

Mr. CHOWN: Would you not normally be aware an outside consultant agency had been retained, even by a crown corporation?

Mr. HENDERSON: I cannot speak with any degree of knowledge on that, because my tenure of office is only of a few months' duration. In my opinion, I should be aware and, moreover, should be consulted at the time any crown corporation or government department employs consultants of this type, because the effectiveness of their recommendations largely has to deal with the system of internal check and the manner in which the accounting records are maintained.

By the same token, I think that when the consultants are concluding their work they should go over it in draft form, not only with the client but also with us, because of our familiarity with the feasibility of the recommendations they propose to make.

Mr. SMITH (*Simcoe North*): Is not this Price Waterhouse report as if the company had brought in an outside audit firm, to make an audit report, without getting the advice of the regular auditors?

Mr. HENDERSON: It would appear to be that way.

Mr. SMITH (*Simcoe North*): Price Waterhouse, therefore, ought to have come to the Auditor General's Office?

Mr. HENDERSON: I do not think we can just say that. I think the corporation's management, through the president, are most certainly entitled to retain whatever services they feel are best suited in connection with their management operations. I would have hoped at the time when they were finalizing the arrangements that a firm like Price Waterhouse would have given us a call, and we could have sat down with them in connection with the planning of it, because of our direct interest.

Mr. SMITH (*Simcoe North*): Even beyond that, after Price Waterhouse had been retained, would it not have been more usual if they had discussed the auditing with you?

Mr. HENDERSON: That has always been my experience in private business.

Mr. CHOWN: Surely, it would be in their interests; and I am surprised they did not do this on their own initiative, being a firm of such repute—but, surely, it would have been in their own interest to have consulted you about the terms of reference, if we want to use a broad expression?

What I am so concerned about is that the merit of this report, at a fairly substantial cost, and the fact this firm had to be drawn back in at further expense, because the recommendations they had made are not on all fours with the existing accounting procedures that are laid on by the Auditor General—it has lost its value, its immediate value, and that situation I am concerned about, because it is relatively worthless, to use a rather extreme expression.

The CHAIRMAN: I have four short questions right along that line.

No. 1: Mr. Richard, did the management consultants consult with the auditors of crown assets, to your knowledge?

Mr. RICHARD: No.

The CHAIRMAN: Question No. 2: The auditors of your corporation are surely in close relationship with you and your officials, are they not, with regard to such matters?

Mr. RICHARD: They make periodic visits.

The CHAIRMAN: That would be the Auditor General's department?

Mr. RICHARD: Yes.