



# **Legislative Assembly of Manitoba**

**STANDING COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Chairman**

**Mr. D. James Walding  
Constituency of St. Vital**



**Thursday, June 7, 1979 10:00 A.M.**

**Hearing Of The Standing Committee  
On  
Public Accounts  
Thursday, June 7, 1979**

Time: 10:00 a.m.

**CHAIRMAN, Mr. D. James Walding (St. Vital).**

**R. CHAIRMAN:** Order please. We have a quorum, gentlemen. The committee will come to order. When we adjourned yesterday, we had reached Page 9 of Bill 2. I direct the attention of honourable members to Section 40, I believe, we had reached at adjournment time. Mr. Cherniack.

**R. CHERNIACK:** I'm just wondering, I'm accumulating various pieces of paper, mainly proposed amendments for matters we have dealt with, and Mr. Miller and I went over them. I think we would still have to discuss and understand better the first one, the lengthy one prepared yesterday for sections 6 and 9. But I was wondering if you would care, and if Mr. Craik would care to tidy up these other little ones that we dealt with, just to get them done and out of the way.

**R. CRAIK:** If they're ready, Mr. Chairman.

**R. CHERNIACK:** They were given to me yesterday.

**R. CRAIK:** Okay.

**R. CHERNIACK:** So it's just a question of being able to catch up what we've dealt with, so that there, as I say, tidier, that's the only point I'm making.

**R. CHAIRMAN:** Mr. Balkaran.

**R. BALKARAN:** Mr. Chairman, these amendments come in bits and pieces, I agree. I have now related them into one package, if members of the committee would like to have them now and deal with them now, or do you want to go through the bill and come back?

**R. CRAIK:** Just from a logistics point of view, I think maybe we should go through the bill and then come back and review all the amendments. Then we can do them all at once.

**R. CHERNIACK:** Okay.

**R. CHAIRMAN:** That's your will and pleasure, can we proceed? Section 40, 62(1)(a) — Mr. Cherniack.

**R. CHERNIACK:** Mr. Chairman, how was Section 39 dealt with? I think by a proposed amendment, that right? It was held as well, correct?

**CHAIRMAN:** I recall, yes.

**CRAIK:** Yes. We added the Order-in-Council back into that.

**CHERNIACK:** Mr. Chairman, on 40, the only note I have is an explanation that it seems to me that 62 is very similar to the proposed 62, except that the word, according to my note, the word "may" was substituted with the word "shall". I wonder if Mr. Craik could just elaborate on that.

**CRAIK:** Which item is that?

**MR. CHERNIACK:** 62(1). Possibly, if I may, for my own benefit, read 62(1), the present bill, and see how it compares with the proposed change. "Where provincial securities are issued and sold for a consideration less than the par value of the securities, (a) a sum equal to the excess of par value over the cash value of the consideration received, may be amortized over the life of provincial securities." Now that refers to only a lesser amount whereas the proposal seems to provide for both a greater or lesser amount.

And the present Act says, "it may be amortized" and the 62 (1) says, "it shall be amortized." Could we get clarification on just what is the change intended to accomplish?

**MR. BENDITT:** Mr. Chairman, the purpose of having "shall" is so that we'll have consistency. Before, with "may" it was possible to do it or not to do it, and it was our intention that with respect to debt discounts and debt premiums that we follow a consistent procedure so therefore we want to amortize all the time, we put in the word "shall".

**MR. CHERNIACK:** Mr. Chairman, that's what I thought and that's fine. I just wanted to know if there's anything more to it than that. Does that explanation take care of 62(2) and why is 62(2) wiped out? Are they all sort of consolidated into one intent, 62(4) is eliminated, is that right?

**MR. CRAIK:** Subsection (4) is no longer necessary because we don't have premiums resulting from foreign exchange. They only existed when we considered that the U.S. and Canadian dollars were equal. Do you want to interpret that, Mr. Benditt?

**MR. BENDITT:** What you're looking at is the old 62(3). The new 62(2) is very similar to that. The new subsection (2) is similar to the old subsection (3). The only difference is that the power to pay out the money has been given to the Minister, rather than the Lieutenant-Governor-in-Council and the reasoning there is that where the money has been accumulated to retire a debt issue doesn't seem necessary to involve the Lieutenant-Governor-in-Council.

**MR. CHERNIACK:** Mr. Chairman, I understand that. I want clarification on the present Act, 62(1) which has been eliminated. How has it been replaced? Has that been incorporated into the proposed 62(1)?

**MR. BENDITT:** Mr. Chairman, that has been incorporated into 62(1).

**MR. CHERNIACK:** All right, then, Mr. Chairman, I take Mr. Benditt's word for that. What I want now is clarification of the statement that there will no longer be premiums received on foreign exchange. What does that mean? Isn't it possible that the Canadian dollar will be worth more than the currency which is being borrowed?

**MR. BENDITT:** Mr. Chairman, in the past, for a number of years, the Canadian dollar was considered to be at par with the American dollar for the purposes of our legislation, and that changed actually in The Financial Administration Act in 1969, but at any time that we did not have money previously where the Canadian dollar and the American dollar were assumed to be at par and it turned out that the Canadian dollar was at a premium, those premiums were called premiums on foreign exchange. Right now, we have another section of the Financial Administration Act, if you look at section 64 it provides adequately for the handling of loans and foreign currencies.

**MR. CHERNIACK:** New 64 or old 64.

**MR. BENDITT:** The old 64.

**MR. CHERNIACK:** So the U.S. money now becomes foreign, and wasn't treated as foreign before.

**MR. BENDITT:** Mr. Chairman, that is correct.

**MR. CHERNIACK:** Okay.

**MR. CHAIRMAN:** 62(1)(a)—pass; (b)—pass; 62(1)—pass; 62(2)—pass; 40—pass; Section 41—pass; Section 42—pass.

**R. CHERNIACK:** Mr. Chairman, just an explanation. I'm assuming that the change is in accord with the explanation already given by Mr. Benditt. Is that correct?

**R. BENDITT:** Yes, Mr. Chairman. That is essentially correct. There is the Section 64, which provides for handling foreign exchange, and there is a possibility that you could exceed your borrowing authority by the fact that a foreign currency will appreciate between the time that you've agreed to the loan, and the time that you convert your currency. So that that excess, if it does exceed your borrowing authority, is required to be used for repayment of debt of the Government.

**R. MILLER:** It's only where an appreciation takes place.

**R. BENDITT:** Yes.

**R. CHAIRMAN:** Section 42—pass; Section 43(72)(1).

**R. CHERNIACK:** Will there be any effective difference between the sinking fund and the present debt retirement reserve?

**R. BENDITT:** Mr. Chairman, there really is no effective difference in the operations of the sinking fund, and the effectiveness of the sinking fund. It's really because of the accounting system, in that we will no longer have an actual reserve. We will still have the sinking fund, however.

**R. CHERNIACK:** Isn't the sinking fund a reserve?

**R. BENDITT:** Mr. Chairman, the accountants tell me that a reserve is not necessarily a sinking fund, but that a reserve is an accounting entry, while a fund is something that's different, and I think maybe perhaps Mr. Ziprick could elucidate on this.

**R. ZIPRICK:** The sinking fund is actually the accumulation of cash. The reserve is the setting aside of cash and a reserve can be funded, or it doesn't have to be funded specifically, it can just be money in the bank and used for any purpose, whereas a sinking fund is a setting aside of cash.

**R. CHERNIACK:** Mr. Chairman, Mr. Ziprick said a fund can be used for any purpose. I assume that means, can be invested in any possible way; but surely it can't be used for expenditure for programs or anything like that.

**R. ZIPRICK:** No. A reserve that's been set aside can be used, I shouldn't say for any purpose for the purposes that the reserve has been designated, but doesn't necessarily have to be funded. Funds can be in the bank, intermingled with other funds; whereas a fund is actually setting aside of funds.

**R. CHERNIACK:** I'd like to ask Mr. Curtis if that would, in any way, affect the financial statement or prospectus information?

**R. CURTIS:** I wouldn't think it would have any effect at all as far as our prospectus material is concerned.

**R. CHERNIACK:** Okay.

**R. CHAIRMAN:** 72(1)—pass; 72(2)—pass; Section 43—pass. Section 44, 73(1)(a).

**R. CHERNIACK:** Any changes Mr. Craik has to tell us anything about?

**R. CRAIK:** No, unless Mr. Benditt wants to add to it, I have no particular notes on this. It's the same rate.

**R. BENDITT:** Yes, Mr. Chairman. The contribution rate is the same, that is 3 percent. The only difference is that all earnings of the sinking fund will now be allocated to the sinking fund; whereas previously the earning rate was set at 3 percent for the allocation for the sinking fund.

**MR. MILLER:** Does Mr. Benditt mean that the earnings of the sinking fund, only 3 percent of t earnings were allocated to the sinking fund? Is that what he's saying?

**MR. BENDITT:** Mr. Chairman, the earning rate of the sinking fund was established at percent.

**MR. MILLER:** Oh, I see.

**MR. BENDITT:** Any earnings above that were not allocated to the sinking fund.

**MR. CHERNIACK:** Well, now I want clarification. Mr. Ziprick said that the sinking fund, we're n calling it a sinking fund which isn't the debt retirement reserve, I gather. Is this fund then goi to have to be invested at the best possible return, and will that total interest then go into the p for retirement of debt?

**MR. BENDITT:** Mr. Chairman, the sinking fund will be invested at the best possible return. T earnings of the sinking fund, firstly, will be called revenue of the province; but that amount, toget with the 3 percent of the principal, will be allocated to the sinking fund, which means that the sink fund will grow faster than the old reserve would have grown.

**MR. CHERNIACK:** Mr. Chairman, I want to make sure that when Mr. Benditt says "will be" t he means "must be" and not "is intended to be". In other words, I want to distinguish as betw policy and law. Could he clarify that?

**MR. BENDITT:** Mr. Chairman, when I say that it will grow faster, I am saying that actually it shc grow faster providing that the interest rate earned by the fund is greater than 3 percent prio; this section is put into force, the fund will actually earn perhaps 9 percent, or will be alloca 9 percent instead of the 3 percent formerly.

**MR. CHERNIACK:** I'm sorry, Mr. Chairman, I don't think I yet have the answer. I understand that's arithmetic. I want to know whether the fund must be invested at the best return, and all earnings of the fund have to be, by law, added to the sinking fund, or is he only descri present policy?

**MR. BENDITT:** Mr. Chairman, the policy I believe is the same as it always has been, and is to invest the fund for the best return, keeping in mind what the fund is to be used for, that is for the management of the retirement of securities of the government. We would necessarily advocate investing in a very high, interest bearing security, say of another provin that were to hurt our primary goal, which is to maintain a market for the Province of Mani securities and to assist in the retirement of those securities on maturity date.

**MR. CHERNIACK:** Mr. Chairman, Mr. Benditt and I are not yet on the same track. He says policy is the same; I want to know whether he is talking policy, or whether he's talking the And I want to be assured that the moneys set aside for the repayment of general purpose r be invested at the best, debt by way of a sinking fund reasonably best interest rate bearin mind its purpose, and whether the earnings must be added to the sinking fund by law.

I don't care about policy . . . you know, when we're dealing with amendments to an Act, p is of no consequence, I believe; it's the effect of the law. Now, does Mr. Benditt not unders my question?

**MR. CHAIRMAN:** Mr. Ziprick may have an answer for you. Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, as I understand it, it shall be and so there's no options. The thing that's not clear to me is that making it mandatory shall . . . Does this mean that all in every case will have to be provided with a sinking fund, and will there be sinking funds prov for serial debentures that are repaid annually? I'm not clear on that.

**MR. BENDITT:** Mr. Chairman, I believe that the legislation makes it quite clear that there be allocated for the repayment of general purpose debt this amount of money, so that it ap to all general purpose debt. Once it has been declared to be general purpose debt, we must pr a sinking fund for it.

**MR. ZIPRICK:** So that means then that serial debentures that will be repaid each year, there will be a sinking fund provided for those debentures for the repayment of . . . in addition to repaying them on a serial basis, there will be a sinking fund provided for the remainder, is that the . . .?

**R. BENDITT:** Yes, Mr. Chairman, that is the idea.

**R. CHERNIACK:** Mr. Chairman, it is clear however that the sinking fund must be invested at a rate which the market will bear and not at an arbitrary rate, say such as the government may determine it wants to pay like it pays to trust accounts where sometimes they get away with 2 percent.

**R. CURTIS:** Mr. Chairman, the investment of a sinking fund funds into assets for the fund will be at the market rate of the investments at the time they're purchased, which we try to maintain the highest possible level.

**R. MILLER:** As I understand it, Mr. Benditt says an amount will be set aside in a sinking fund every issue of a serial debenture. In addition, there will be a general amount for the general sinking fund. Is this a departure from the past? I'm curious whether Mr. Benditt could tell us whether this is a departure from what has been done up to now, or is this really putting into law what, in fact, has been the procedure regarding the setting aside of the sinking fund, the amount of the sinking fund and establishing a sinking fund for every serial debenture. Is there any deviation from what has been done in the past?

**R. BENDITT:** Well, Mr. Chairman, I don't know whether I heard the entire question, but I think it applies to the sinking fund, whether the practice has changed or why the practice has changed allocating sinking funds for serial debentures.

In the past, the amount of principal to be retired annually was charged to the public debt appropriation — this no longer happens. Serial debt now, the amount of outstanding serial debt is really treated in the same manner as any other debt of the government.

The fact is now that we only consider that we are retiring securities; we are not retiring debt. It can only be retired at the time that the government actually has a surplus.

And so therefore, we treat serial securities in the same manner as we treat all other securities.

**R. MILLER:** I hear it. I'm not sure if . . .

**R. CHAIRMAN:** Mr. Miller.

**R. MILLER:** No, it's okay. I'm not sure I fully understand it.

**R. CHAIRMAN:** 73(1)(a)—pass; (1)(b)—pass; 73(1)—pass; 73(2)—pass; 73(3) — Mr. Cherniack.

**R. CHERNIACK:** Mr. Chairman, I want to know, what difference is there here? Does the fact that we think we've set aside 56(1) . . . yes, Section 37, we've set that aside, and that deals with Advanced Retirements Cancellation by the Lieutenant-Governor; now, if there is a debt and the government has, in its sinking fund, purchased some of the outstanding bonds, and if they are sold, thus reducing the debt on that particular bond, which means netting out, does that then mean that the 3 percent sinking fund, the payment is reduced from the previous year in that there is a percent of a lesser amount now being set aside, and if my question is clear — I think I understand then will that mean that there will be a payment made less than would have been paid without change? And when I say payment made, I mean funds set aside.

**R. CHAIRMAN:** Mr. Benditt.

**R. BENDITT:** Mr. Chairman, the amendment to Section 37, that is, to Section 56.1 of the Act, is going to provide, I believe, that the sinking fund is not to be harmed by the retirement of some of these securities, and so what this would really mean is, that if the government does buy some securities, it can take no more out of the sinking fund than the appropriate proportion relating to the amount of principal that is going to be retired by use of government surplus moneys.

**MR. CHERNIACK:** Then firstly, Mr. Chairman, it says that 37 is going to be changed to provide that they may not do it, so that there's going to be a change in 56.1. All right, so we have to look at that.

Mr. Chairman, Mr. Benditt seems to be confirming my speculation, and that is that with a change such as this, the 3 percent set aside will be 3 percent of a lesser amount and therefore will be a smaller sum charged as a current expenditure than would have been without this change, and that then to me seems to change the picture of the annual operations of the government to the extent that there'll be less set aside in the future than there was in the past.

**MR. BENDITT:** Mr. Chairman, the amount of 3 percent is not charged annually. It is now or allocated, so that it does not have an effect on the Budget of the government, and also, the fact that we'll be taking some money out of the sinking fund to retire this, say, small amount of debt will really have no effect on the sinking fund itself, because if the whole amount of the debt were to mature, then you would take the required amount of money for the total amount of principal out of the sinking fund. Whatever the sinking fund had to the credit of that issue of debenture you would then take out of the sinking fund. Now, if you retire half of the issue of debenture you will take out half of the money from the sinking fund, and so therefore, the other half will be there to meet the requirements for the remaining half of the securities outstanding.

**MR. CHERNIACK:** Mr. Chairman, first the clarification on the definition of allocated not charged. What does Mr. Benditt mean? It's not paid as allocated. Is it shown as an expenditure, an annual expenditure, or is it not?

**MR. BENDITT:** Mr. Chairman, it is not shown as an annual expenditure; it is shown as an additional cash requirement of the government. The money is allocated to the sinking fund, but there is a charge to the annual Budget.

**MR. CHERNIACK:** We're talking about that as of today's law, not of the proposed amendment that up to now this 3 percent has never been shown as an expenditure by government.

**MR. BENDITT:** Mr. Chairman, under today's law, with the amendment not passed, it's true, it is a charge to the public debt appropriation of the government. In the future it is intended not to be so.

**MR. CHERNIACK:** Then, Mr. Chairman, it seems to me that my "speculation" is the word I use. I could have used the word "apprehension", is that there would be some change now, that when there were certain items in the past shown as an expenditure item charged to the current revenue and as a current expenditure, that will disappear because of what's going on here, and therefore I'd ask Mr. Benditt, or anybody else from the staff, will that then give a different view as to what is the ongoing, comparative expenditure of government?

**MR. BENDITT:** Yes, Mr. Chairman, it will show a reduced expenditure deficit, and this actually has been shown now in the Estimates, I believe, for the past two years, that is the Estimates that are currently before the House and the Estimates of last year.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, I'm assuming it's the same thing that we talked about earlier, yesterday or the day before, and also that we've talked about earlier than that. It will show a net difference. If it is a deficit year, the deficit will be lower, and in the last — we showed it for the '77-'78 year. We showed it both ways because the law hadn't been changed, so we showed it as if it had been changed, and we showed it 214, \$214 million deficit, and with the application of the sinking funds, it came out at \$191 million; so we showed it both ways in anticipation that the law would be passed.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Mr. Chairman, one thing I want to get clear. Right now there is a requirement for a serial debenture, if it requires a sinking fund by statute, a certain amount has to be put aside for it, so it's a charge to service that debenture issue. That isn't changing, surely, because it is still a charge. If it's a debenture, serial number whatever it is, in order to retire it, you require a sinking fund be set up for that serial debenture, and an amount has to be set aside and

charge annually, whatever the Act calls for — in the case of Hydro, I think it's what? 3 percent? Or something like that. It has to be set aside and is a charge on the Treasury to ensure that that amount is put into a sinking fund. Is that going to be changed? You're saying it's allocated, rather than charged. Is that just terminology or just semantics?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, under the present system there'll be no charge to the appropriations or the repayment of debt, because if you did that, you would be double-booking expenditures. The charge had already gone to the appropriation when the expenditure for building, or whatever, had been made, and so you get the charge for that expenditure and appropriation at that time, that created a deficit which increased the net debt. When you retire, you would just reduce the net debt, or the sinking fund is a reduction of the debt position, and when you retire it's just a flow on the liability side.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** All right. So let's say it's for a building. So in calculating the final cost of the building, the sinking fund built into the total cost of the building? Is that what you're saying? Ten million dollars is expended on something and a serial debenture is issued. Is it a calculation made in the original instance that the building cost \$10 million plus so much for sinking fund purposes? Is that how it's going to be done?

**R. ZIPRICK:** The building will cost \$10 million, and that's what will be voted and appropriated. Now if it's paid from revenue that's been collected, if the money is borrowed then the interest on that money will be charged but the raising of that money for the repayment is just an extinguishing of the liability and not a further expenditure because if you treat it as an expenditure again, you could have charged the building to the appropriation, the whole \$10 million, and then you would charge it again, and in effect you would have a \$20 million charge to the appropriation. So the payment after that of the repayment of those debentures is like any other repayment of any other debt, you just have to raise the money to pay it.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** Mr. Chairman, I think that the manner of treatment is probably understandable and acceptable. The concern I have is the concern that takes place between rival governments, and the fact that governments of any stripe are prone to point out improvements over previous years as against other governments. Mr. Craik said something about \$214 million deficit which is a familiar sounding figure, and \$191 million deficit which is a familiar figure. Does he say that that difference of \$23 million is only a change in accounting?

**R. CHAIRMAN:** Mr. Craik.

**R. CRAIK:** A change in the sinking fund presentation.

**R. CHERNIACK:** You see when Mr. Cosens makes speeches and says \$214 million is the inherited debts of the poor Conservative government, should he really be saying \$191 million?

**R. CRAIK:** We've always said that.

**R. CHERNIACK:** Said what?

**R. CRAIK:** Put it both ways.

**R. CHERNIACK:** Exactly, Mr. Cosens, for one, and I don't criticize him for it, he doesn't know better and I don't expect him to know better because I don't know any better, so I can't expect more from him than I would hope I could understand.

**R. CRAIK:** Why not?

**CHERNIACK:** Because I know him and you, Mr. Craik. So that there has to be clarification of the concern I express is comparisons which are termed to be odious are nevertheless there,

and I presume one accounting method is as valid as another and when we start blending the Capital and Current and showing the whole thing as one, there is a distortion. And my concern is that that distortion or that variation or that adjustment is clearly recognized and known by all those who are going to use figures in the future. And I'm looking to Mr. Ziprick, or to staff to have some assurance as to how that would be known so clearly that even people who are not deeply involved or educated in Public Accounts would know that when they compare two different years they a sufficiently apples and oranges, even though they're expressed in the same Canadian dollars, show that it's not a valid comparison, that is obvious. I think that my point is obvious, not in objective the way it's done but in the way it can be misinterpreted.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** As I understand it, Mr. Chairman, the opening balance when this Act comes in force, the balance as at April 1st, 1978, which is the start of the fiscal year, the net debt position will be determined under the new system and that will be the position that it will be compared to. To restate the other years, there has been a calculation made and tabled for restatement position but of course you cannot change the Public Accounts for the past years, but the opening position of the net debt will be determined and that will be the starting point.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, we have yet to discuss the date of April 1st, 1978, which is more than a year ago, and therefore that is still not quite something I can appreciate. Politicians consider dates like October 1977 to be some kind of important date for some reason or other, and I would like to know whether there is some way in which we can remove from improper comparison a semblance of similarity when it doesn't exist any more? How can that be done?

**MR. ZIPRICK:** The opening position that can be established as to the amount of net debt outstanding at that particular time, the position of the excess of revenue over expenditure in prior years, from now on will not be possible unless it's been restated because when you combine all expenditures into the budgetary system and arrive at a bottom line figure that's a net of expenditures over revenue received for that particular year, you cannot make a comparison with the previous method whereby only certain expenditures were taken into that and other expenditures were recorded as Capital items so that the only comparison that could be made is on a restatement. There has been a projection made for a period of about 25 years or 20 years and it's not absolutely balanced in all respects but we've taken a look at it and it's quite a close restatement of the position. So, any comparison would have to be made with that restated position.

**MR. CHERNIACK:** Well, Mr. Chairman, we cannot control what others say or do in their interpretation. Where can we find, or will we be able to find an authoritative statement saying that comparisons between 1977 and 1978 or 1979 on a straight comparative basis are not valid? Where would we find that somewhere?

**MR. ZIPRICK:** I don't know whether that kind of a thing is possible to be stated in law. It's obvious that it cannot compare, and as a matter of fact, the way the accounting was treated in a fairly loose manner before — (Interjection) — the way the accounting was treated in a fairly loose manner before, I would argue that the statements were not very comparable from year to year in any event. So, to get a comparison on some fairly strict and consistent application of recording expenditures you would have to do a continuous restatement, so by going into this at least we will start from a point, and from that point on we'll have a consistent comparison.

**MR. CHERNIACK:** Well, in that starting point, will there be two side-by-side tables showing the difference, calculated one way and then calculated another way? Would that be so readily apparent that people who, in the future, because of lack of understanding of the difference, will not be able to say yes, but look what happened in this year, and now what's happened this year? And clearly you know, it's obvious that what I'm getting at is that we now know that there will be a smaller deficit shown, on a comparative basis, than in previous years, simply because of the change in presentation. And that being the case, you could well understand that people in my position would want to be sure that figures are not bandied around, which are invalid.

**MR. CRAIK:** Just a reminder, Mr. Chairman. In the year-end 31/78 accounts this wasn't included and doesn't show in the Grey Books. It did show in the preliminary year-end statement for 31.

showed it both ways.

**IR. CHERNIACK:** Where?

**IR. CRAIK:** The one that was printed, which is the preliminary year-end statement. It can't be shown in the Grey Books because it's not — Mr. Anderson says it is in. It's also in the current one now.

**R. MILLER:** In the Grey Book?

**R. CRAIK:** Yes. It shows in the current one, on Page 28.

**R. CHERNIACK:** Mr. Chairman, how can we stop Mr. Cosens from using the figure of \$214 million?

**R. CRAIK:** Well, Mr. Chairman, both figures are used. They are commonly referred to under the additional accounting practices that have been used by the former government. The figure would have been 214. Under the changes that are being proposed here, that are not yet law, the figure would be 191. So it's up to the politicians to interpret it. I don't think the accounting people can every year have a note in saying what changes took place in 1979, or whenever it occurs. I would presume that in the year in which it occurs there's a footnote saying that the accounting practices are consistent with those applied in the previous year, with the exception of . . . but I presume that after that it doesn't go in.

Mr. Chairman, let me also say that this change comes about primarily because of the admonitions the Provincial Auditor in prior years to do it this way, and from a basic point of view it seems to me that it's a sensible recommendation — that if moneys are being set aside for the service of a capital debt, that you're setting it aside for protection and service of that debt — because you've given the people that are lending to you the undertaking that you're doing this; that there's a particular reason that if it's a \$1 million debt, and you're setting aside 3 percent, \$30,000, that you should show as an expenditure. It is a reserve that is set aside for that purpose, and this is why the recommendations of the auditor appeared to make good sense and have been made. If there are political implications for some people, well I don't think that that has to be beyond the year in which it's recognized, and I think we've said it so often that we can hardly repeat it more often, that there were two figures in that year in which it was changed. We've never tried to say that there was anything other than that.

**R. CHERNIACK:** Mr. Chairman, I agree with Mr. Craik's statement, that these come as a result of recommendations from Mr. Ziprick, and may I say I agreed with them then and I agree with them now, and I think — and you know, Mr. Chairman, I was not in government for about three years, I suppose, before there was a change in government, so I cannot speak with knowledge as to just why the government did not go along with the change. But I would suspect that one of the reasons was a question of invidious comparison, that they didn't want to change things to be used — governments are sensitive.

So, I'm in accord with the change; I'm in accord with the proposal; I want to make sure that people stop talking in terms of comparing the two. I'm not criticizing Mr. Craik because he's right. There have been the two figures presented. Somehow I would like to have it so apparent to people who don't understand the change don't misuse the figures, and I can't stop it. But, I know, Mr. Cosens is here and I'm able to use him as an example because fairly recently he said that figure of 214, which we immediately said was the wrong figure. But, you know, he didn't know, and that's why I'm not blaming him either, he didn't know that there was that change. And, I know, when I look at this Page 28 that was brought to my attention, I see \$191 million. I don't see anywhere where it says, "under the present law," incidentally, apparently this statement was prepared obviously before the change was taken into account, nevertheless, it doesn't say that this figure is the same figure as 214 done under a different presentation.

Mr. Craik said, "Well, you can't footnote it forever, but when the change takes place, it should be footnoted." Is it footnoted here in such a way that people who just look at the bottom line would know that it's calculated on a different basis?

**ZIPRICK:** I just can't add to that. There'll be notes, and there'll be an opening balance, and it will be fully explained. Now, if you'd want to formalize further the restatements that have been done over the 20 years, and table them, but they've already been tabled so I don't know how else it can be done.

Now, as far as the provision for money for repayment of a debt, it's not an expenditure. The expenditure is when you spend it for goods and services. And so this is why the change is being made, and you agree with it, and I appreciate it. But I also appreciate what you're saying, but don't know what mechanism we could use to clarify that, other than maybe formalize that restatement for the 20-year period.

**MR. MILLER:** Why 20 years?

**MR. CHERNIACK:** What is that 20 year you're talking about?

**MR. ZIPRICK:** Well, that was what Mr. Schreyer had asked, if restatement could be made for 20 years. Now, I don't know why he chose 20 years, but he chose 20 years.

**MR. CHERNIACK:** Back or forward.

**MR. ZIPRICK:** Back. And we've prepared a statement that restated on the new position for 20 years back.

**MR. CHERNIACK:** I've never heard of it.

**MR. MILLER:** It was tabled in the House.

**MR. CHERNIACK:** Was it published or just tabled?

**MR. ZIPRICK:** It was tabled in the Legislature, a response to a request by the then Leader of the Opposition.

**MR. CHERNIACK:** Mr. Chairman, there have been elections won and lost on questions of financial management and debt management, and deficits, within the knowledge of some of us, and I do hope that what comes out of this conversation is a knowledge by those present, and by those who may be reading the reports of media, that this change will bring about an apparent improvement in the position — and I use the word "apparent" in all full meaning of it — that it is to so extent, a bookkeeping change with which I do not agree. But I would like to think — (Interjection) I do not disagree, thank you, Mr. Craik for catching me on that because I clearly do not disagree with the changes. But I want, and I hope that it will not be misused as an indication of gross improvement on that basis, if there's improvement on another basis, that's valid. But on this basis it would not be, and it is not footnoted, and when I look at this statement, it is not clear, except that there is a comparison between 1977 and '78. But it is not clear that that old figure of 191 is the same as the new figure of 191, and yet that change took place in the year which is shared by both governments.

And that's why, later on, I'm going to, when we come to the right spot, maybe this is the time I'm going to ask why it is not being proposed that the change be made effective this year, 1979, that is April 1, 1979, for the next year. Why does it have to be done retroactively when the change hasn't been changed? Then would that not be a more correct or a less obvious way of being able to draw wrong comparisons? I hope I'm clear in what I'm saying, I'm trying to state it as clearly as I can.

**MR. CRAIK:** Mr. Chairman, the reason for the change retroactively is more administrative than it is policy, and I would think that it must be clear that if we had not changed till this year, it would not necessarily, if there were any sort of public impression, it would have been that the impression that the year end 31 March '78 picture would have been 214 rather than 191. So obviously it was delayed for any political reason to do that. It was more of an administrative decision than it was anything else.

Mr. Chairman, a correction here then. Apparently it would not have required the legislative change to make the change in presentation.

**MR. CHERNIACK:** That's the point, Mr. Chairman. It was done, and I assume it was not contrary to law. And if it was done that way, it was not made clear to my knowledge, as far as I've seen, that there was a change made of that nature. There are adjusting entries but it was clear to me, and therefore I assume it was not clear to other people who have been making speeches about deficits, and certainly the public was not aware that it was a change in presentation that made an apparent change in deficit. And to the extent that this conversation has been held

**Public Accounts**  
**Thursday, June 7, 1979**

---

orning, it confirms and possibly reconfirms the fact that it would be invalid to draw those comparisons. Which means to me that anybody who is exposed to knowing this, and uses them, is being irresponsible, and I don't know if I can do anymore than that. To hope that people who have now heard what I think is a greater clarification of change, will take that to heart and not misuse the figures. I don't know, will it come up again later? I suppose it's the effective date of the commencement of the Act that determines the presentations.

Suppose later on, we will say that it should be effective, not retroactive, but made as of April 1, 1979, how would that change things?

**R. ZIPRICK:** The change in presentation is determined by the Budget approval system, and when the Budget was combined, then you have to follow that because formerly that was the problem, was not clear, there was no definition as to what could be capital, what could be revenue. You could put the whole thing into capital and when the change was decided, everything, all capital as put into the Budget and so the presentation has to follow that budgetary system, and that's what decides it. So that in effect, stating at that point when all capital expenditures were included in the revenue division budget, then it's really to some degree on the same basis, but it includes capital expenditures, and capital is just wiped out.

**R. CHERNIACK:** Mr. Chairman, I want to keep in order, and we're dealing with Section 44, and I want to ask Mr. Ziprick whether he agrees with and can justify making Section 44 retroactive for more than a year, and justify it going to April 1, 1978 instead of April 1, 1979, which is the current fiscal year we're now dealing with. Does he agree with it, and can he justify his recommendation?

**R. ZIPRICK:** I see no difficulty in making it retroactive. It, in effect, becomes retroactive or the counting becomes a fact because that's the way the Budget was stated, so confirming that that's when it starts just confirms the obvious, as far as I'm concerned.

**R. CHERNIACK:** Suppose we persuaded committee to change April 1, 1978 to April 1, 1979, what would be the effect of that?

**R. ZIPRICK:** As far as the presentation to be consistent with the Budget, there would be no change, because if the sinking fund charge was left out of the Budget and the capital expenditures were included in the Budget, then you'd have to show that in the same way in the Public Accounts, the same way.

**R. CHERNIACK:** That doesn't really answer me. What would be the effect of changing April 1, 1978 to April 1, 1979, and what would be adverse to our doing that?

**R. ZIPRICK:** You're dealing with just the presentation.

**R. CHERNIACK:** I'm dealing with anything within Mr. Ziprick's responsibility.

**R. ZIPRICK:** I don't know just what impact it may have on some other sections. We'd have to study — if you just change it, April 1, 1978 to April 1, 1979, we'd have to restudy all the other sections to see what impact it may have. I just couldn't say offhand as to whether, I'm just dealing specifically with the presentation of the revenue and expenditure.

**R. CHERNIACK:** Mr. Chairman, I think Mr. Ziprick should know that I intend to ask him, when I come to Section 51, whether or not it would make any difference from his standpoint, and he is the person who reports to us, if this retroactivity which is considered abhorrent in legislation and exceptional, if April 1, 1979 were being used, what would be the impact in relation to his role in his reporting? He can answer it now if he knows, or he can wait until Section 51, when he will have had time to consider.

**R. ZIPRICK:** I couldn't answer the full implications if that date was changed, we'd have to refer to each section and see where it stands, and so would the Department of Finance.

**R. CHERNIACK:** Mr. Chairman, I really feel that Mr. Ziprick will be expected to answer that, because he is the one who is reporting to the Legislature. What about Section 44? Is there anything on which that has to be done as of April 1, 1978?

**MR. ZIPRICK:** I just don't know offhand, unless the Department of Finance has any particular view.

**MR. CHERNIACK:** I don't know, Mr. Chairman. Is there an answer from the department?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** Mr. Chairman, the Budget was structured in that manner, and has been presented to the House in that manner. It would be very difficult at this stage to ask the Legislature to re-visit all its format that it's looked at and voted.

**MR. CHERNIACK:** Mr. Chairman, I assume from what was said and from what I think is right that the presentation was not in conflict with the law. I have to assume that there being no guarantee that there would be a law, that whatever was done in presentation of Estimates, was done in accordance with law. There was a change in manner of presentation, but not a change in law. Assuming that, then I don't understand why it is that the department feels that it has to be retroactive to April 1, 1978. If we were told that we didn't need a change in law to be able to change the presentation, then that doesn't explain to me why it is that they're trying to bring in what I saw as considered an abhorrent practice of being retroactive for more than a year, especially when we are dealing with accounts of the province. So I don't think we were answered as to what is the impact.

**MR. CRAIK:** There are two or three questions, Mr. Chairman. I gather Mr. Ziprick is saying a judgmental decision that has been made and Mr. Cherniack has confirmed that it's perfectly legal. The vote that took place in the Legislature in the spring of '78 was on the basis of this mechanism and the setup being advocated in this Administration Act and has to backdate to that point. As can be seen here, the same method of presentation has been used for the prior year.

**MR. CHERNIACK:** Mr. Chairman, I have to correct Mr. Craik. I did not say that it was perfectly legal, I did not give my opinion. I said I have to assume that the department would have seen it out in a legal way, and I say I have to assume because I hate to think that they didn't conform with the legal way of doing it. That's what I mean. I don't have an opinion, certainly not a legal opinion on whether or not it was done in accordance with law, I just don't think the department or the Minister would do it not in accordance with the law. And if it was done in accordance with the law, as it stands today, then I don't see why they have to have a retroactivity feature to make legal what I have been assuming was legal in the last year. That's my point.

If they need this to make legal what they did not in accordance with the law in the previous year, then there's a different ball game, different discussion. But if what they have done up to now is in accordance with the law as it is now, and in accordance with their rights, then there should be no need to go retroactive. If they did what they did now is wrong, and they need to go retroactive to correct that, boy that's different. Then we have to know that.

**MR. ZIPRICK:** As far as the fiscal year end March 1978, it was followed in accordance with the law. The budgeting and the presentation is completely consistent with law. As to the new year's Estimates I am not in a position to express an opinion. I don't get involved in auditing Estimates, so it would be the view of the Department of Finance as to whether there was authority to present the Estimates on that basis. But I would like to make it clear that 1978 is in accordance with the law. The item that was referred to, that statement, is a supplementary schedule that's been included in the public accounts for several years, and there is no law that forbids that supplementary statements of various kinds be included in the Public Accounts, and I think it's a very useful statement that shows the position; it's a statement that's been included in my report for eight or nine years — well, at seven years anyway. So that I just want to make sure that the 1978, as far as I'm concerned, is in complete agreement as the law requires, and the Estimates, I'm not in a position to express an opinion at this time.

**MR. CHERNIACK:** Mr. Chairman, then the question should be directed to Mr. Craik and staff.

**MR. CRAIK:** Well, Mr. Chairman, it's a judgmental decision. The change has been made; changes are being made in accordance with prior recommendations of the Provincial Auditor, these are the prime reasons for the change — to make the change in the presentation of the sin funds, and netting them out. When it's done, when it's shown, it is clearly a judgmental decision.

The decision of the government was to vote the 1978/79 Estimates on the basis of the changes that had been recommended by the Provincial Auditor — that was the year selected. The Financial Administration Act, which we're now dealing with, which is what we're really dealing with at this point in time, says that the change-over date is April 1, 1978 — that's the way that it has been presented. In addition to that, the judgmental decision to already have shown the prior years, 1977/78, on the same basis, is demonstrated in the Public Accounts. And I find it difficult to find out what the problem is now. You already have 1977/78 accounts shown that way, so that there's no . . . I would think that Mr. Cherniack would be more concerned if we had delayed it another year, so that 1977/78 is shown clearly as being say, the 214 rather than the 191. The year-end statement last year, which is the preliminary year-end statement, showed it both ways — what it would have been under the method it was voted in the spring of 1977, and it showed it under the method that is being advocated in this Financial Administration Act. So there's no attempt here to not give it a very clear picture. A change has to be made; it was made and it was shown both ways. And that would happen in any year you decided to do it.

**MR. CHERNIACK:** Mr. Chairman, I am not discussing a judgmental decision, as long as it is made in accordance with the law that exists today, and up to today. I would like Mr. Craik to tell us. Has there been anything done under that, what he calls judgmental decision, which was not in accord with the law as it is today? That's the question in my mind.

**MR. CRAIK:** Well, Mr. Chairman, when the Estimates were presented, this was pointed out, and there was an argument to be made against it, it should have been made at that time. And it must have been perfectly clear for anybody that was watching it, that the changes being advocated in the Financial Administration Act would be necessary.

**MR. CHERNIACK:** Mr. Chairman, is Mr. Craik prepared to answer my question, which I can repeat. Has there been any presentation made by him and his department which is not in accordance with the law requirements up to now?

**MR. CRAIK:** No, Mr. Chairman, not to my knowledge.

**MR. CHERNIACK:** Well, Mr. Chairman, on the basis that there was nothing done that was not in accord with the law, then why is it that there is an effort being made to make this section we're dealing with retroactive along with a great many others. If it was in accordance with the law, then why go retroactive? Why not say now we're making whatever changes are required to be made in the law, and this is the year in which we're doing it.

**MR. CRAIK:** You know, how many times do I have to repeat, Mr. Chairman, that is the way the Estimates were presented and this is the first time there has been a change, an opportunity to make any Act changes for that provision. It's not a retroactive tax, or something of that matter, and the change was already telegraphed when the Estimates were presented on that basis.

**MR. CHERNIACK:** Mr. Chairman, I don't know how many times I have to ask my question to make it clear, but I'll try again. If, as Mr. Craik says, there has been nothing done in the presentation of the Estimates that is not in accord with the law, then why is it necessary to have a retroactive feature to make it appear as if it is designed to correct something that was done incorrectly up to now. Let me elaborate. If it was done correctly, then why the retroactivity? If it was done in expectation of change, then it must have been done incorrectly; it's just that simple to me.

**MR. CRAIK:** Mr. Chairman, I can advise the committee that the changes here have all been worked along with the many changes contained in this, along with the legal counsel, Mr. Tallin, along with the way of the presentation and the changeover and I am absolutely sure that from what my experience is that the changeover procedure is perfectly legal or is perfectly precise, which is not an acceptable word in the Act, as one could expect. Now if you want to argue it's a legal point, ahead; I'm not going to argue with you. I'm just simply going to say that all the administrative advice that I got validated the procedures and recommended the procedures that have been followed.

**MR. CHERNIACK:** Well, Mr. Chairman, Mr. Craik says it was done with the help of legal counsel. It certainly would have to be done with the help of legal counsel. If it was done improperly, then it certainly needs legal help to retroactively make valid what was not valid, make correct what was not correct, make lawful what was not lawful. That's why you have the retroactivity features

to reach backward and to say, well now, what we are doing, what we have done up to now from the retroactive date is now being retroactively made correct. And therefore, Mr. Chairman, I am now changing my assumption — and remember, I never said it was legal, but I said I have to assume that what was done up to now was legal — I am now beginning to suspect that maybe it was not done in accordance with the law then and that is why the government is bringing in retroactive legislation, to make it proper.

Now if that's wrong, it should be so stated, because I am now forming an opinion which I didn't have up to now and that is that there is something being done that should have been done a year ago, and that the government went ahead with the change in procedure without the legal authority so to do, and that concerns me very much and should concern all of us, Mr. Chairman.

**MR. CRAIK:** Well, Mr. Chairman, you know, the method of the presentation of the Estimates is a judgmental decision. If Mr. Cherniack disagrees, that's just fine, but the method of presentation was the method that he received at the time, a year ago, and this method of treating the changeover is the decision of the government and that's all there is to it.

**MR. CHERNIACK:** All right, Mr. Chairman, I'm not going to debate it much more. Let's put it that way. The fact that it was presented in the way which was not objected to, Mr. Craik has to agree it was presented in such a way as to not to signal in any way that it was not in accordance with the law, that it was. . .

**MR. CRAIK:** There's no legal requirement. . .

**MR. CHERNIACK:** All right, there's no legal requirement, and I said earlier, much earlier, I said that I was not in disagreement with the intent of the changes, that I saw logic to it. But Mr. Craik has to know and I will raise it again later on, that the insistence on retroactivity signals to me that there is something being corrected which is incorrect. Otherwise there would be no need for retroactivity, and then I will raise it again at that time, and he now knows that I'm going to raise it and Mr. Ziprick now knows that I'm going to raise it and I think it's important that we get clarification.

You know, there have been mistakes made in many jurisdictions on many occasions and there have been retroactive laws passed to correct it. But they were known that way and not so far as in this case, given the impression so far, that why it's all been done correctly and that in accordance with the law as it was.

**MR. CRAIK:** Well, Mr. Chairman, I would be interested as well to know whether there is any reason other than a purely administrative reason for the date of the selection and so on, because to my knowledge there is no other reason than simply in the various steps that were made in changeover this was done at this date and the Estimates for the last year were presented in that manner. The Act has that date in it and that's all there is to it. Now if the member wants to raise it again, certainly by all means. I don't know what will be gained from it. We've now spent half an hour talking about it and it's no clearer than it was when we started.

**MR. CHAIRMAN:** 73(3)—pass; 73(4)—pass; Section 44—pass; Section 45; Section 74 — Craik.

**MR. CRAIK:** This is one of some importance because of the foreign currency exchange problem that we are experiencing, and what this does is it will set out at the end of each fiscal year two values of the debt obligation; one: the book value which has been traditional; second: will show the value of the currencies as of the year end in which the accounts are printed. It will show by which we already have done, Mr. Chairman, at this point.

I point out that the CICA, who at one point have made a recommendation or appeared to have made a decision that the accounting practices that should generally be applied, ought to show an amortization schedule for the changes in the currencies; that recommendation of the CICA has been withheld and we expect that they will come out perhaps with it again within the year although that is a matter of some speculation. But for the purposes of demonstrating the province's financial position both will be shown, the book value and the value as if a value were taken on the 31st of the appropriate year end.

**MR. CHERNIACK:** Mr. Chairman, I think we're dealing with two completely separate matters. One of them I think is apparent. I want to have it confirmed and set it aside and that is the rewording of Sections 74 and 75, which are unrelated to the proposed new 74, so I want to confirm

that I want authoritatives to be stated by someone who really knows, that Sections 74 and 75 are being deleted and have already been replaced by new Section 73, and that they have nothing whatsoever to do with proposed new 74; is that correct?

**IR. CHAIRMAN:** Mr. Benditt.

**IR. BENDITT:** Well, Mr. Chairman, that's correct.

**IR. CHERNIACK:** All right then, we've got that clear and now we move on to the new 74 which is a brand new section. And I want to understand whether with the enactment of this section, does that change the Statement of Assets and Liabilities of the province or does that only give information additional to that on an annual revaluation which . . . 4. .

**R. CRAIK:** Mr. Chairman, it's information, an example is contained on Page 244, of last year's accounts.

**R. CHERNIACK:** So that it does not form any part of the accounts of the province except as . . .

**R. CRAIK:** We may, Mr. Chairman, have to look at it another year if the CICA recommendations come out and other provinces are adopting that mechanism for showing an amortization schedule. We may have to examine them again but at the present time it will be shown for information purposes if an amortization schedule is not intended to be introduced at this point in time.

**R. CHERNIACK:** Mr. Chairman, the only thing I would like to suggest, and I don't know that has to be in this section, although I'd love to see it there, is the statement that goes with it. You know, it says, "and the amount so determined shall be shown in the public accounts and shall be clearly noted as being of validity only if the province had to suddenly pay everything all at once in the one year as if it had gone bankrupt" or something like that. Because when you look at the statement that is before us now, one can get an impression that this is what the province has to pay. And we know, we all know that the province doesn't have to pay these debts at this time but that there are various factors like inflation itself, which may make this a small debt compared with the large one. And I don't think there's any disagreement as to the fact, but many people who don't know the intricacies of financing might assume that, "Boy, this year we lost so many dollars", whereas it's really a book entry. Is there some way, and I'm looking quickly at Page 244, and I don't quite see that 244 makes it that clear that these amounts are not due. Therefore the change rate is not an actual amount which has to be paid but is just for valuation purposes only. Does the Minister not agree that it would be important from the standpoint of provincial reporting that unsophisticated people can read into it what I think we know belongs there; that a greater clarification.

**I. CRAIK:** Well, I disagree on one comment that this thing is a paper, or this question is entirely a matter of paper. It certainly isn't in the current year, in the '79-80 year. There are going to be costs that have to be identified and shown as a cost in the accounts. Until we change over, which would have to be a decision after there's been further study as to whether or not there ought to be a change, that shows an amortization schedule based on a formula. There are going to be year by year clear-cut costs that have to be identified, because there are issues that are going to be arising in year by year from now on, and I don't see how you can possibly turn a blind eye to the reality of these. And if you watch and have watched what's been happening over the last twelve months it's almost a stable position, fluctuating between \$500 million to \$570 million on paper and rising steadily there. And I think that Mr. Cherniack's trying to gloss over a very serious problem, probably because he doesn't have to look at these things on a day to day and a month by month basis and see the implications of these things. But they are going to have to be met. It's going to be a matter of judgment as to how they're met. That is not being changed at this point in time. What is being said here is that it will be shown. The only thing I want to be sure of is that there are clearly options for the government to provide a mechanism if necessary to set up an amortization schedule. I'm not even sure that this change in the Act allows it, but I don't want that Act to not have the possibility for the government to set up a proper amortization schedule based on the anticipated losses on these foreign currency exchanges.

**R. CHERNIACK:** Mr. Chairman, I certainly do not want to appear to gloss over the problem which is a very serious problem, there's no question about it. The point I'm making is — and I premise

this by confirmation that this section is not going to change the annual statement, it's just informati — I would like to see more information rather than less and I would see more correct informati rather than less extensive information; and the point Mr. Craik makes about the impact, that the is an impact every year on those that come due. They will show up, I should assume, right in t Estimates themselves as being an expenditure for this year. I'm assuming that, and if I'm wro I should be corrected, but I see validity in having this section and I agree with it and it does gi an impression. But the impression is only partly correct, and that is, the impression it gives is great big "if" which will never occur, and that is the possibility that the government must pay off in that one year, at that year end. That'll never happen.

So all I'm saying is that I would like to see this statement carry with it a footnote, and I wo prefer it as a heading rather than a footnote, to state that these liabilities are payable over t next number of years at a time when there is good reason to expect that there will be chang fluctuations in foreign exchange which may improve or in fact show a deteriorating position. E to show that this is not a statement which has to do with payment immediately, and that's all I suggesting. I really haven't disagreed with anything Mr. Craik said except to suggest that I'm try to gloss it over, which isn't true. I just want to make sure that it's clearer, and there's no partis point on that at all.

**MR. CRAIK:** Mr. Chairman, I don't know what you would call it. It may not be partisan. It certai demonstrates a different grasp of the seriousness of these implications of these foreign curren exchanges. And I'd suggested on this that I see no advantage in attempting to play down t seriousness of it, and I think that that amendment would, but I would suggest if Mr. Chernia wants to go ahead and make an amendment that he do so and we'll put it to a vote, beca I do not intend to see this section watered down.

**MR. CHERNIACK:** Mr. Chairman, now we're getting into something. Mr. Chairman, I reject - guess this is the first time in these three days of meetings that I have to reject — as unwarrant a statement made by the Minister of Finance, where he is trying to attribute to me an attitu or a lack of knowledge or a lack of sensitivity which he attributes to himself, and I don't want compare my attitude, my position, my thinking with his in any way at all, Mr. Chairman, so I j don't want to get involved in that. But the suggestion that what I'm saying would — not suggestion, the statement — what I'm saying will water it down is absolutely untrue. It would water it down, it would tell the story as it is. And if he says he will bring it to a vote and w vote it down because I will not change it, he said that it means that he does not want to g the full explanation. And if he does not want to give the full explanation then he is, in fact, go to present a statement which, lacking full information, will be exaggerated and — whatever opposite of watering down is — it'll be shown in a way which can and has been misinterpret And if he wants to frighten people, let's know that he wants to frighten people. I don't want put people completely at ease, but I want people to know that if you have a debt to pay 15 ye from now, then the exchange rate as of 15 years from now may be vastly different from wha is today; and secondly, when you pay it off in 15 years from now, if inflation continues at the tr it's going, then you may be using a 50 cent or a 20 cent dollar, and all I want is to be able show the correct position, and may I say the true position. And all I'm suggesting is that si this is a schedule it's not part of the balance sheet, it is information; it would be more informal that would be given to put it in perspective. And if the Minister wants to cover it up — I'm us words like he used — and if the Minister does not want to give the full picture but would rat frighten people — and I'm still using language such as he used — then he'd better face up the fact that that's what he's doing.

And I'm sorry that he found it advisable in his judgmental decision to get involved in an argum with me on a personal basis, but if he wants to go along that way I guess we'll have to conti that way.

**MR. CRAIK:** Mr. Chairman, I did not use the word "cover up". I used the word "w down".

**MR. CHERNIACK:** And "gloss over".

**MR. CRAIK:** Mr. Chairman, there's no question about it that the book value shown is just theoretical as the extension of the currency exchange rate is to the end of the lives of all the lo: They are both theoretical. Mr. Chairman, one is just as theoretical as the other, and if you're g to put something into the accounts, that says that somehow the present current exchange r March 31 of any given year, is the theoretical and the other one was the real one, I think

implies false information to the person that may read the book. And I suggest that the presentation that is given on Page 244 adequately enough states it. That's the procedure that will be followed. That adequately tells anyone who reads it that the foreign currency exchanges are reflected. They are not the book value, they are the values that would apply at the end of the extensions if there are no changes in the foreign currency after the end of March 31 of any given year.

So Mr. Chairman, I'd suggest that this is a serious matter of difference. I think it is one of the most serious matters that affects the finances of the province of Manitoba and I have no hesitation in saying it. It's not a question of trying to frighten anybody, but I'm certainly not going to see it, as I put it, watered down in terms of its importance.

**MR. CHERNIACK:** Mr. Chairman, I agree that it's a serious matter, so serious that I don't think that the Minister ought to hesitate to tell the truth in the statement. And the truth . . .

**MR. CRAIK:** Mr. Chairman, on a point of order. Mr. Cherniack is suggesting that somebody is not going to tell the truth or is not telling the truth, and I reject that.

**MR. CHERNIACK:** You know that's not a point of order. Mr. Chairman, I stick by what I said, that the Minister is not prepared in this statement, and that's exactly what I said, in this statement to give the truth, and then I was going to go on to say that the truth is the whole truth. And the whole truth is a proper presentation of what is meant by the statement, and I'm saying that what should contain is the additional information which is truthful information, and he could put it in his words, and that is that this debt, most of this debt, does not come due as at March 31, 1978 or March 31, 1979, but will be payable over a period of time in the future, at which time the exchange rate will vary up or down, and of course it's obvious that the dollars to be paid will be related to inflation. That's the whole truth, Mr. Chairman, and why the Minister is making an issue of refusing to add an explanatory note in his words, with all the kind of language he wants to use, is beyond my comprehension. He says, "This is serious." Of course it's serious. If it weren't serious, then why would we even stop to discuss it, or even put it into the law, because I'll tell you something else, Mr. Chairman. We don't need Section 74. It doesn't have to be retroactive. It was published because the government has a right to publish explanatory notes, or schedules, or appendices to statements. They don't need this in the Act. But why not have it in the Act? It's information. There could be all kinds of information made available, and all I was arguing about is to give the complete picture, and I don't think the picture is that complete when it's done in this way.

The Minister, instead of saying that it's an adequate statement, is already accusing me of wanting to gloss over. What for? Here I want to give the picture, and as I say, in his words, and he refuses to do it, and he says, "Because it's serious." And I said, because it's serious, it should be done, and I am saying, and Mr. Chairman, I said it and I repeat it, I am saying that he is refusing to give the full information, and I don't know why. I can't understand why he should refuse to give it information, and I say he is refusing it by saying, "Well, go ahead and make an amendment; I'll vote it down."

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, I find that one of the most incomprehensible statements that has been made in these three days, that there is any indication of not providing full information. It's already contained in the books. This is the way it will be presented until there is a substantive change in the method of accommodating the future obligations on these foreign currency exchanges. The method of presentation is very clearly laid out in the books, in the Gray Books that are already before you. There's a complete schedule already in there. If anybody wants to read them, the information is all there.

Now, this in the Act says that we've already done. Mr. Cherniack says, "You don't require 74." There's many things you don't require that can be done. If you'll judge it to be a normal accounting practice to show it in a certain manner, I'm sure that we don't have to spread it out in the Act. The Auditor and the Finance Department staff wish to do something in a particular manner, but to bring it to a head, there's no use us abusing one another personally on this matter any more. I suggest that he present his amendment and we'll deal with it.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Well, Mr. Chairman, now I'll agree, there's no sense in becoming personal in this, is there any sense in either Mr. Cherniack or Mr. Craik in accusing one another of doing certain things. I think the intent of Mr. Cherniack's remarks was simply to clarify to the unknown, the lay

person, who might look at this, and some of the experts, that in fact, this debt is not due and payable today — some of it is not due and payable until the year 2005, if I remember correctly quite a way down the line — that there will be many fluctuations in foreign rate exchange between now and the year 2000; and that it should be clearly indicated, as all that is suggested, then as I say, I can't understand why the Minister would object to that — clearly indicated that the rate fluctuates; that this is long debt; that the impact in this one year is the only thing that really counts.

It's not the impact 50 years from now, because the Minister doesn't know what the impact will be 50 years from now, any more than I do. And if he knew, he could be making millions of dollars in foreign exchange rates. But he doesn't know that; nobody does.

So that, really, it's an attempt to clarify, make more clear, what the Minister understands, and what we around this table understand, but which many people don't understand and which, when looking at it coldly, one looks at it and says, "My God, the government of Manitoba has to repay to date 2 billion and something or other dollars," when in fact, that isn't the case at all. It's not the impact within the current year that counts. And I've always questioned why this is even necessary but I'm not going to argue with the Institute of Chartered Accountants, because it's going to fluctuate anyway. And in some years, there may be really extreme fluctuation between one printed book and the next, depending on what happens to the foreign exchange.

As the Minister knows, 18 months ago there was an entirely different picture than exists today. And 18 months from now, it may turn the other way, or it may get worse, we don't know. Sure it's something that is a problem, and it has to be addressed on an annual basis. But, from looking at it coldly, and seeing these huge figures staring one in the face, as of March 31, 1979, or 1978 or whatever year it is, this is what the debt is, implies that somehow this is the amount that has to be raised this year.

And I think it's that clarification, or that understanding of it, which is being suggested. And the Minister can, as I say, use any language he uses to explain it, but you'd think that he would warn himself to footnote it, so that no unwary person is misled, that's all.

**MR. CRAIK:** Well, Mr. Chairman, if you let me ask the Auditor as objectively as possible, is there any concern with the way this Act, Section 74 is worded, that the book value of statement of assets and liabilities and obligations of the province would be anything but the book value? This says is that the foreign currency fluctuations will be reflected by way of a statement in the public accounts. I'm assuming that it will remain the same as it is here. Is there any danger that by 74, that that practice is going to change.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** When I looked at that section, I wasn't clear in the public accounts as to what it would mean the book value. I was assured that it was not the book value, so on that basis the book value will be the realizable cash at the time of issue.

As with regard to the statement here, as far as I can see, it would add to the statement if there was some maturity classifications on the statement and it should present no difficulties in putting it in there as information. But I don't think it needs to be spelled out in the Act.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** No, I'm not suggesting that, (a), that this clause is necessary, or desirable, nor am I suggesting that the Act, the wording in the Act, should be changed. Really, I think the suggestion was that for purposes of information, it should be simply footnoted, or noted in that statement itself. And, from what Mr. Ziprick said, he sees no harm in doing so either. But it doesn't require any change in the wording.

**MR. CHAIRMAN:** Mr. Boyce.

**MR. BOYCE:** Yes, Mr. Chairman, I was somewhat surprised. I thought it was a most reasonable request . . . calling the Member for St. Johns and having this reflection in public accounts of the relationship between current value of future liabilities. I know I'm not going to get it accepted by this government, as I didn't get it accepted by the former government. But nevertheless, when I Cherniack used the expression, "for less sophisticated people", and when my colleague from St. Johns says, "Most of us around the table understand the presentation of the public accounts" I don't think the public understands the presentation of public accounts.

And I know we're not going to get any reflection in government documents of current value

f assets, but much to-do has been made about the debt of the province. And we get nothing about the current value of assets, for example, the Tantalum Mine, the pressure on the government that we had to get to exert, to have them admit that the value of that asset was increasing, and that HRC assets are increasing. And from the public standpoint, which this Legislature is supposed to serve, I think that the governments have to move towards balance sheets.

I know you don't get the chartered accountants thinking this way, but the Legislature should not serve the Institute of Chartered Accountants, they should serve the Legislature.

And for the public to really understand what we're talking about in public accounts, they have to be issued an annual balance sheet. Because, if you're going to talk about current value of future liabilities, then surely to heavens we should reflect the current value of what we have constructed and built in this province. And I would hate to see the government sell off Hydro or Manitoba Telephone System. But nevertheless, if they sold a 10 percent interest in either one of them, they would have to come up with a balance sheet to show current value of those two assets.

And it's becoming more and more acceptable in the public, as I talk to people about it, who know as much about it as I do — which is very little. But nevertheless, I do know that I myself have a house that has a mortgage on it, which exceeds . . . well, no, I'm sorry, that's not correct, doesn't exceed my annual income at the present time. But nevertheless, this Legislature is supposed to serve the needs of the people of the Province of Manitoba. And I was most shocked. The only reason I'm entering the debate at all at this time is because I am shocked. It was a most modest request of the Member for St. Johns, just to . . . He accepted the fact that in the current year, you have to reflect the liability for that year.

But there should be a reflection that this is a guesstimate, as far as future liability is concerned foreign exchange fluctuation, because I've heard the Minister of Finance in the House dig in his heels when asked a question about projections into the future, what foreign exchange will be.

I'm sorry that the Minister reacted to the question from my colleague, the Member for St. Johns, that I thought it was a most modest request, in the light of giving all the information; this is just additional piece of information which the Member for St. Johns suggests would be in the public interest, so that more people could understand exactly what the government is talking about when they say, "We owe so much money." Then it should be money which we anticipate paying, that is true. And in current terms, the exchange rate will probably cost us so many dollars. But nevertheless, this is our best guess at this time, that if there is a change in that amount, it should be so reflected.

And just to beat my little drum again, until the day that we do have a balance sheet issued by the government so people can actually understand what they owe against what, and for what, I don't think the public, whom we are supposed to serve, is going to understand what we are talking about all these millions of dollars.

**CHAIRMAN:** Mr. Craik.

**CRAIK:** Mr. Chairman, just as one further bit of information, if an amortization schedule, or payment schedule for any variation from book value of the foreign debt were required, and the government were to make a move to set up something in accordance with the practices that may be recommended by CICA, or something closer to what the American body advocates, it would be necessary to have a change in legislation for that to take place.

**CHAIRMAN:** Mr. Cherniack.

**CHERNIACK:** Mr. Chairman, I'm looking at this statement — that is the statement that is posed under 74 — on Page 244 and it says, "comparative statement evaluation", it says, "direct debt", and then it gives a long list of direct debts, with a total. Opposite that total it says, "total direct debt per Schedule (c)(13). I confess that I've been looking at these books for some 16 years, and I have to ask Mr. Anderson just where I would find (c)(13). And when I found (c)(13), I saw the thing which is almost . . . well, which gives the debt with the same total \$1,907,211,613 — exactly the same amount — and all it says is, total direct debt per Schedule (c)(13). When you look at Schedule (c)(13), it just gives you the total debt in a different kind of classification.

But then, if you look at the back of the book, and there are some pages — I think four or five pages, extended pages — which do give that information. They do say, "date of maturity", and it gives you the full maturity dates in great detail. As Mr. Miller said, it mentioned one was \$5.

Now, if this statement, Page 244, which was being referred to, where it says "direct debt", if it said something like "direct debt payable over a period of time in the future, as itemized by the

attached schedule", then people know that there's a schedule there where they can read for themselves certain debts. I see one, 1985, 1989, 1993, and they will then — I would like to draw it to their attention, say, hey fellows, look, there's going to be changes. But if the minimal that could be put in without any effort and with a second's worth of additional type, is to say in that statement that there is a schedule which you can find, and indicate how to find it, where you can have the times when it's payable. Now that's so obvious that any rejection of that suggestion has to be apparent and it's up to the people who make decisions around here, and it's not the New Democratic Party, to decide what they're prepared to tell the public.

I have no amendments to propose, the Minister made clear his position and that of his party that is government.

**MR. CHAIRMAN:** 74—pass; Section 45—pass; Section 46—pass; Section 47(b)—New Cherniack.

**MR. CHERNIACK:** We have in place of 81 (b) and (c), new (b) and (c), and I'd like to have clarification as to what was the practice under the old (b) and (c) and how is there a change.

**MR. BENDITT:** Mr. Chairman, previously paid securities could only be destroyed after seven years and the new provision will allow the Minister of Finance to arrange with paying agents for the destruction of the paid securities on redemption. It should be pointed out that we do have, as has been discussed, a number of issues of securities in Europe, where they issue bearer debentures in relatively small denominations. The danger of transporting those is pretty high, so that the normal European practice is to destroy them after redemption, but this is not permitted under our legislation. We now want to provide for that, and similarly, with the interest coupons, they could only be destroyed after four years. We also now want to provide that they can be destroyed by a paying agent after redemption.

**MR. CHERNIACK:** Mr. Chairman, to me that seems absolutely reasonable. I wonder if Mr. Ziprick would confirm that he sees no problem.

**MR. ZIPRICK:** No, I don't see any problem. There would be an immediate audit before they were destroyed to ensure that there is an independent verification that they, in fact, did exist, were destroyed, and then that certificate would be sufficient to ensure everybody that that was the fact. I agree with it, it's much better to check it off at that point, make a record of it and dispose of it, rather than take the risks of these becoming loose and creating problems.

**MR. CHERNIACK:** Is there something in the law that guarantees that it will not be done before the Auditor has approved it?

**MR. ZIPRICK:** I think it's generally standard practice to ensure that these kind of things are looked after before they're destroyed. The same applies, even with the years running out, there's always a check to make sure that this is valid.

**MR. CHERNIACK:** Is there any possibility that government can destroy any voucher or any record before it was seen by the Auditor in law? Is there any possibility it could be done easily?

**MR. ZIPRICK:** It's never happened other than inadvertently, occasionally something gets misplaced but I've never run across that.

**MR. CHERNIACK:** If Mr. Ziprick has no concern about this, I certainly don't.

**MR. CHAIRMAN:** 81(b)—pass; (c)—pass; Section 47—pass; Section 48 81(h) — Cherniack.

**MR. CHERNIACK:** If Mr. Benditt and Mr. Ziprick would both say that what applied to 47 applies to 48 then I personally have no concern.

**MR. BENDITT:** Yes, Mr. Chairman, these are really purely administrative. In the case of 81(h), there was no provision previously for the destruction of securities received in exchange for other securities of the same issue, and the time period allowed we think will give sufficient time for the Provincial Auditor to examine the securities.

In the case of 80(i) and 80(j), again, no provision previously for destruction of debenture registers.

r legal documents connected with transfers and we have left a very substantial time period, which we think is sufficiently long, so that any legal complications arising from the ownership of any provincial securities will have been settled by the destruction date.

**IR. ZIPRICK:** Yes, I see no difficulty with this.

**IR. CHAIRMAN:** 81(h)—pass; (i)—pass; (j)—pass; Section 48 —pass; Section 49; 88(a).

**R. CHERNIACK:** Could we have an explanation for the record?

**R. CHAIRMAN:** 88(a) (i) — Mr. Benditt.

**R. BENDITT:** There are quite a number of acts in the Legislature, which provide authority to make payment to or from or charge expenditures against or credit or allocate moneys received from one of the divisions of the Consolidated Fund. And we're disposing of these divisions and Section 1 provides authority to continue to make the payments, but to the Consolidated Fund itself, rather than to the individual divisions. It's purely a technical thing.

**R. CHERNIACK:** I'm wondering if Mr. Ziprick and Mr. Balkaran can confirm that they don't see any problem with this.

**R. ZIPRICK:** No, I don't see any difficulty. There are references in quite a number of statutes in the Revenue Division and the Trust Division and I presume that the legal counsel found this to be the best method to take care of this.

**I. BALKARAN:** Mr. Chairman, I must admit I was caught somewhat by surprise. Mr. Tallin, I believe worked with Mr. Benditt on this and I suppose, I will assume that he saw no problem as a result, he must have been satisfied with it. I inherited this from him and he's away, so I guess I go along with Mr. Ziprick and say I see no problem.

**I. CHAIRMAN:** 88(a)(i)—pass; (ii)—pass; (iii)— pass; (a)—pass; 88(b)(i)—pass; (ii)—pass; (b)—pass; 88—pass; 49—pass; Section 50.

**. CHERNIACK:** There's an explanatory note on that.

**. MILLER:** What's it mean?

**. CRAIK:** It's a transitional operation section that allows the Minister of Finance to use such provisions of The Financial Administration Act as he may deem necessary. As those sections were, prior to the amendments being passed, to and including March 31, 1980. The purpose of this transitional operation section is to allow the Minister of Finance time to implement those sections of the amended Act where guidelines and directives and other administrative procedures will have to be devised. The Minister will be required to report to the Legislature respecting the use of the transitional provision section.

**MILLER:** That means that the Minister has the alternative until — what is it, March 31st, 1980, operating under either one of the two Acts.

**CRAIK:** Perhaps we could ask in what particular cases that this might arise.

**BOYCE:** Just a question through you, to one of the officials. The amendment that was just recently passed, in that you're transferring from the divisions to the Consolidated Fund the authority to pay, will that not require an administrative change? Because I would assume that under existing procedures, administrative procedures, the authority is being vested in the division and the process would be through that division, rather than through the authorities associated with the Consolidated Fund. So, would not this amendment apply such necessary changes in administrative procedures? I would assume that when this statute is proclaimed and it will become law and it will give some time to change some procedures such as the one that I've just suggested. Is that not correct?

**ZIPRICK:** Mr. Chairman, I take this section to mean, where another Act says that so and so shall be done from the Revenue Division of the Consolidated Fund that this section strikes the

**Public Accounts**  
**Thursday, June 7, 1979**

---

Revenue Division out and it just says so and so shall be done from the Consolidated Fund —(Interjection)—

**MR. CRAIK:** Mr. Chairman, it might help if we had a specific example I gather it's designed for the revenue accrual transition application of Section 17(5) which there is an amendment to now. To get into more specific detail, maybe I can ask Mr. Curtis to . . .

**MR. CHERNIACK:** Mr. Chairman, on a point of order.

**MR. CHAIRMAN:** Mr. Cherniack on a point of order.

**MR. CHERNIACK:** I mean literally on a point of order. I'm wondering whether it wouldn't be well at this stage to leave 50 and 51 for the very end, so we deal with — Mr. Craik referred to which we have not yet passed. Is this not a good time to go back and polish off the whole thing up to 50 and then I hope we can better understand what is the impact of 50 and of 51. Does that make sense, if it does, I suggest . . .

**MR. CHAIRMAN:** Does it meet the will of the Committee?

**MR. CRAIK:** Now that's the end of the details, we go back to the amendments. —(Interjection) I don't know what our timing requirement might be on it. I was hoping that we might finish Bill 2 this morning. The intention was to not call Public Accounts tomorrow, if we're still on Bill 2, I would like to call Public Utilities for the Hydro Report and . . . —(Interjection)— tomorrow.

**MR. CHERNIACK:** Tomorrow?

**MR. CRAIK:** Tomorrow.

**MR. CHERNIACK:** Friday morning?

**MR. CRAIK:** Friday morning . . .

**MR. CHERNIACK:** Instead of the session?

**MR. CRAIK:** Yes, because there's some urgency in getting these Committees moved along now. I would hope that we can wrap up Bill 2. If the Committee feels that we can't, I doubt if we'll be able to deal with it tomorrow, because I'll have to be in attendance at the Public Utilities Committee. Once we get into the Grey Books, I would ask probably that we may call a Public Utilities Committee and Public Accounts at the same time and Mr. Minaker can sit in for me on the details of the Grey Books and take notice of the questions that may arise therein.

**A MEMBER:** Yes, the Grey Book, yes.

**MR. CRAIK:** Beyond that, it depends somewhat on our timing, but that was the intention of scheduling to try and move this thing along and if it's possible . . .

**MR. MILLER:** If we stay beyond 12:30, we probably will.

**MR. CRAIK:** Now, I think we would probably reschedule Saturday morning, if we don't get finished but . . .

**A MEMBER:** Let's try it and see what happens.

**MR. CHAIRMAN:** I refer the attention of honourable members back to Section 6 on Page 1, where there is an amendment.

**MR. CHERNIACK:** Mr. Chairman, do you want to have the amendment read? I don't know the procedure on it.

**MR. CHAIRMAN:** It is the usual procedure, if one member of the Committee would be prepared to read the Motion.

**R. CHAIRMAN:** Mr. Blake.

**R. CRAIK:** Did you not get copies?

**R. CHAIRMAN:** Just the important people.

**R. CRAIK:** Has everybody not got a copy of these amendments? —(Interjections)—

**R. CHAIRMAN:** Mr. Blake, if you would take the microphone, please.

**R. BLAKE:** The proposed new Section 8.1 to The Financial Administration Act as set out in Section of Bill 2 be struck out of the following Section and be substituted therefore: Adjustments after d of fiscal year. 8.1(1) "After the closing dates of the books related to revenues and expenditures referred to in Sections 17 and 38, the Minister may make such closing and adjusting entries in e books up to June 30th of that fiscal year as he considers necessary to show the accurate financial ndition of the government."

Effective after June 30th, 8.1(2): "Where entries in the books are required after June 30th of fiscal year respecting transactions of that fiscal year, they shall be clearly shown in the public counts of that fiscal year."

Motion that the proposed new sub-section . . .

**I. CHAIRMAN:** No.

**I. BLAKE:** Oh yes, all right, okay.

**I. CHAIRMAN:** You have heard the amendment moved by Mr. Blake. Is there any cussion?

Mr. Cherniack.

**I. CHERNIACK:** I wanted to know whether the present Act closes the books on May 15th, and ether this is an extension over that, or how does this vary from the present Act — the impact this?

**I. CHAIRMAN:** Mr. Anderson.

**I. ANDERSON:** Mr. Chairman, the present Act dictates closing dates for expenditures, which May 15th; for revenues, which are April 15th. Section 17 and 38, as we have amended, will e the same dates. And what we have now done is fixed a final date for the closing of the books, ch there never was before.

However, I would like to point out, under Section 8.1(2), we have had instances where procedurally were forced to make entries after June 30th because of lack of staff, and problems, and that's I asked Mr. Balkaran whether we could put in a provision, so that administratively, if we had f that wasn't available, and we couldn't process everything by June 30th — it's expected we d be able to process everything by June 30th — but that we would then make it quite clear. from an administrative point of view.

**CHAIRMAN:** Mr. Cherniack.

**CHERNIACK:** Mr. Anderson has stated that there is no closing date in the present Act. Does mean that, under the present Act, closing date is whenever the department is prepared to e it, or is closing date still some date that's shown in the Act?

**CHAIRMAN:** Mr. Anderson.

**ANDERSON:** There is a tabling date for the public accounts, and the closing has always been chieve . . .

**CHERNIACK:** Time to print.

**ANDERSON:** . . . the time to get it for the tabling. But there has never been a definitive g date.

**MR. CHERNIACK:** Okay, I want to ask Mr. Ziprick, for the record, do you see any problems with this?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, no, I don't see any problems. This makes it . . . fixing a date, which there was no fixed date in the old Act.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, just for a point of clarification. Legally, I asked Mr. Balkaran what is an entry or an adjustment? Oftentimes, we are still busy processing adjustments after the statements are taken off. That's from an administrative point of view, this adding up the books and closing them off. I wanted to make it clear to the committee that we may actually be still working on the books, even though all of the entries are finished, and they're just put somewhere. A also for clarification for the Auditor, so that on June 30th, we haven't finished everything.

**MR. CHAIRMAN:** Any further discussion on the amendment?  
Mr. Balkaran.

**MR. BALKARAN:** Oh, I thought the motion was passed.

**MR. CHERNIACK:** No. It's going to be passed.

**MR. BALKARAN:** I just wanted to point out, Mr. Chairman, that Section 9 of the Bill has been struck out. And if my notes are correct, Section 34 is also struck out. Now these motions do take account of those, and I would ask the committee permission when these amendments go all through, to be able to make the change in the Blue Bill.

**MR. CHERNIACK:** For renumbering.

**MR. BALKARAN:** For renumbering.

**MR. CHAIRMAN:** Agreed? (Agreed) The proposed amendment . . .

**MR. CHERNIACK:** He hasn't moved it. He hasn't called it yet. That's 8.1 — have you passed that

**MR. CHAIRMAN:** It's still on the floor. It has been moved, that was the discussion to it.

**MR. CHERNIACK:** Well, go ahead and pass it.

**MR. CHAIRMAN:** Amendment passes? (Agreed) Section 6  
, as amended—pass.

**MR. CHERNIACK:** Mr. Chairman, I . . .

**MR. CHAIRMAN:** Can I just get clarification, perhaps, from Mr. Balkaran; Section 8 was not dealt with by the committee.

**MR. BALKARAN:** No.

**MR. CHAIRMAN:** Was there to be an amendment to that, or was it just left over for further consideration?

**MR. BALKARAN:** I don't have any notes on amendments.

**MR. CHAIRMAN:** Section 8, substitute Section 10 of the old Act.

**MR. CHERNIACK:** Section 8 requires some discussion. I have the vague recollection that it was thought that Section 6, the change in 8.1 might affect 10, and that's why it was left over, but certainly we did not deal with it.

**R. CHAIRMAN:** Does the committee wish to deal with that now? (Agreed)

**R. CRAIK:** We should pick up anything along the way in between that we haven't covered now. We've lost track here on what . . .

**R. CHAIRMAN:** Section 8 of the Bill, Section 10 repealed and substituted. 10(a) — Mr. Cherniack.

**R. CHERNIACK:** Specifically, with 10(a), the Bill takes out the phrase, "certified by the Provincial Auditor." In the present Section 10(a), it says, "a statement certified by the Provincial Auditor." I told Mr. Chairman, that, to me' looks like a very important change.

**R. CHAIRMAN:** Mr. Craik.

**R. CRAIK:** Mr. Chairman, I think that we did discuss that one, if I'm not mistaken. We mentioned the time that The Auditor's Act itself says that, and it would be a repeat of what is already accepted. So it is not the intent that the Auditor would not certify. It goes without saying, in other words, that he does certify.

**R. CHAIRMAN:** Mr. Ziprick.

**R. ZIPRICK:** Section (g) is included in the amendments, and it says, "a report of the Provincial Auditor concerning his examination of the public accounts." Now, Section 14 of The Provincial Auditor's Act states what the Provincial Auditor must certify in connection with the public accounts.

Well, I can read Section 14 of The Provincial Auditor's Act. 14.1: "The Provincial Auditor shall examine and report in accordance with the outcome of his examination on (a) the statements of expenditures and revenues of the government for the fiscal year ended, and the statement of assets and liabilities required to show the financial position of the government at the end of the year, required to be included in the public accounts under The Financial Administration Act." Section 14.2 states: "The Provincial Auditor's report shall state whether the statements are in agreement with the accounts maintained by the member of the Executive Council charged with the administration of The Financial Administration Act, whether he has obtained all the information and explanation he has required, and whether in his opinion, the statements present fairly, on a basis consistent with that of the preceding year, the financial position of the government at the end of fiscal year, and the results of its operations for that fiscal year."

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** Mr. Chairman, I want to get it on the record; is there any change in procedure is proposed by this change in the Act?

**R. CHAIRMAN:** Mr. Craik.

**R. CRAIK:** I am advised that there is no change, Mr. Chairman. I wonder if you want to clarify you could add in that (g), as per Section quoted, 14 of The Provincial Auditor's Act.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** Mr. Chairman, I suspect that that's not a good practice. I don't know how often it's done, but it seems to me that . . . really, I don't know. I just think that one Act ought not refer to another Act, because the other Act can be changed, and that then changes the intent of this Act.

I believe that when Mr. Ziprick read the duties of the Auditor, the word "certified" did not appear, rather, the word "report" appeared. And to me, there's an awful big difference, and I guess I'm referring to Mr. Ziprick, as a professional, and say, "Is there a difference between a certification of a statement, and a report on a statement? And to me, I think there's a big difference.

I think that when an auditor certifies something, then he puts his reputation at stake on that statement. Whereas, when he reports on it, it's an opinion expressed. And I lay a great deal of weight on the fact that our accounts are certified by the Auditor. Now, if there's no change in it, if the practice is to continue, I would think that it is better — and I would be much more

comfortable — if the law as it was is continued, and therefore the statement will be certified. And I give that a lot more authority and power than the word “report”, and if there’s no intention to change it, I would urge that it should not be changed.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, the only thing that the Auditor can really certify is that the statement is in agreement with the books as they then exist at the end of the year. The remainder of the observations is a report, that in his opinion the statements as presented present the situation fairly. And so it’s not a certificate, it’s an opinion that the statements disclose the position fairly. So there is a confusion with using the certificate because the certificate can only be used in a very narrow sense, in that the statements actually agree with the books. And so the practice generally has been to depart from using that, because it’s misunderstood that the Auditor is certifying more than he possibly could. So that this position will still be the same, in that we are obliged, and we will ensure that the statements are in agreement with the books. And then the report will be an expression of opinion on the statements, that they, in my opinion, present the situation fairly.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, is the Auditor saying that when we see his signature on public accounts that we read more into it than they mean. I mean, I don’t know where his signature appears, and what it says that is not correct. I’m looking at the report.

**MR. ZIPRICK:** Page 9 of the public accounts, Mr. Chairman.

**MR. CHERNIACK:** Is there a certificate contained in that Page 9 re the report?

Mr. Chairman, has the Auditor been certifying the statement in accord with the present law?

**MR. ZIPRICK:** Yes, I make a statement that, at the end, the statements are in agreement with the accounts maintained by the Minister of Finance.

**MR. CHERNIACK:** And does Mr. Ziprick call that a certificate?

**MR. ZIPRICK:** I would call that a certificate. They certify that they are in agreement with the accounts and that’s all I can certify.

**MR. CHERNIACK:** And is that all any Auditor does when he certifies any statement?

**MR. ZIPRICK:** That’s right.

**MR. CHERNIACK:** So the Auditor’s certificate, as voiced here, as worded here, is no different from any other statement of any other company which is certified by any other Auditors. Is that correct?

**MR. ZIPRICK:** That’s correct.

**MR. CHERNIACK:** So the Auditor is saying that the phrase “certified by Provincial Auditor in present law” doesn’t mean any more than the report which he gives.

**MR. ZIPRICK:** In effect, that’s correct, because the only thing that you can really certify is something that is specific, such as the statement agreeing with the books, but the remainder cannot certify to an opinion. So, really, the word “certificate” is being used too loosely in many instances in referring to the audit. And that use has been generally discouraged and discontinued as much as possible, so it would not be misunderstood. I think that it’s a pretty straightforward mechanical matter to ensure that it’s in agreement with the books, and it would be very slow work if the Auditor had certified something or expressed an opinion on something that wasn’t in agreement with the books. The major issue is that the Auditor is expressing an opinion that the statements have been drawn up, and whatever is in there, that in his view it presents the situation fairly. And to the extent that it does not present fairly, he puts in the necessary qualification to make sure that the way he sees it then that it presents fairly. And that’s not a certification; it’s a matter of expressing an opinion.

**MR. CHERNIACK:** Mr. Chairman, I certainly learned something from this little discussion. May I ask Mr. Curtis if there is any change that will be seen in the prospectus of future issues because of this change in wording and whether the prospectus gives any wrong impression as to the function of the Auditor?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** I would say Chairman, no change. No, Mr.

**MR. CHERNIACK:** Okay.

**MR. CHAIRMAN:** 10(a)—pass; (b)—pass; (c)—pass — Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I'd like confirmation of the impression I have that (c), (d) and (e) are matters that are and have been for some time included in the report of the Auditor, and at this is only an addition to what has been the practice in the Auditor's Report. Is that a correct impression?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, that's correct and, as a matter of fact, some of these statements have been presented in the Public Accounts, some fairly recently and a statement of surplus or deficit has been presented for quite a period, but it was not specifically set out as required in the Act, and this is just an elaboration on that section.

**MR. CHERNIACK:** So there is nothing new, as far as the practice is concerned; it has been going on for some time and there is no addition or any enlargement of the requirements by this, or reduction of the requirement — that's obvious.

**MR. ZIPRICK:** No, Mr. Chairman.

**MR. CHAIRMAN:** (c)—pass; (d)—pass; (e)—pass; (f) — Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, what's the point to (f)? Is there something that says that the Minister may not provide such a statement as he deems necessary? Is there any meaning to

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** We were merely trying to cover all possibilities. If the Committee deems so, it's not really necessary to have it in.

**MR. CHERNIACK:** Mr. Chairman, my point is that (a), (b), (c), (d) and (e), and I guess (g), are requirements, you know, we say "they must", then we go to (f) and we say "they may". Well, since there is nothing that doesn't say they may not, then it seems to me that it's unnecessary and redundant to what is the law. I don't see how the legislation is gaining anything by saying that, and I think maybe Mr. Curtis is right that they can live without it. And I would think so. So I would suggest (f) be deleted, only for the question of tidiness. Maybe we should refer to Mr. Balkaran and ask him for an opinion.

**MR. CHAIRMAN:** Mr. Curtis or Mr. Balkaran.

**MR. CURTIS:** Our only concern, though, is that it didn't prohibit the inclusion of any statements that may become helpful.

**MR. CHAIRMAN:** Mr. Balkaran.

**MR. BALKARAN:** Mr. Chairman, the only comment I have to make at this time is that, as expressed, the critical word there is "deems", as the Minister "deems" necessary. You know, if a statement is considered important but the Minister deemed it unnecessary, it probably significant wouldn't be reflected in the accounts. So he is being given a discretionary clause to determine or to make an assessment

as to whether or not any statement should or should not be in the Public Accounts.

**MR. MILLER:** Beyond those required now.

**MR. BALKARAN:** Exactly, beyond the required. And so it becomes a matter of policy now when you clothe the Minister with that discretionary power; I don't know. It's not a question of interpretation; it's straightforward.

**MR. CHERNIACK:** Do the Public Accounts contain anything that would be covered by (f) already? I mean, are there statements made by the Minister . . . Well, obviously, I should think that statement on Page 244 is a statement made by the Minister. Can it be considered that he didn't have the right to do that, or any of the others? I don't see it.

Let me word it different, Mr. Chairman. Am I correct in assuming that Public Accounts have in the past included statements which the Minister deems advisable to insert and which are required by law?

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** That's correct, Mr. Chairman. We have put in those statements that are deemed informative: securities guaranteed, some of the ones you are going by. This was just to form the fact that there are other statements above and beyond legislative requirements. But if there is no prohibition . . .

**MR. CHERNIACK:** Does Mr. Balkaran, then, consider that the inclusion of these statements is questionable under the present law?

**MR. CHAIRMAN:** Mr. Balkaran.

**MR. BALKARAN:** I'm sorry; I didn't quite get the question.

**MR. CHERNIACK:** Did the use of these discretionary statements that have been included, are they contrary to what is authorized and possibly contrary to what should belong there.

**MR. BALKARAN:** No, I don't know that they are contrary to law, Mr. Chairman. I think that additional information that's included in the Public Accounts, I suspect to assist people in providing further understanding and interpreting the accounts. The problem I have with that, as it reads is that it is going to place the onus on the Minister to determine just what statements he deems necessary. Now, if next year those statements that Mr. Cherniack is referring to the Minister deems unnecessary, no matter how much extra explanatory information they might contain, they just find their way into Public Accounts. That's a problem I have with that clause.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** Mr. Chairman, Section 10 of the present Act states that the Minister of Finance can put in such other accounts and matters as are required to show the liabilities. Now, one can say that maybe (b) takes the place of it, but (b) refers to a specific statement, so I think that (f) part just substitutes for the (c) in the old Act or in the present Act, and makes sure that it's not just confined to one statement.

**MR. CHERNIACK:** Mr. Chairman, I was going to say something and then Mr. Anderson said, "let it out and stop the argument", and if that were the case I would stop talking because I would like to see it out and I am prepared to argue to exclude it, if the Minister wants to include it.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** No, I would suggest it be left in. I haven't heard a convincing argument of why it should be out. Not because I am the Minister, because I am a Member of the Legislature and I wouldn't want to prohibit any Minister from any suggestion, from this argument, that it couldn't.

**MR. CHERNIACK:** Then I have an argument, Mr. Chairman.

**IR. CRAIK:** Mr. Chairman, I suggest then that we probably call it quits, if we're going to scrap over a little item like this. We will come back Saturday.

**R. CHAIRMAN:** Committee rise.