Gantefer: — In your discussion with the federal government, because the Internet recognizes no borders really, is this something that's being discussed on an international level? Or have you been made aware of, are other countries in addition to our own increasingly becoming aware of the issue?

And I think you're right. I would be surprised if it affected any revenue paths in the past. But the way, you know, the computer and the Internet seems to be happening, what normally used to take three or four or five years to become reality is happening in a matter of months so that it could be happening very, very quickly.

Mr. Jones: — Madam Chair, Mr. Gantefer, the short answer to that is yes. But again my personal view here is that yes there are discussions, and looking at it in the international context and so forth, but they're certainly not satisfactory at this point. We haven't come to grips with it, if you like, and it's an issue that is certainly very difficult to grab a hold of. And when you think you've got a hold of it you've got to go to this jurisdiction and that jurisdiction, and many of you are more experienced than I am in dealing with different jurisdictions in this country. It's difficult.

Mr. Gantefer: — Thank you very much. Thank you, Madam Chair.

The Chair: — I haven't got any other persons on my speaking order. I just have a question myself.

I was interested in October when the Minister of Finance talked about initiating a review of the government's budget process system and he's talked about including a review for performance measurement and accountability. And this is

probably going to put some additional . . . it's going to mean additional work of some sort for your department and it's going to mean probably looking at some of the work you're doing now in a different way. Can you give us an idea or an update of what your department is doing, working on this initiative of the Minister of Finance's?

Mr. Jones: — Madam Chair, yes. I'm not sure what, when you refer to the Minister of Finance, what he said or what you're referring to, but let me just give you an update of where we're at.

We have begun a major project which will be under the direction of myself and the deputy minister to the Premier that will look at the budget process. It will look at ways to try and improve the decision-making process, how are we spending, how are we getting . . . how are we spending our money, what results are we getting from it and so forth.

The term performance measurement we're going to look at certainly. And we have looked at how other provinces have put in place performance measurement systems and so forth and what the merits of doing that are. It is perhaps easy to say that if you put in place this particular approach to budgeting or whatever, that's going to result in improvements. I guess I'm one that would want to be convinced of that.

So we're going to look at that and we are in the process of looking at that. We are also trying to look at how we can bring departments, if you like, who are responsible for delivering programs more closely together with the central agency so that there is a better understanding of the issues and the concerns and the problems.

And so ultimately better information, which really should be the objective of the process from an administration point of view, better information goes forward to decision makers such as Treasury Board and ultimately cabinet or this committee or the Legislative Assembly.

So it's in process. It will be managed by a senior person in the Department of Finance who is there now on a one-year secondment. It will utilize existing resources and we're putting teams in place of existing people. So we're not adding, if you like, to the . . . or adding resources to do this. We're going to pull in existing resources. I could go on but if . . .

The Chair: — Just briefly then, there's going to be one person within the Department of Finance who is sort of going to be responsible for this process, or is it going to be one person within each department?

Mr. Jones: — Madam Chair, the person that is undertaking or coordinating or pulling together this project, however you'd like to say it, is a senior person in the Department of Finance. He's at the associate deputy minister level. He has a lot of experience in government, was recently in the Department of Health and has come over to undertake this project.

But there will be teams of people working on different areas, whether it's performance measurement, whether it's dealing with how departments provide information that goes to Treasury Board, and how that gets analyzed and presented to

ministers and the like.

The Chair: — So the budget consultation process that started this fall with some of the MLAs, is that the type of process that was an example?

Mr. Jones: — Madam Chair, I would view the project on, if I can use the terms performance measurement, accountability that we are doing in the Department of Finance, separate and apart from the pre-budget consultations that took place this year. That this year . . . well every year they involve, to my knowledge, MLAs and so forth. This year, I think, we added a budget conference and we also put out a slightly different pre-budget consultation document which had a worksheet in it and so forth. But I think they're two different initiatives.

The Chair: — So this is something that's going on within the Department of Finance, then perhaps there will be performance targets and so on that will be something that the auditor will be looking at in the next . . . perhaps the next time he comes in?

Mr. Jones: — Madam Chair, yes, and the Provincial Auditor I believe has met with the chap who is undertaking the review, or at least some of your folks have, and we will . . . and I've had discussions with the Provincial Auditor on a number of occasions. And certainly it would be my approach that I would want to work with him on this.

I may not agree with everything that he suggests. I wouldn't expect him to agree with everything I suggest either. But I think it's fair to say that we probably agree on more things, many more things than we disagree on. So we will be working hopefully very closely with the Provincial Auditor.

The Chair: — Thank you.

Mr. Shillington: — Thank you. My questions were actually spurred by June's question and your comment, Bill. I was unaware of this. I'm interested that you're giving some thought to the budgetary process.

In my view, and I've had some minor involvement in this, in my view this department more so than any other, does set out a strategic plan each year it has the budget. This department's responsibility is the financial management of the government.

Each year you set out a strategic plan which includes five-year plans actually, and you in the same document I think, report to the legislature and the public on your performance in meeting that. I think we now do it. And perhaps — I don't want to put words in the mouth of the Provincial Auditor — but perhaps what we're talking about is putting it in a form that is more coherent and which would involve the public to a greater degree than we do.

And I for my part liked the process last fall, whereby there was a little song and dance by Finance available for the constituencies. We had the meeting in our riding. It was well attended. And I would guess, I think it was about a hundred people, which is a barnburner for this subject. It really is. I was astounded. I thought the room . . . the area we held it, before I went I thought we should have had it in the washroom rather than the auditorium itself. I didn't think we'd fill it. In fact it

was. And it was interesting and it went on well into the night. So I think there's a good deal of public interest in this.

And I remember looking for a means of avoiding further shopping activities one time when I was in Bismarck. And so I got off and sort of left the others and went into the State Capitol. I found to my interest that their state House was in session. Also found out that I could wander on — presumably anyone could — but I could wander around the floor of their State Capitol just as if I was a member. And so I did.

And they were dealing with the budget. It was actually quite interesting. Their budget comes down from the governor's office in a proposed form. It's taken by the House and the Senate. They have a protocol for how they deal with it. But it's dealt with in the open. There is no such thing as budget secrecy. And everybody is part of the discussion.

And it gave me some cause to consider our process which has traditionally been very confidential. And the whole thing is, traditionally, you got the whole news budget night. They have no such process and no such secrecy. And I think we have been moving gradually in the direction of a greater involvement by the public in the budgetary process. And I thought we took an important step this fall in furthering that and I thought it was very successful.

I thought the public were interested. I thought their input was very useful. And I know the Minister of Finance felt the input was useful, both at the local level where he was able to attend the meetings, and at the conference in Saskatoon at the end of the process.

There's no real question here. I'd just like to comment that in considering the budgetary process I would hope that we would continue the path we've been on, which I think is a greater degree of involvement by the public in the budgetary process. The more we involve them, I think the more accepting they will be of the limitations that any democratic government has in terms of how much resources you've got to spend here, there, and everywhere. I'm going to get back to this when we get to the pension costs because it's quite relevant.

I'm pleased to hear you're doing it, and I hope we continue with the progress that we have made to date.

Ms. Stanger: — I don't have a question, Mr. Jones, but I just have a comment. I just want to thank you and your department for the work that you do. And I know personally from my office I have received nothing but co-operation and just excellent service. You do a good job for the people of Saskatchewan. So I just wanted to thank you personally for that.

Mr. Jones: — Madam Chair, thank you in response to the member.

The Chair: — Okay, if there's no other questions, we can move on to the recommendations. And I believe the first one's on page 254, we recommend that the department include the GRF's total pension costs for the year in the estimates.

Mr. Shillington: — At the conclusion of my comments — if I find it, yes — I'm going to move a motion resolved . . . it will

actually deal with 1 and 2 but its focus at the moment is 1. At the conclusion of my comments, I will move that the committee note that the information referred to in the first recommendation of chapter 18 of the *1998 Fall Report Volume 2* of the Provincial Auditor is available in the government's financial statements and the committee does not concur in the recommendation.

This is not simply an accounting matter as the Provincial Auditor correctly points out. If you include the pension costs in the budget, that is a direct addition to your expenditures and since we are no longer in the business of running deficits, members who want to include the pension costs might begin by telling us which budget you're taking \$108 million out of. How about Highways? How about Health? How about the farm aid package? I think this is not a propitious time to bite the head off this snake.

There may or ... I'm in no sense of being critical of the Provincial Auditor, he's quite correct in raising this and his comments there are perfectly legitimate. But as I say, this is not an accounting problem.

You include these, you add to the expenditures in a year which is already, as the member from North Battleford pointed out, a year with some pressures caused by world events. So I think the information is available and I do not think that this is, as I say, a propitious time for resolving this problem. There are already pressures which all members are urging us to respond and the latest one and a very potent one is the farm problem.

So, I think with that, I will move, resolved rather:

That the committee note the information referred to in the first recommendation of chapter 18 of the *1998 Fall Report Volume 2* of the Provincial Auditor is available in the government summary financial statements and does not concur in the recommendation.

I would point out that this is what we did in the fall. We moved the motion to the same effect in the fall. I am not ... yes, this reflects our motion in the fall, Madam Chair.

The Chair: — We have a motion before us. Are there any comments? Do you want me to reread the motion?

Mr. Gantefer: — Thank you, Madam Chair, and I don't want to belabour the debate. I guess I question the fact that in supporting the Provincial Auditor's recommendation would automatically somehow jeopardize our financial position. It changes nothing. It just reports for it in an appropriate way. It doesn't ...

Mr. Shillington: — It adds to the deficit.

Mr. Gantefer: — Yes, but it's there already. I mean it has to be shown on the ... it doesn't suddenly add to the deficit. What it does, it takes away a little bit legitimately of the bragging rights of how wonderful we've been doing all this while. And I think that that's a legitimate point.

The balance sheet doesn't change; it doesn't create a new liability for the people of Saskatchewan. It's already there, it's a

way it's accounted for and a way it's recorded in a professional basis. And so I think the Provincial Auditor has made the case; I'm not going to attempt to make it for him and I certainly support the Provincial Auditor and I don't share the concern about how international agencies or the general people would view this. I think that it states things correctly and professionally.

The Chair: — Any other comments?

Mr. Hillson: — Well I realize it's an accounting measure which, as Mr. Gantefer practically says, in one sense does not actually change the liabilities that are there. But just by virtue of the way of reporting them if it does result in us reporting \$108 million deficit without making any other changes, presumably that does have an impact on things such as credit rating and that, does it not?

The Chair: — I think this question is addressed to the deputy minister is it?

Mr. Hillson: — I suppose that would be best.

The Chair: — I guess before we do that we have a motion on the floor, so before I can ask for some information we have to have an approval by the committee members to agree to it.

A Member: — Agreed.

Mr. Jones: — Madam Chair, two points — Mr. Hillson, excuse me — two points. One, in my experience working with financial markets, credit rating agencies, and others that evaluate the province's credit, they look at all of this information. They have all of this information. So the information is provided and so they make their judgments based on information that's provided in these public documents plus information that we provide on a confidential basis as well regarding some of the commercial Crown corporations and so forth. So that's point one.

Point two. It would be my view that we should be very careful when the auditor says there would be a deficit if this would happen, that's other things being equal. And I stress that because if you look at the summary financial statements, they're ... when we include the ... when we record the pension funds as he has suggested, there is a surplus, a larger surplus.

So again I think we should be careful about taking one aspect sort of out of context and I just caution us to say that there would be a deficit or there wouldn't be a deficit and so forth.

Mr. Hillson: — Madam Chair, I feel inadequate for this particular job and I know members opposite would say I should feel inadequate more often. But no, I really am grappling with the issue as to whether this is — without impugning anybody — a sleight of hand to make the books look somewhat more attractive than they ought, or if it is a very legitimate way of reporting the province's finances that the auditor simply thinks could be reported in a different manner.

And I don't know if it's a fair question; but as I say, I really would like to hear someone respond to whether the present way

of reporting is simply an attempt to artificially make the figures look perhaps a bit more attractive than what they really ought to.

For instance other provinces, presume the other provinces have this issue. How do they report it?

The Chair: — Who are you addressing the question to?

Mr. Hillson: — Well I guess I would like to hear from both the auditor and the DM (deputy minister) if I may, if the committee is in agreement.

The Chair: — Well again, I guess the committee was in agreement that because there's a motion on the floor we'll have to allow other people to speak, but maybe you can just briefly say what your knowledge is of another province . . . provinces.

Mr. Jones: — Madam Chair, Mr. Hillson, I don't know if I have exactly . . . Some provinces do fully record the pension liabilities in their main financial statements. Having said that, we do fully record them in the summary financial statements.

But again let me try and put this in a different context. And again, to try and be helpful, the way we have presented the estimates and the way we have presented the General Revenue Fund financial statements is the way they've been presented and are consistent with the way they've been presented for many, many years.

And I make that point to . . . And I don't think it's my place to make a judgment as to whether it's sleight of hand or whatever. And I mean that in a respectful way; that's not for me to say. But what I can report to you is this is the way it's been done in this province for quite some time.

That's not to say we should never change or whatever, but there may be an appropriate time for change. And from my point of view the government has made a statement that it will balance the budget. Now what does that mean from my point of view? Balance the General Revenue Fund — that's what it said.

Now if we're going to change and put out a different set of numbers so to speak, then so be it. We can do that. I'm just wondering whether we change to a completely different set of numbers and what does that mean. But that's again just my personal point of view.

The information has been provided, is provided. There's nothing . . . Certainly in the financial statements we do provide information whether it's in the notes, whether it's in the summary, where it's incorporated as per where we have a clean audit opinion in the summary statements. So the information is there. But I guess overall it is the prerogative of the government to organize itself, put out the statements it wishes; and it is the role of the Provincial Auditor to comment on them. I think from my point of view what I can report to you is that the government is reporting, with respect to the GRF, in a consistent basis certainly for the last number of years and certainly from the successive governments that I have worked for over the years. So I . . .

Mr. Hillson: — So it's not an innovation.

The Chair: — Do you want a response from the Provincial Auditor?

Mr. Hillson: — If he cares to add something, I think we would all appreciate hearing from him.

Mr. Strelloff: — Madam Chair, members, and officials. As you probably know, for the last number of years this has been one of my closely held issues; dear to me in the sense that I do think as the deputy said that the government's financial report as embodied in the summary financial statements is a very good document to get a picture of what has happened in terms of the finances and does give you the overview of how the finances of the government have . . . what has happened to them over the years.

When you move to the General Revenue Fund, it then becomes more difficult to get that picture. And I agree with the deputy in the sense that that has been the case for years. In fact, prior to '91 the government of the day didn't publish a summary financial statement. So nowhere was there an overview of the finances of the province.

And when you look at the summary financial statements, they do tell a different story than the General Revenue Fund statements. But they should because they are based on a different . . . they have more of government included.

We had the discussion a couple of days ago on agriculture spending and we had a hard time figuring out what the total costs were. When you go to the summary financial statements, you do see what all the different government agencies spent on agriculture.

And then you can ask the questions about, well of the, I think the discussion was, of the \$1.2 billion that was spent in 1992, okay starting off with that number that was spent through government organizations, in which programs, and from what sources — some of it came from producers, some of it came from the general tax base in the province, some of it came from federal government transfers. But it's a really good starting point for moving to more specific trends and issues.

So I continually advocate when the government does present its estimates, that it does also provide a fuller financial plan as well that would mirror more so what is reported in the summary financial statements. So that when you decide what to do through the General Revenue Fund, you have that broader picture.

I know you've heard these comments from me before, so they don't add anything new to the discussion other than continuing to advocate a broader planning framework and really looking forward and encouraging the review of the budget process that is underway hoping that as part of the mix in the future a broader planning framework will take place. Period.

The Chair: — Okay. Ms. Stanger, did you have a comment on this motion?

Ms. Stanger: — No, I pass. The deputy explained it better than I could.

The Chair: — Thank you. We have before us a motion and would you like me to reread the motion or are you comfortable with it? Nobody's asking me to reread it then I guess we will . . . Those in favour in the motion? Those opposed to the motion?

The motion is carried . . . (inaudible interjection) . . . We've been asked for a recorded vote. So those in favour of this motion? There will be four in favour.

Those opposed? Two opposed.

Okay, we have recommendation no. 2 on page 255.

Mr. Shillington: — Yes, I was going to move essentially the same motion.

The Chair: — Okay . . . (inaudible) . . . did in October?

Mr. Shillington: — All right.

The Chair: — In October in consideration of this recommendation that this committee reiterate its comments in the report for the fall of 1996 wherein it was noted that the information is readily available and reported in the summary financial statements.

Does the committee want to change its mind on this motion or this statement?

Those in favour of this? Okay. They're not opposed. Okay, we'll continue on with this one.

No. 3, we recommend the department report important accountability information about its performance. In October we had that this committee not concur in the recommendations of the Provincial Auditor that the department should prepare an annual report on its activities.

Mr. Koenker: — Yes. I have a question of the auditor on this one. I note that you simply call for a . . . that the department report important accountability information about the performance. There's no call for an annual report. I think that's a departure from your past recommendations, is it not?

Mr. Strelloff: — Madam Chair, members, yes, you're right. We did have a narrow focus before saying that the only vehicle that we could . . . that seems relevant to performing report . . . report on one's performance is usually called an annual report. And we thought we should provide more flexibility on how a department might report on its performance. It could be in terms of planning documents, public plan.

I think we saw the performance indicator document from Education or the strategic planning document from Highways. So as well as performance reports, that could also be called an annual performance report.

We wanted to provide more general avenues on how an organization could report on its performance reports because we were finding in other organizations that they had created different kinds of documents that were relevant.

So I mean an annual report could be still an important part of that. It's just that we thought we should allow for more creative thinking or innovation because we noticed that it was happening right across the system, which was good.

Mr. Koenker: — In that respect I think we can almost note compliance in terms of the pre-budget consultations that were held this year, for example. I think it's not ordinarily pre-budget consultations. I don't think we've recently had a two-day conference as a part of such consultations.

And I note that we have . . . This is almost my annual speech on this subject. We do have I think remarkably good reporting to the public on the activities of the Department of Finance. And it doesn't just begin and end with the budget. I think it happens here in Public Accounts, in this committee, as we meet two or three times a year, depending on how far behind we are. There's a problem with that in terms of the Public Accounts Committee maybe not meeting.

Nevertheless, we have the mid-year financial reports, we have the economic reviews that are put out by the department, and of course we have the whole legislative process in terms of the estimates that is televised, which is a very thorough public airing of the department's activities in terms of what they've come up with. And it can be as far-reaching in some respects as the opposition wants to take it during the estimate process.

So I would argue, as I have in the past, that the department really does report important accountability information about its performance. And for me one of the hallmarks of this is the introduction of the mid-year financial report.

And maybe a question of the deputy minister in this regard. How long has the province been putting out the mid-year financial reports?

Mr. Jones: — Madam Chair, Mr. Koenker, I believe it's five, six years now, I believe. I'd have to check that but . . .

Mr. Koenker: — I just want to commend you for that because I think this is . . . Personally as a legislator, I find this very helpful and I use it extensively with my constituents in terms of trying to share with them some sense of where things are going financially, how the government is attempting to exercise its stewardship of the public trust relative not only to the budget that's been delivered, but to the economic circumstances and the milieu in which it has to perform. And I think that's a marvellous accountability exercise that I really appreciate and commend the department for. So I'll just leave it at that.

Mr. Hillson: — Well again I'm just struggling whether . . . I must admit I see the wisdom in the argument but if you say that there has to be a projection of the plans for the forthcoming year, a review of the performance in the preceding year, that to me sounds very much like the budget-related processes. And so I'm struggling with two questions: how is this not already done in say the budget and all related processes; and secondly, what is the benefit of another document over and above the budget, the estimates, the public accounts, and all of the other reporting . . . you see, what new information will we receive that is not already part of the normal, say the budgeting plan?

I'm not even sure who I should direct that question, but that's what I'm struggling with. And I realize the government is right. Well we've got it, we've got the budget, so I guess the question is how do we not have it?

The Chair: — The Provincial Auditor is going to respond and Mr. Koenker.

Mr. Strelieff: — Members, Madam Chair, the budget as you know focuses on the General Revenue Fund and what the government is doing through the General Revenue Fund. It doesn't focus on the department's activities. You do require annual reports from every organization of government except for the Department of Finance and Executive Council. I think there's one other one, I can't remember which one it is.

The annual reports and performance reports and performance plans are an opportunity for every organization to explain what are its management's responsibilities and how they're being carried out. What are its key risks and goals and performance results and plans. Perhaps you could ask the deputy if he did prepare an annual report for his department only, what information would that provide that would be different than what is being provided for the budget on the GRF. I mean it would be significantly different because the General Revenue Fund includes the plans and results of many departments, many different organizations.

Mr. Hillson: — Let me interrupt, Madam Chair. So what this is actually getting to then is the idea of the integrated document that pulls together the General Revenue Fund with the other public sector activities.

Mr. Strelieff: — Sorry if I gave that impression. That's a separate issue. That's an annual report for the whole government and there is no annual report for the whole government.

Mr. Hillson: — That's not what you're talking about here?

Mr. Strelieff: — No, this one is for the Department of Finance, like the Department of Health. The Department of Health is responsible for 32 different district health boards and all sorts of different programs. They put together an annual report provided to you to explain what they plan to do, and what they did, and what are the issues of the future?

So for the Department of Finance as an individual organization, an important organization in government, as a department, a performance plan and an annual report is a simple way of thinking about it for that one department to explain to you how it's carrying out its departmental responsibilities.

Mr. Koenker: — I just want to put this on the record. I think again — I think I've said this before in relation to this very topic — there is a sense in which I think this . . . individual elected members have a responsibility here in terms of their accountability for public expenditure which all too often we don't discharge the way we could or should.

I don't see this particular recommendation — personally, I'm speaking entirely personally — I don't see this recommendation as having import simply for the Department of Finance. But

when I see this one, I say to myself, what am I doing in terms of my stewardship with the public trust and sharing the kinds of accountability issues that I need to and the kind of information I need to be sharing about the financial affairs of the province?

Mr. Shillington: — I thank Mark for pointing out the absence of the word "annual." Because when I read this, I read annual into it. I read it as if it said, we recommend the department prepare an annual report.

It strikes me that the thrust of the auditor's comments on so many of these departments is that the department should provide information in a form which allows the members and the public to judge the effectiveness, the efficiency, and the efficacy with which the departments discharge the mandate given to them by the legislature under their departmental Bill.

I think that's what you do in a broad stroke. And I think it's fair to say that you've received fairly strong support from this committee in doing that. I think we all agree that's worthwhile.

My problem with this recommendation as I understood it, an annual report, was I'm not sure an annual report would add a whole lot to the process now. In my own view, which I will not restate, is what would add a lot to the process is a greater involvement by the public and perhaps members of the Assembly in the whole process.

Because now what you . . . traditionally what you got was a document on budget night which had the same flexibility as if it were chipped in stone and found on the side of Mount Sinai — you've just as much ability to change it.

We're moving away from that process and I think that's a very healthy thing that we move away from the whole process of budget secrecy because I think it's long, long gone. I think it's an archaic idea from a different century, never mind a different age.

However, getting back to the point at hand, as it reads now and as it's explained to me I think it's fair to say we've made some progress in this regard, and yet I don't feel the process is complete. When we say we concur and note compliance, that to me completes . . . is the process is complete. And there is not much more to do and we go on and we're going to solve the next problem.

This . . . I don't think the deputy claimed the process was complete. Indeed, I think he indicated he's working with the deputy minister of Executive Council to enhance the process in some fashion, which was not explained and which he probably isn't in a position to explain.

So for my part, I would . . . (inaudible interjection) . . . Yes, we might have caucused on this I guess, but note progress. Concur and note progress; I think that would cover it.

The Chair: — Okay, is that agreed? Concur and note progress? Okay.

No. 4, we recommend that the department prepare a complete accounting policy and procedure manual for the plan. Is there something the department would like to say on this?

Mr. Shillington: — Well it appears that they are in fact agreeing . . . (inaudible) . . . concur and note progress.

The Chair: — Okay, concur and note progress. Is that agreed?

A Member: — Agreed.

Mr. Jones: — Madam Chair, if I may. This is again not a new issue. We agree with this and currently PEBA staff, Brian Smith and PEBA staff, are preparing this. So we are making progress on it, if I may.

The Chair: — Okay. No. 4 is concur and note progress; agreed. No. 5, concur and note progress. Agreed?

A Member: — Agreed.

The Chair: — No. 6, we recommend that the commission calculate pensions in accordance with The Municipal Employees Pension Act.

Mr. Shillington: — What we are told here is that, I think, is that the commission is doing this prospectively but not retrospectively and I think that's appropriate. I think it'd be super tough to take away a pension which has been . . . or to reduce a pension which has been given. And so I think we just concur in this one without . . . Brian perhaps has got some comments.

Mr. Smith: — Madam Chair, I think that there's some additional information. The commission has taken some additional steps. I agree with Mr. Shillington, that that'd be unfair to try and reduce pensions that are already in payment.

The commission is on the path of telling the administration, which is us, to go back and look at every pension and payment and recalculate that amount to find out whether they're overpaid, underpaid, or are correct, and I think all those three answers will be valid. But there is no intention by the commission to try and take anybody's pension away in any way, shape, or form.

The Chair: — Okay. Concur? Agreed? Agreed.

No. 7, the department should pay allowances to surviving spouses as required by the Act or seek changes to the Act to allow these payments. Concur? Agreed.

And no. 8, I think we already concurred on that one. So we reiterate this one. Agreed.

Five minutes early. Thank you very much to the department staff that came out today and we appreciate your input.

Mr. Jones: — Madam Chair, and to all members of the committee, we appreciate the opportunity to be here to assist the committee and thank you very much.

The Chair: — Thank you for coming.

I suggested to the Provincial Auditor that he do his now because he's got officials and then they'd be able to go back and then we can finish up without officials.

Public Hearing: Toward 2000

The Chair: — Chapter 2 on page 15. First of all I'd like to thank the auditor's people for coming this morning and then having to come back again this afternoon and we do appreciate the fact that you've been travelling around today for us. So I'll ask the auditor to introduce the additional staff he's brought with him for this, for chapter 2.

Mr. Strelieff: — Members, Madam Chair. With me are Phil Creaser, who leads our work in the information technology area, as well as Victor Schwab, who also helps on the information technology area. By the way Victor is from North Battleford and has a family of . . . He's the youngest of 15, if you can imagine. Just a pause.

A Member: — We're all looking at him.

Mr. Strelieff: — The youngest of 15.

The Chair: — A welcome to everyone. Congratulations to your parents. Yes. And I'll ask the auditor and the staff to review chapter 2 for us.

Mr. Strelieff: — So Madam Chair and members. Chapter 2. This is the third in a series of reports that we made to you on Year 2000. And in October 5, on October 5, '98 you reviewed the previous chapters and agreed to the recommendations that . . . trying to encourage governments to have a Year 2000 plan, including a budget, and making sure that senior management is supportive of those plans.

In this report we worked with the Department of Economic and Co-operative Development to survey and evaluate the results of the larger Treasury Board departments and agencies. Overall the government agencies surveyed seem to be working to complete all Year 2000, the Year 2000 work by the year . . . by December 31, '99. In fact in November I found it quite remarkable that almost every organization came to the table and said that they thought that it had things in hand. That isn't the kind of message that you hear in the public milieu in a general sense, particularly across Canada and elsewhere.

And also Mr. Creaser has been invited in a number of cases or a number of places across I think mainly Regina to discuss what Year 2000 preparedness involves. And so I'm looking forward to hearing his discussion, and so I'd like to turn it over to Phil. Can I?

Mr. Creaser: — Sure. Thanks, Wayne. I'm very happy to be here again to talk about 2000, and the Year 2000, and how progress is being made. And I'll try to keep my comments brief. I'd like to thank the committee again for an opportunity to speak about this issue, and that the committee's interest in Year 2000 I think is commendable. I think it's taken a more proactive role than most of the jurisdictions in Canada, and I think that's commendable.

Industry Canada and the chamber of commerce across Canada has really taken an active role in Year 2000 to try to build awareness on this issue, and we've been trying to follow their work, and we feel that the awareness that they've provided over the last year has really been turned into a lot of action . . . a lot

of work has been done in Canada.

Before I got into . . . Just before I start talking about the chapter, I just want to make a couple of comments about some of the recent events that have occurred, just to give you some perspective before we talk about the recommendations that we've made. As I said Industry Canada and the chamber of commerce have been very active across the country in promoting Year 2000, and it's raised awareness. And in recent studies in Canada it's shown that organizations are doing a good job of getting prepared for the Year 2000.

Also recently a Gartner Group just completed a study of 15,000 organizations around the world in 87 different countries. And their study I suppose brings about sort of guarded optimism on the topic. I think the western countries are progressing very well, whereas some of the eastern countries, eastern bloc countries, South America and Africa and some of these other nations aren't progressing quite as well.

So there are still some risks out there. And even in the most progressive countries in the world there's still some concern about, is everything going to work and is everything going to work well.

And I think one of the things they were trying to promote with this was, they're trying to counteract a little bit of the bunker mentality that was starting to occur across North America about going out and getting your shotgun loaded and putting away six months worth of food and getting a generator on your premises.

I think my view is, is that let's treat it like a Saskatchewan winter storm. If we know it's coming two or three days down the road and we're living in rural Saskatchewan, we go out and we make sure we know that our neighbours are all okay and we also make sure we've got enough supplies in the house to get through the storm. And we do, you know, we check the cattle and everything like that. So those types of things are the same kind of ways you should approach the Year 2000.

I think you should . . . you know you have to have a little bit of cash, you should have your gas tank full, and you should have some food in the house just in case something does happen. And at this particular point there's no reason to think anything major will happen.

In the Saskatchewan front there's a whole number of initiatives going on to try to make sure everything gets done. I just had discussions with the chamber of commerce. They've surveyed the City of Regina and they've noted that most organizations in the city are aware and are working on the Year 2000 issue.

The government's recently set up a Project Co-ordination Office that we'll talk about in a minute. They've also got a Year 2000 forum that's meeting regularly to discuss Year 2000 issues. And I've been attending those meetings.

The City of Regina has also got Year 2000 project management coordination meetings that are meeting regularly, and I'm also going to those. And I find that the Crown corporations are attending those meetings as well as a lot of the large industries around Regina and talking about issues that are facing them.

Even municipal governments, Emergency Planning group is starting to do some coordination work in what would happen if something does go wrong in the city.

So there's a lot of work to be done, but there's a lot of reason for guarded optimism.

If we think back to the first session, I don't want to go over too much on the issues around Year 2000 because we've talked about a lot of these before, but just to keep in mind that the Year 2000 can affect most of your business systems, financial, and the like. Your embedded chips and some of the technology that's out there including, you know, power plants and the like, telephone switches, operating systems, operational systems like a similar kind of, you know . . . Potash mines and different organizations like that have large operating systems that that have chips involved. Infrastructure like heating power, telephones, that type of thing, they could be affected.

And also your third parties, are they ready for the Year 2000. And that could impact your readiness.

I guess in our fall report, it was a new initiative for us in the sense that we worked with the Department of Economic Development to do our report in the fall. They were planning to do a study as well, a survey of the government agencies as well as we were. And we said, well let's work together and see if we can share information and so we did. They chose that they were going to . . . they gave me an opportunity and our staff an opportunity to review the survey questions, the scope of the survey, and then also I was given copies of all of the survey results in order to make my own conclusions or our own conclusions on them.

And I think that was a positive move; it saved a lot of work. I think you'll find in the next year a lot of organizations are going to be surveyed to death on this topic. We're hopeful that we can try to work together with government agencies to ensure that that's minimized as much as possible.

Our survey, what we did with it, which may have been confusing to you when you're reading it, was the survey was done on 40 different organizations in the government. It didn't include the Crown corporations or certain post-secondary educational organizations. And out of that, we picked the top 18 that comprised about 95 per cent of the Y2K (Year 2000) budget to do our analysis.

Then we reported on four different things. We looked at the progress that was being made and then made our recommendations on the Project Co-ordination Office. We looked at the project management that was being used, the project management processes that were being used. We looked at the impact on third parties and we also looked at contingency planning.

When we looked at . . . Before we get to the recommendations, we also talked about the five steps to a Year 2000 project just so that you'll have a better understanding of how these projects work. First is awareness. We said . . . but the Industry Canada and the chamber of commerce did a lot of work to raise awareness; organizations have also got to do that. And that's been . . . The government has done a pretty good job in this

area. More in a second on that.

Assessment. This is doing the risk assessment, making sure all your business processes have been adequately identified and have been ranked — is there an impact . . . is there technology involved that we talked about a few minutes ago that could impact the ability to perform those services and including your application systems hardware, operating systems, infrastructure, your manufacturing components, and if you're selling personal service devices — any one of those could be at risk. And you have to rank those to see what are mission critical and what aren't in order to ensure that you get the critical stuff done first.

And then the three Rs — which is repair, replace, or remove — are the key compliance strategies for the Year 2000. Like you can either fix your systems; you can replace them entirely like many people are doing with accounting systems; or you can remove them entirely if that system is no longer really that relevant to you and it's going to cost more than it's worth to fix.

Then the testing and quality assurance. We really emphasize this. I think in the Gartner study they said that 50 per cent of the organizations world-wide were going to fix their systems and put them into production but they weren't going to bother testing them for Year 2000 compliance. They were assuming that they would work. It's kind of scary but that's the . . .

In implementation, making sure that the system is ready, it's been properly tested and approved and goes into production or is starting to be used; it's already been tested to Year 2000 compliance and they've also got a contingency plan in place for the organization.

Okay. For progress, I guess our overall message in our chapter was that much has been done and there's still much to do. The survey was done in June of '98 so all the results are based on the progress at that particular point in time. And as I've said, the things I mentioned before, what's happened since that particular date.

The survey said that 80 per cent of the assessments and awareness were done, about 40 per cent of the testing was done at that time, 40 per cent of the mission-critical systems were ready and tested. At that time there was about an 8 per cent turnover in IT (information technology) staff, and 25 per cent of the consultants were working on Year 2000 in the organizations that were surveyed.

So, you know, we said, well I guess the conclusion on that was that we thought that the Project Co-ordination Office was just being set up at that time, that they would make sure that part of their role was setting priorities for work to be done and monitoring resource needs and contingency plans. And part of that was to, if there was a run on IT resources, there would be, you know, an organization there that could help mitigate that risk by looking at other organizations that might have excess resources so they could move people around.

We also recommended that the Project Co-ordination Office report periodically to this committee so that they keep you aware of the progress that's going on in government. They have better position to do that than we are.

And they can also probably . . . At the time we discussed this, there was still some negotiations going on as far as how Crown corporations would report to this office, but we were encouraged that the Crown corporation sector will also be providing information to the Project Co-ordination Office so that you can get some information on how the SaskPowers and the SaskTels are doing.

The next area that we looked at was the project management. Because we've said Year 2000 was like any other major system project or any other kind of project, and I think you can have . . . And so in order for that kind of a project to be successful, you needed to have management commitment, you needed to ensure that the needs were adequately identified, the risks were identified, and that they were using good systems and practices.

And then from the survey results, we were able to determine that most organizations had a plan but only about . . . 50 per cent didn't have a Y2K budget and about 33 per cent were not regularly reporting to senior management on the progress on the plan. So we felt that those issues we should highlight and then make some recommendations around making sure that senior management is approving the plans, budgets, and assessments and getting periodic reports on those.

Third parties is a complicated area we tried to deal with. We had meetings . . . not only did we take the survey results, but we met with the number of organizations and had some committee work on this as well.

Because normally we think of the third parties in the business sense, and that's your suppliers and your customers. So that if your complete economic supply chain goes from your supplier providing you with goods, you do something to that good, then sell them to somebody else, and then you want to make sure that the whole chain is working.

And the government has sort of, they've got sort of more of just a . . . they've got an economic and a social supply chain. So they have to make sure that . . . they have to have a sense of where everybody's at to make sure that there isn't any serious Year 2000 issues because it could have an economic impact on the province if the Y2K issues aren't adequately addressed.

But I think the emphasis that came out of these meetings was that the health and safety came first, and that was the area that the most emphasis would be placed on, at least initially.

In the survey we were able to . . . the only thing that we were able to glean from that was that there's about 22 per cent of the government organizations were not yet communicating with their suppliers about Year 2000 compliance, but I think more of that has been happening since.

Finally contingency planning. We said well, no matter if you think you're finished and you think you've got everything done and everything is working, you still have to worry about what might happen if your systems or some of your suppliers' or customers' systems fail. And so you should have some kind of contingency plans similar to what we just talked about, about the individual's contingency plan, in place if your systems don't work properly.

If your payroll system doesn't work properly, what would you do? Maybe the simple solution, giving that example, is that you pay your employees a few days before the end of the year. Thank goodness, in a government environment we do that already. We all get paid on December 23 or 24, so I guess we don't have that problem. But if you're not doing that, then I guess we have to ensure that that's being done.

I talked to some of the Crowns and they were looking at different things, you know, as far as ensuring that they could get their bills to their suppliers in other ways. And I think a good example was STC (Saskatchewan Transportation Company) last year had some problems with a computer system, that they were able to go to a manual process and they were being very successful as far as getting it to work. So contingency planning for the Year 2000 really centres around making sure that you have adequate systems in place to take the place of your IT systems if some of them don't work properly.

At the time of the survey there was 40 per cent did not have a contingency plan for the third parties and 60 per cent did not have a contingency plan if their own systems failed. And most people were telling us at that time is that they were waiting until they got a little further along before they actually did their plans up, but we just want to keep that issue high on the priority list.

The future. We're currently working with the other auditors reviewing the progress of the Crown corporations. We are going to follow up. We'll probably work with the Department of Economic Development. They are currently looking at a survey to do on a regular basis with all government agencies and we'll probably just share in some of those results to keep an eye on things.

As well, I think the Department of Finance was looking at gathering some information for their Year 2000 notes and we're going to try and work in the same, you know, work with them as well to ensure that we don't have to duplicate any work as far as surveying in organizations.

The Year 2000 management forum is still going to continue to run and meet regularly to give progress and we're attending that. We're working with the Project Co-ordination Office primarily on the survey and also with the municipal government's emergency planning group to get an idea of what they're doing too in case of an emergency happens at January 1.

And finally, as we've said before, the meeting with the Regina Y2K project managers to get an idea what they're doing and how they're going to manage for this particular issue.

And I guess we'll continue to report and make recommendations as we see, if we see issues that we have to report on.

So that's basically my comments. We do have, I believe, six recommendations in our report, Madam Chair.

The Chair: — Thank you very much. Phil, thank you for your report and also for your interest. I know this project has been sort of your baby. And when we went to Yellowknife there was a lot of interest in what was said there, and you've brought a lot of information back on the Y2K projects and we do appreciate

the work the auditor has been doing. Is there any comments before we go to the recommendations?

Mr. Koenker: — I'd just like to briefly thank Phil as well. I think this is really reassuring to have this kind of presentation, and I think it's really a helpful function of the auditor's office to perform on behalf of all of government. And I really like the co-operative effort that seems to be evident there. Well done, to the auditor's office.

Mr. Strelieff: — By the way, that was the first time that I've heard Phil say guarded optimism. I've always been trying to get a sense of what he thinks, and that's the closest . . .

Mr. Shillington: — He's just being guarded.

Mr. Strelieff: — I also like to think it's a very good idea for this committee to be proactive and bring people in. And it has heightened the awareness. And as Phil has said, awareness of course leads to action.

Mr. Koenker: — Parenthetically this is one of the recommendations — that the Project Co-ordination Office reports to this committee — that I think is a fine idea.

Mr. Gantefer: — Yes, thank you, Madam Chair. I would like to really support that and also recognize the practical realities that this committee is going to face. It's likely that there will be an election call this summer, at which time this committee loses its ability to function. It's non-existent until the legislature is reconvened after the election, which will be after this issue is resolved one way or another.

So I think it's incumbent on the committee to indeed meet with this Project Co-ordinating Committee at some intervals over the course of the next months so that we can keep ourselves as timely as is humanly possible. Recognizing that limitation or that reality of an election coming, your fall report will not be able to be discussed until after the issue is a moot point. We'll either all have to sort of join the survivalists up in the mountains or nothing will have happened at all.

And on that one comment, I noticed on television the other day . . . I mean, there are some real crazy people out there because I really didn't understand the Y2K implications on a set of matches. Because they seem to be looking at bows and sticks and stuff that create fires. I mean, it's just nuts.

So I think there's a lot of concern that's totally unfounded but I do think that it's incumbent on this committee to act responsibly to try to monitor the progress as it unfolds, because it will change pretty dramatically from week to week and month to month.

Ms. Stanger: — I just wanted to say, compliment the Provincial Auditor's office and Phil on this presentation. I didn't realize how panicky people were till on Boxing Day my son-in-law and I got into a vicious argument — which is very unusual for him; he's a very calm person. It's not unusual for me but it's unusual for him. And he said if you folks are lying to us, he said, I will be very angry. He said, I don't mind knowing if I know what to do about it. So I assured him. Plus he isn't the only one. He's a high school teacher and they're

very concerned. So I am going to take the auditor's report here. And I said, look, we're trying the best that we can.

There are particularly concerned folks out there with SaskPower. They said, remember when the ice storms were on. You had 24 people die. This isn't just a matter of no concern, because people could die if things aren't done properly. Well I said we are doing the best that we can.

And I am starting to get calls into the office about this and I think it's because as the new year approached, people were on television with it and we are going to get people that are going to be concerned. So I'm just going to be sending out, just running off the front part of this and sending it out to people and saying, well we're doing the best that we can and I'll feel confident after this that we are doing the best that we can. So thank you very much.

Mr. Hillson: — Advise people to buy water and move to Jerusalem.

Mr. Shillington: — I must say from my part, I'm getting so that when the subject comes on TV I just have to scramble for the mute button. I'm getting a bit of an overload with the whole subject.

That having been said, it certainly behooves us all to take steps. I heard a comment on TV which I thought was perhaps accurate, and that is in the western world — Europe and North America — we will meet the challenge. We've known about it for a long time. We have the money and resources. I think some of these newly minted experts are going to wind up making enough money to retire after the year, but we will meet it.

This fellow went on to say that as you go through the spectrum of countries, by the time you get to the Third World — the Russias and the Vietnams — it may well be very chaotic after the Year 2000. Once again I think this is an illustration that the whole information technology revolution has compounded the difficulties that the Third World has in trying to . . . they now not only are short of capital, they now are desperately short of information as well. And it compounds their problem.

I also want to say with respect to Mr. Gantefer's comment, I think as the legislative cycle matures and as the political cycle begins to mature during the spring, I think it's going to be increasingly difficult to get this committee together. And I thank those who place confidence in the committee but I'm not sure this is a very good forum to be monitoring our progress in this.

This is just an unfortunate year to try to do it. I think by the time this legislature gets under way, it's going to be really hard to get this. Members are going to be scrambling — I mean I say this because I won't be part of it — but members are going to be scrambling in their ridings to get ready for an election and they're going to be scrambling in the session, and I think we're just going to have difficulty getting together again. And I think it's another body I think will have to do the monitoring.

I think we've played a valuable role, let me say this as well. I know from discussions with officials in some of the departments, some of our deliberations have resulted in a

galvanizing of officials in trying to meet the problem. I met one such official over the Christmas holidays, who will go unnamed, but the introduction, "Hi, I'm Ned Shillington," and "Yeah, I know; boy did you set off alarm bells around our place." And then went on to say that it was this committee. So we have performed a valuable role but I think it's going to be very difficult to continue.

Mr. Gantefer: — I don't want to belabour this but there is some work that this committee has to do yet following today; we're not finished. We've got a report, we've got a response to make to the government's response from our last report. There are some things we're going to need to meet. And I don't think we need to belabour this but during the session, I think it is practical to occasionally — and I'm not talking weekly or anything of that nature — but as required to meet from 9 to 11 o'clock or something in the morning to receive a quick report from this preparedness committee to do our other business.

So I take a little exception. I think it is possible for this committee to complete its responsibilities.

The Chair: — If there isn't any other comments, we'll go on to the recommendations on page 20. First of all, we recommend that the government's new Year 2000 Project Co-ordination Office help set priorities, resource needs, and contingency plans for the government.

Mr. Gantefer: — Concur, note progress.

The Chair: — Concur. Agreed.

No. 2: we recommend that the Year 2000 Project Co-ordination Office report regularly to the Standing Committee on Public Accounts on the government's progress on the Year 2000 issue. Agreed?

A Member: — Agreed.

The Chair: — No. 3, we recommend that the senior management approve their Year 2000 plans including detailed budgets and Year 2000 assessments and periodically report on their progress to the Year 2000 Project Co-ordination Office.

A Member: — Agreed.

The Chair: — No 4, we recommend that the government establish rules and procedures for ensuring third parties and business partners know the responsibilities to become Year 2000 compliant. Concur and note progress. Agreed?

A Member: — Agreed.

The Chair: — And no. 5, we recommend that all government agencies have a formal, approved, and tested Year 2000 contingency plan.

A Member: — Concur and note progress.

The Chair: — Agreed?

A Member: — Agreed.

The Chair: — Thank you very much. Thank you very much, Phil, and the rest of the staff. We know that we'll be ready.

Mr. Strelloff: — Our office?

The Chair: — Yes.

Mr. Strelloff: — He advises me yes.

Public Hearing: Executive Council

The Chair: — Okay. We have one issue . . . I think we should finish this up and then we can chat all we like. I think there's some members want to go home. We have one chapter left and that's on page 263, Executive Council.

I know that some of the Provincial Auditor's staff may have to leave now, but however he can guide us through this chapter. So I'm going to turn it over to the very capable hands of Mr. Strelloff.

Mr. Strelloff: — Thank you, Madam Chair.

The Chair: — Members, we just have one chapter left.

Mr. Strelloff: — Yes, on the Executive Council, chapter 18 . . . or chapter 19. And many of the issues we have discussed just recently in November and there's an update and a few additional issues. With me is Rodd Jersak, who leads our work at the Executive Council, and I'm going to ask him to provide you an update on this. It's included in chapter 19. Rodd.

Mr. Jersak: — Thank you, Wayne. Madam Chair, members, as Wayne said, this chapter is on Executive Council and it's for the year ended March 31, 1998. I'll just take a few minutes to lead you through the chapter and I'd be pleased to answer any questions you have at the end.

Chapter 19 begins on page 261 of our *1998 Fall Report Volume 2*. On page 263 we describe what the department does, and just briefly the department's purpose is to facilitate and communicate decisions of the Executive Council or, as it is otherwise known, cabinet.

The department provides research, analysis, and policy advice to cabinet and its committees, it coordinates policy development and government communications, and manages cabinet records. So it has a lot of important things to do. The department received \$7.4 million from the General Revenue Fund during 1997-98 and spent this money on its programs.

I would like now to turn your attention to page 264 of chapter 19 and our report on electoral office issues. The first one of those issues has to do with anonymous donations. It's an issue that's been brought forward to this committee before. Although we found that there was some progress made at Executive Council during the year and that's reflected in this point, we still have a remaining concern and that's what I'll be talking about here.

The electoral office is responsible for administering The Election Act and The Election Act, 1996, which replaced the former Act, effective January 1, 1997. The Act requires political

parties and candidates to disclose who gave them contributions. If they do not disclose the original donors of contributions in excess of \$100 or \$250 in the new Act, the electoral office must collect these contributions from the political parties or candidates and forward them to the General Revenue Fund. They become public money at that point.

Given this responsibility, the electoral office needs rules and procedures to identify anonymous donations so that it can comply with the Act.

In prior years, we've reviewed the office's rules and procedures for identifying anonymous donations and we had concerns. We reported these concerns in our *1997 Fall Report*. Specifically we were concerned that the electoral office did not have adequate procedures to identify and collect anonymous donations and forward them to the General Revenue Fund.

The electoral office identified anonymous donations in political party returns for the 1995 fiscal year of the political parties and the five prior years, but did not require the parties to remit those donations to their office and therefore they did not get into the General Revenue Fund. The office also did not take the option of requesting the Board of Revenue Commissioners to cancel the collection of that debt due to the Crown.

But your committee discussed this issue last November when you went through our *1997 Fall Report Volume 2*, chapter on Executive Council. You concurred with the recommendation and noted progress was being made toward compliance.

The main progress that has been made on that issue is that the Electoral Officer has issued directives to political parties and candidates that express quite clearly what is supposed to be reported in the political party and candidate returns, with a view to ensuring that with better information to the political parties and candidates, they're more likely to have accurate and complete returns.

During our audit for the year ended March 31, 1998, we followed up on our concern over the office's identification and collection of anonymous donations. We found the electoral office has still not requested the political parties to remit these anonymous donations to the office or alternatively request the Board of Revenue Commissioners to cancel the collection due to the Crown.

So as a result for the 1995 and the five prior years, the Executive Council has not complied with the Act. They have not collected the anonymous donations that they know are out there and we feel that that should be resolved.

During our audit, we reviewed the procedures the office used to identify donations in political parties' 1996 returns. We found that the office had not improved its procedures for identifying anonymous donations. These returns include donations that may be anonymous; we don't know if they are. Since the office did not pursue additional information from which it could determine whether these donations are in fact anonymous, we are unable to determine whether or not the office has collected all anonymous donations for 1996.

With regard to party and candidate returns for the years after

1996, we found the office has issued directives to political parties and candidates that set out the office's interpretation of the Act. These directives provide improved guidance to the political parties and candidates for preparing the returns accurately, and in a future report we plan to let you know whether or not those directives have been successful in allowing the Executive Council and the electoral office to comply with the Act.

As a result, on page 267, we make a recommendation, and that is that the office should complete its review of donations for 1996 and the six prior years; they should collect anonymous donations from the political parties, and deposit them in the General Revenue Fund; or alternatively request the Board of Revenue Commissioners to cancel the collection of these anonymous donations.

The next issue that I'd like to bring to your attention begins near the bottom of page 267. It has to do with directives to political parties and candidates needing improvement.

The Act requires political parties and candidates to disclose in their returns all of the contributions they receive and all of their expenses. The electoral office is responsible for ensuring compliance with the Act, therefore the office needs to know whether political party and candidate returns include all contributions and all expenses. The most efficient way for the electoral office to do this is to direct that the parties and candidates provide the office with auditors' reports that indicate whether the returns are accurate and complete.

Currently the electoral office requires parties and candidates to submit auditors' reports with their returns. However, these auditors' reports do not provide the office with assurance that the returns are complete. More specifically, these auditors' reports do not provide the office with any assurance that the parties and candidates have included all of their contributions and all of their expenses in their returns. As a result the office does not know if the returns provide the disclosure required by the Act.

On page 269 we recommend on this issue, and specifically the recommendation is that the electoral office should issue directives requiring political parties to submit audit reports to the electoral office that indicate whether all contributions received and all expenses incurred are reported in their returns, and requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the electoral office that indicate whether they have complied with those procedures.

These recommendations are different for political parties and candidates because we recognize that they operate differently. That is parties operate year round while candidates only receive contributions and incur expenses over a very short period of time during elections. Therefore, parties have the opportunity to put in place sound systems for tracking their revenues and expenses, whereas candidates have less of an opportunity to do that because of their short term of operations.

I'd also like to bring to your attention two accountability concerns that we have brought up in the past. The first is on page 269. We express a concern that many government

agencies did not make public a list of persons who have received money from them. Your committee discussed this issue last November and recommended the Provincial Comptroller work co-operatively with the agencies involved, the affected departments, and our office to develop a process that will achieve the required degree of public disclosure and report back to your committee. Perhaps the Provincial Comptroller can provide a progress report on this undertaking.

The second accountability issue that we'd like to bring to your attention is that we think the Department of Executive Council should have an annual report. We believe that it would help the legislators and public understand and assess the performance of the department. And that concludes my presentation. Thank you.

Mr. Strelloff: — Thank you very much, Rodd. Very well done. And Madam Chair.

The Chair: — Thank you very much, Rodd.

Mr. Shillington: — Thank you very much. My comments are really germane to the first and second recommendation. I will at the conclusion of my comments be moving a motion which might read as something along the following lines: the Public Accounts Committee recommends that the electoral office consider the option posed by the Provincial Auditor, which is to request the Board of Revenue Commissioners cancel the collection of any anonymous donations for 1996 and the six prior calendar years.

I think that's a very useful option that's been proposed. And I think the auditor has performed a useful service in bringing this matter to our attention. My sense of the public mood is that the public accept the fact that this was done innocently on the assumption that it fell within the elections Act. I think the public is reasonably satisfied that the practice has been brought to a conclusion, and that the matter we can now go forward.

I have no hesitation in recommending that we adopt the second recommendation on page 269. If it is not now painfully clear to political parties that this is not an allowable practice, it ought to be made painfully clear. And so I have no problem with no. 2.

With no. 1, we have an and/or and I'm suggesting that we ask the electoral officer to consider — and I put it no stronger than that — ask the Electoral officer to consider the option posed by the Provincial Auditor which is to request the cancellation of these donations. This is an old problem that took place a long time ago and some very awkward problems are caused by trying to go back this far which would take us all the way back to 1990.

So I will with those brief comments move the Public . . .

The Chair: — Can we ask a few questions before you have the motion on the floor?

Mr. Shillington: — Sure, sure.

Mr. Gantefer: — My question simply is why would we not just concur with the recommendation as it's stated which gives that option and leave it as that? I don't quite follow why you

would make your motion differently.

Mr. Shillington: — Well, that's an interesting question.

Mr. Gantefer: — Why don't we just concur with the auditor's recommendation?

Mr. Hillson: — Madam Chair, just on . . . I mean I think we have to indicate whether we prefer (a) or (b)? And to that limited extent I agree with Mr. Shillington. But I think we have to say which direction. You can't say go east and go west at the same time and that's what the recommendation . . . are we saying (a) is the correct procedure or (b)?

Mr. Gantefer: — But Mr. Shillington's resolution does not resolve that. He's saying that they should consider (b).

Mr. Hillson: — (b). In other words . . .

Mr. Gantefer: — But they also . . . the auditor's recommendation is that you consider both and that the electoral office make a decision, do one or the other, because we're in a state of limbo that is unacceptable in the long term the way it is.

Mr. Shillington: — Well, yes. I think though, it was . . . it is my view at least, that some direction here is needed. I think the existing . . . I've not quite see the recommendation quite in this form where it says do (a) or (b). This is worded in a rather distinctive fashion.

I think it struck me, at least, that some direction was needed here and I suggested in my comments that we ask the electoral officer to pursue that option. It doesn't direct them to bring it to a conclusion and I've been cautious in my approach. But I thought some direction was needed.

The Chair: — Well if there isn't any other comments, then you can bring it forward. Do you have a comment on his motion before he brings it . . . or a suggestion before he brings it forward as a motion so we can vote on it? Okay, you can move.

Mr. Shillington: — I'm going to move the motion, I don't think I need to reread it.

The Chair: — Okay. We have a motion on the floor. If there isn't any comments . . . Do you have a comment now?

Mr. Hillson: — Yes, thank you, Madam Chair. First of all, may I to you and to members of the committee and officials introduce my daughter Stephanie who has come from Japan to see her father in the legislature. So I know all members will want to support my suggestion, so I will look good for . . .

Madam Chair, of course I don't want to belabour this because it has been discussed many times. However, well of course, the point is made that the new provisions do ensure that no further anonymous political donations will be held in trust accounts has corrected the problem for the future.

I disagree with Mr. Shillington in characterizing this as simply so much ancient history for the very good reason that to the extent anonymous trust accounts are still held by political parties — we're not talking about history, we're talking about

something that is current today and ongoing.

Now when we had the Chief Electoral Officer with us of course she made the point that the decision was made that we shouldn't prosecute and I'm not sure I'm speaking for my party here but I agree that charges, I don't think, would accomplish anything now.

But this is not talking about charges. This is talking about, let's simply at least comply with the law to the extent of making the request. I mean the law is clear. When anonymous trust accounts are held they should be remitted to the province and we haven't even gone so far as making the request that, if you are holding an anonymous trust fund, please send it in.

And I know that the auditor is reluctant to make recommendation 1(b) and he's . . . because recommendation 1(b) as now moved by Mr. Shillington amounts to nothing more than the recommendation of this committee that we ignore the law of the province. Or nothing less than that. I mean, that's what this motion is saying. Let us ignore the law of Saskatchewan. Ignore the laws that we have passed as legislators.

So I would, without belabouring points that have been made many times in this committee and elsewhere before, say that, two things. The law is clear; why can't we at least simply ask the electoral officer to make the request that anonymous trust funds be remitted as they are supposed to be.

And secondly, while I appreciate that this does go back a few years, it's not happening anymore, nonetheless we are not talking about history, we are talking about if there are anonymous trust funds which are in existence and being held by political parties here and now today. So we're not being asked to reconstruct what may have happened years ago, we are being asked to deal with here and now.

And for that reason, I would respectfully submit that we ought to defeat this motion and instead recommend 1(a).

Mr. Paton: — Madam Chair, it's unfortunate . . .

The Chair: — Again, I'm sorry. We have a motion on the floor so I have to get the committee's permission for you to speak. Agreed?

A Member: — Agreed.

Mr. Paton: — Madam Chair, unfortunately the department isn't here to speak to this issue but I do have some notes and perhaps some clarification to the issue.

I think it was the department's opinion that there was ambiguity in the law prior to the current changes. So to say that the law is clear and we should collect the money, I think the department would disagree with that and that is their reason for not going back and trying to collect it. They believed that it was not clear and that's the advice they received from Justice and it's also the reason why they've changed the legislation to provide that clarity. I believe Justice is of the opinion that due to the lack of clarity, there may be difficulty in collecting those monies. And I say that's my recollection of what the department said when

they were here last.

Mr. Hillson: — Just on that point, I mean, we may have to consult *Hansard*, but as I recall the comments that were given were relating to charges. Now this is not the recommendation here. We are not being asked to prosecute and I'm not asking for prosecution. It's simply a question of should there continue to be here and now today anonymous trust funds or should they come in to the province, to the General Revenue Fund, today — not five years ago.

The Chair: — Is there any other comments? We have a motion on the floor. I'll read the motion again.

The Public Accounts Committee recommends that the electoral office consider the option posed by the Provincial Auditor which is to request the Board of Revenue Commissioners cancel the collections of any anonymous donations for 1996 and the six prior calendar years.

Those in agreement with the motion? Those opposed? It's carried. Those in favour of this motion — five of those in favour. Opposed — two opposed.

We have on page 269 recommendation no. 2. Concur with recommendation no. 2. All those then agreed?

A Member: — Agreed.

The Chair: — Agreed. Is that all you want to talk about? That's it.

Okay, well I thank the committee members. I just have one other thing that I'd like to bring forward. I think most of you are aware that I'm resigning today and I want to thank Mr. Shillington and Greg and Wayne for their patience in my learning curve here. And I spoke to the Provincial Comptroller today and he said this is the first time in his memory that everything was caught right up to date and I'll leave it to you to come to the conclusion that this is also the first woman Chair.

Mr. Hillson: — I think there ought to be a motion of thanks for the work of our Chair.

Mr. Shillington: — I will in a moment move a motion that Mr. Gantefer be elected to preside as Chair of the Standing Committee on Public Accounts. It has long been the practice that the official opposition chair this committee and it has further been the practice that within some reasonable limits they chose their own Chair.

And I say that because it's of no particular relevance. In this case I won't embarrass Rod but . . . by saying what a good Chair I think he will make, but I think his conduct here eminently qualifies him to be Chair and I'm honoured to move him as Chair.

Before doing that I want to thank, I want to make a comment about June's work here. I think we've all seen the confidence with which she's led the committee but what you may not have seen was the courtesy which she unfailingly showed in her relationships with myself and I suspect as well with the Clerk and with the Provincial Auditor. It's really been a real pleasure

working with you, June. I have been a Chair here in times past and I can tell you because it was a very varied relationship in the 1980s when I was Chair, so I congratulate you on a job I think very well done.

With that I will move:

That Rod Gantefer be elected to preside as Chair of the Standing Committee on Public Accounts.

Mr. Putz: — Mr. Shillington, upon the resignation of the Chair, there is a nomination process that we're required by the rules to go through and it's the duty of the committee Clerk to do that. So it's my duty to call for names if any members wish to run for Chair if I could have . . .

Mr. Shillington: — Notwithstanding the wealth of talent around the table. I think I will continue to nominate Rod Gantefer as Chair of the Standing Committee on Public Accounts.

Mr. Putz: — Mr. Shillington has nominated that Mr. Rod Gantefer be nominated. Okay. Nominations cease by Mr. Hillson. All those in favour of the motion? Carried. Mr. Shillington, I invite you then to move your motion.

Mr. Shillington: — I move:

That Rod Gantefer be elected to preside as Chair of the Standing Committee on Public Accounts.

Mr. Putz: — Mr. Shillington has moved that Mr. Rod Gantefer be elected to preside as Chair of the Standing Committee on Public Accounts. All those in favour of the motion? All those opposed? The motion is carried and I invite Mr. Gantefer to take the Chair.

The Chair: — Thank you, for practical purposes if we could just stay where we are. Thank you very much and first of all I'd like to thank June. She's been indeed a delight to work with. This is the second opportunity I've had the great and distinct pleasure to serve this committee as its Chair and I can tell you that I look forward to it as much as I did the last time. The last time I think we were two and a half years behind in our reports and it was a great challenge and opportunity for the committee to move itself into a current position at the day. Although we still had a report or so, to be to this level of currentness is indeed a great pleasure. And I look forward to further service in this role.

I would also like to say and I think that over this term of this legislature and I guess since I initially acquired the Chair, I have to say that I very much appreciate and will continue to encourage the non-partiality that this committee has conducted itself in.

I think it serves the committee well, it serves this legislature well, and it serves all of us as individual MLAs, no matter what of our political background, well by trying as much as this committee has tried to operate in a non-partisan basis. And I certainly intend to encourage that in the future. So thank you.

Mr. Hillson: — What he's saying is, we're going to miss you

guys after the election.

The Chair: — The meeting now stands adjourned.

The committee adjourned at 5:22 p.m.