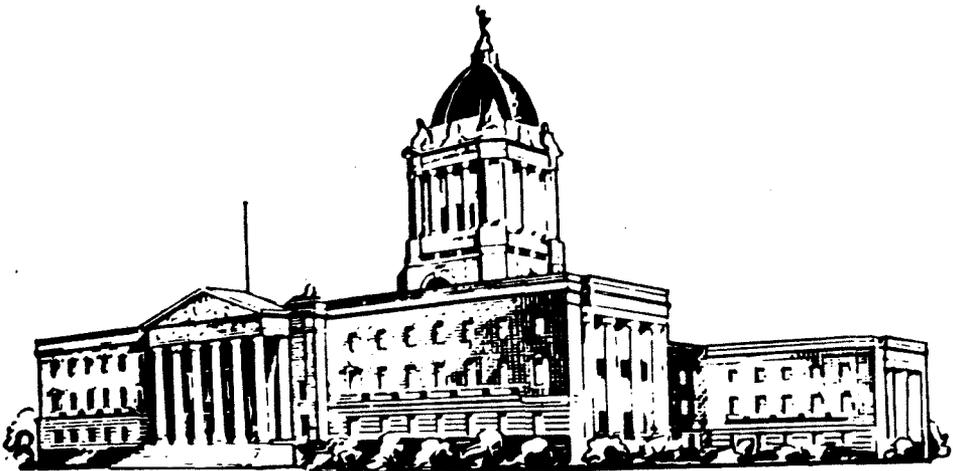




Fourth Session — Thirty-First Legislature
of the
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STANDING COMMITTEE
on
PUBLIC ACCOUNTS

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, April 10, 1980

Time: 10:00 a.m.

MR. DEPUTY CHAIRMAN, Mr. David Blake (Minnedosa): We have a quorum. It would appear we're on Page 30 or 31 - 31 was passed apparently. Page 32. Page 32--pass.

The Member for Lac du Bonnet.

MR. SAMUEL USKIW: There is some question I would like to put with respect to paragraph 2, Flyer Industries. It says here that they're still not successful and that they imply some deterioration condition with regard to financial management. I wonder if the Auditor has some comment to make on that point.

MR. CHAIRMAN: Mr. Ziprick.

MR. WILLIAM ZIPRICK: Mr. Chairman, I did comment the last time, but I'll briefly repeat that the matter is in hand with the government Department of Finance, and there are changes going on. We have not updated the position as to where it stands now, so the matter will have to be taken up with either another committee or with the Minister.

MR. USKIW: Yes, okay.

MR. CHAIRMAN: Page 32--pass. The Member for Seven Oaks.

MR. SAUL A. MILLER (Seven Oaks): Mr. Chairman, I'm trying to more fully comprehend this. Here is a case where certain moneys were to be made available and it was a question of what the population base would be. --(Interjection)-- Yes, Page 33, that's where we are now.

MR. CHAIRMAN: 33, oh. 32--pass. Yes, Page 33.

MR. MILLER: And it was a question of the population base, whether it used the MHSC count or the census figures, and from what I can see here, they are using Manitoba figures, and an additional \$12 million will accrue for the period 1973 to '77, so this goes back to four - what is it? - a four-year period or five-year and \$12 million will be paid by Canada to Manitoba. But it says, after considerable discussion a compromise settlement of \$7.2 million was reached. Is it because Canada will not accept the HMSC figures?

MR. ZIPRICK: My understanding is that that's the situation, that they would not accept the figures as they were at that point, that there was some negotiation and some reduction in the figure that brought this about.

MR. MILLER: Then why should the money flow to the Commission rather than to consolidated revenue?

MR. ZIPRICK: This were the items that were set up as a receivable by the Commission, because the commission was setting up the amounts recoverable from Canada on that basis, so the whole Commission revenue calculation was on the basis of this larger amount. So now when the money comes in, it's just credited to this amount receivable that was already taken into account into the commission's revenue.

MR. MILLER: However, to the extent that they'll receive \$7.2 million, if that's the amount they receive, and as well apparently an additional - well, I'll deal with the additional later - but to the extent they'll receive \$7.2 million,

they will require \$7.2 million less from consolidated revenue for the current year, whatever year this money is going to come in, because they'll have money. The only purpose they use the money for is to pay for hospitals, medicare and so on, and since now it's all money received from the consolidated fund, what you're saying is because this is owing going back to 1973, that they set it up as a revenue, even though they're not going to get the amount they anticipated, but to the extent that they're getting this money they will not require an equal amount of money from government that year.

MR. ZIPRICK: My understanding is that would be correct. That they will take it into revenue when they get it and there'll be that much less needed to finance them.

MR. MILLER: So that in fact, is that in the year you're talking, 1978-79 or is it in the coming fiscal year, 1979-80?

MR. ZIPRICK: It was not received in the 1979 year. I'm not sure whether it's been received in the 1980 year or not.

MR. MILLER: Does the Minister know?

MR. CRAIK: My impression, Mr. Chairman, is that it was received almost at the time that the agreement was finalized. But we can check that. That's my recollection. It was really a saw-off in the dispute over the population figures and it finally came down to the point where the federal government in the final analysis said, well, it's all or nothing, or it's this or nothing sort of thing. So it resolved it. But my understanding was, it was received. --(Interjection)-- We could check that out. I think it came in 1979-80.

MR. MILLER: I see. All right, Mr. Chairman. And it would go to the commission but not to the province? So to the extent of the \$7.2 million coming in in 1979-80, it reduces the provincial payments to MHSC by an equal amount?

MR. CRAIK: Yes.

MR. ZIPRICK: My understanding is that it will go to the commission and the reason for it is it applied during the period when the legislation was that the money had to go directly to the commission.

MR. MILLER: Now the next paragraph is from April 1, 1977 to March 31, 1982, there it's \$3.5 million. Those funds, however, will they flow to consolidated revenue or to MHSC?

MR. ZIPRICK: My understanding would be that this is an adjustment to the agreement that flows through the consolidated revenue and we put it in here as information because it was involved in this whole package of the adjustment of population, which we reported on previously.

MR. MILLER: All right. So this money will flow to the government rather than to MHSC.

MR. ZIPRICK: That's my understanding.

MR. MILLER: Okay.

MR. DEPUTY CHAIRMAN: Page 33--pass. The Member for Lac du Bonnet.

MR. USKIW: Yes. Proprietary Personal Care Homes. Why is it now considered to be acceptable in the opinion of the Auditor that we don't have to carry out a complete audit of these facilities? I know they were talking about some sort of agreement on the basis of information that would have to be submitted, but it seems to me that there should still be an audit, should there not - a final audit?

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MR. ZIPRICK: Mr. Chairman, this deals with proprietary homes that are run by individuals and they're putting in their own time and their families' time and they don't have any formal audits, as such. To require a formal audit would be a costly situation and it would be pretty difficult to be conclusive in that the hours that they work and the effort that they put in, the valuation of that effort would be fairly difficult. So the approach that's suggested here and the commission are looking at it, would be on the basis of ensuring that the service is adequate and that the staff is adequate and the kind of costs would be compared with the costs where there are operations run in a corporate way and there is a full costing system.

It's not finalized as yet, and the chief executive officer of the commission has spoken to me, because under this title of Proprietary Homes there are some homes of a kind that there should be audited financial statements, so they are now going through the process of gleaning to see which people should be left out and which people should be included. And I agreed with them that, after looking at the list, that a blanket release would not be appropriate.

MR. USKIW: I see.

MR. ZIPRICK: So that's what's being done. But there are quite a number of homes that, as far as I'm concerned, would put undue hardship, any audited statements would be inconclusive and the control should rest through ensuring that there is adequate staff and service, and the staff is being paid and the commission is carrying that out.

MR. MILLER: Well, Mr. Chairman, these are the Proprietary Homes you're talking about. The non-profit Personal Care Homes, whether they be municipally owned or some church organization or ethnic organization or even service club like Lion's Manor, they are required to submit audited figures to the Commission and it's on those figures or statements that the per diem rates are established. So, Mr. Ziprick, what you're suggesting here is that it would not apply to the private proprietary as it's required now because they have refused - I know they refused point blank - and not just the small little operator that you say hasn't got staff, etc., I'm talking about the substantial proprietary homes that have in the past refused. My concern, Mr. Chairman, is that the Minister has announced that he is moving to encourage the private homes, the proprietary homes, the profit-making personal care homes, and it will be paying them on a differential per diem basis. In other words, recognizing that they have mortgages to pay and so on which, of course, the non-profits would have as well, but paying them a higher per diem to encourage them to build personal care homes.

My concern is really why shouldn't they be audited like any other because . . . I mean, I object to the idea of the differential, but even if there is a differential, surely it should be on an audited basis, otherwise I can see the proprietary homes getting away with things which really maybe they shouldn't, which the non-profit ones, I know, have to abide by pretty rigidly. They're controlled; every penny they spend has to be reported and the Commission has a very good idea of what's going on in those homes. I'm concerned that if we move to a differential rate without real auditive controls, I think we're opening the door to an almost uncontrollable situation.

MR. CHAIRMAN, Mr. D. James Walding (St. Vital): Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, this is the point that I was just making and the Chief Executive Officer of the Commission had spoken to me about. I completely agree that there should be a careful review to ensure that people, the proprietary homes who are in the business and not just a small kind of family operation, that they should be maintaining accounts and there should be audited statements. I understand that this is the direction that they're going. On the other hand, there are still a number of these family operated homes that the costing would be a pretty difficult situation, and so I agree also with the point that you're making and this is one of the points that we were raising is that it should be clarified. The regulations require that there should be financial

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statements and they should comply and so, the attempts were being made at complying and there were some of these difficulties. I think it should be clearly determined who is not required and who does, then the regulations should be complied with.

MR. MILLER: All right. Mr. Ziprick, I'm assuming from what you're saying, you'll be watching this carefully because as these homes, profit operations, come into being in addition to what exists now, that you'll be satisfying yourself when a different rate is paid to a new personal care home or even an existing one, a private one, that it will be based on figures and financial statements which will satisfy you and not just something that is reported and based on the report of a cost, a higher per diem will be paid to a profit proprietary home.

MR. ZIPRICK: Yes. This whole thing is being now studied and as I understand, discussing with the chief executive officer, it would be on the basis that we ensure a complete satisfactory accountability of public money. And in instances where there is a business operation other than this sort of close family home operation, there would be audited financial statements the commission would review to ensure that the value for money is being obtained.

MR. MILLER: That's all.

MR. CHAIRMAN: Any further questions on Page 33? 33--pass; Page 34. Mr. Uskiw.

MR. USKIW: Mr. Chairman, the bottom paragraph of Page 34 there's reference to an internal audit charter. I wonder if the Minister could indicate to us just why it is that they are not proceeding with that recommendation, or are they?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: I wonder if the member could indicate which paragraph there.

MR. USKIW: The fourth paragraph on Page 34, talks about an internal audit charter and then recommends that a committee be set up, and so on. It seems to express some disappointment as I read it, that it hasn't been yet established. Am I correct in that interpretation?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: We've been dealing with this corporation for some time and the management systems were not satisfactory and the internal audit is now. . . there is an internal auditor and I'm not sure as to whether they've set up the charter or the instructions but I think it's on its way. There are attempts being made to correct the situation in all these areas. I was in touch with the auditors and discussed it fairly recently; there are still problems but there has been some progress. So we will be updating the situation in the next time. But as far as an internal auditor, there is an internal auditor on staff now.

MR. USKIW: There's also some comment and concern about the comptrollership function on the next page, which is a continuation from the previous page. Is that something wherein there is some disagreement between the recommendations of the Auditor and the department, or is that also being followed up?

MR. ZIPRICK: Mr. Chairman, this is also being followed up and there is generally no disagreement. It's just a question of implementation and getting the staff trained, and with the staff turnover, these kind of things that are really the problems. They are working on it. We know that there's progress being made as to how the situation stands at this present time, I can't comment on it at the moment, but we will be updating it again the next time round.

MR. USKIW: Under Development Projects, there is substantial loss here in respect to the disposition of some housing units. Is that because of the general

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downturn in the market or is it perhaps a too hasty decision on the part of the government to sell out or to dispose?

MR. ZIPRICK: Mr. Chairman, I can't be conclusive as to the exact reasons but I would say it's probably a combination of, not hasty, but some of these difficulties that we've been talking about over the years as far as cost control and management information systems, some of this inefficiency would creep in that would result in loss. There's also downturn in the market to some degree in the disposal, so I couldn't say what is attributable to what.

But one thing we are suggesting is that the management information system and the management cost control system should be improved to ensure that that area is not responsible for the difficulties that are encountered and whatever arises, arises from circumstances that are beyond the control of the operations.

MR. USKIW: Well, Mr. Chairman, I'm having some difficulty understanding what has happened here, obviously not being familiar with the program. But as I understood the program, the costs for land in these projects were somewhat less than - considerably less - per unit than was the case with respect to private developments. Unless that point doesn't apply to this project, but that was my general understanding, and that's why I find it difficult to understand why there would have been a loss on sales, given the fact that I thought they were quite competitive. Now perhaps I was wrong in assuming that.

MR. ZIPRICK: Well, they had costed and tried to sell on the basis of costs. They couldn't realize on the amounts that they tried to sell at. Now it's a condominium arrangement, as I understand it, that's another thing, they have not gone over as big as it was envisaged and in the cost control in the construction, and that, there were overruns - I know there were overruns - as to whether they could have been built more efficiently and as a result this kind of loss would not have been sustained or not, I am just not in the position to make that kind of assessment. But that's what the ultimate result was, that they were built with the idea of full cost recovery; the full cost was not recovered.

MR. USKIW: That's what I note, yes. Well, it still bothers me though that that could happen, given the fact that these projects are publicly tendered, that is, the contractors have to submit bids and they're either acceptable or they're not, and wherein is the potential for overruns once you have a firm commitment or bid? Perhaps I don't know the nature of this project and that's why I'm asking these questions, Mr. Chairman. But if you have contracts that are arrived at on tender basis, then I would have thought that those figures are competitive figures and that we shouldn't run the problem of overruns on a project.

MR. ZIPRICK: I'm just going by recollection. It's not as simple as that. The thing is tendered and that's right - the original tenderer - if you left it to that, but invariably as you go along you find that there's adjustments have to be made. They cost additional money. So you've got change orders, adjustments that run up the cost. Now, as far as the details of it, we'd have to get much more involved and probably we'd have to have the people from the agency present to provide all the answers. But my observation - and I'm going by recollection - that in the first instance you place a contract for tender but then there's all kinds of things that transpire and I think that there were some difficulties encountered in construction that had to be adjusted. That's why we say, I think in the last paragraph, in that area, that, "It is felt that as the management information and control system is improved, including project development planning procedures, matters as reported above will be minimized". So we're not saying that they will disappear because there are uncontrollables, but we would feel much more comfortable if these management controls were effective, then I could say without hesitation that whatever's happened has happened through circumstances beyond control. Here there's a mix and I wouldn't want to make an assessment as to what degree is attributable to what.

MR. MILLER: Mr. Chairman, in the second last paragraph of that same development project, from March 31, 1978 and '79 fiscal years, the Corporation

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included in operations approximately \$600,000 and \$200,000, that's \$800,000 in professional fees and other charges. These are on cancelled projects. Are these projects that had been undertaken or the architects had been assigned and had done their work and then the government decided to cancel the project but they still had to pay the architect for his work - was that the idea?

MR. ZIPRICK: Mr. Chairman, I understand that this is the idea that various development work had been carried out to a point and then the project was not proceeded with. Now there again I wouldn't want to say that there's anything wrong with that. You explore and to explore before you make decisions costs money and so you have to be prepared to pay for it. Now it's just that the information and the management systems were not as satisfactory as they could be. Some of this may be attributable to the same sort of thing but we are not sure. Now to really evaluate in specifics we would have to get back to the projects and I think that I wouldn't want to just comment and make observations on these kind of things in detail without the other side being present and expressing their views because this gets into a technical area that is, to some degree, beyond our expertise.

MR. MILLER: Mr. Chairman, I wonder then whether the department could undertake to check with, and get the information for us, because this looks to me as if it's projects which the MHRC had undertaken and obviously they are talking about professional fees, I assume it's architectural fees. Other charges on cancelled projects, I am not sure what other charges they might be unless it was acquisition of land or a site of some kind. I am wondering whether the department could undertake to just answer in written form, I mean at some future date in the next couple of weeks perhaps.

MR. CRAIK: Mr. Chairman, we can get a breakout of the \$800,000.00.

MR. CHAIRMAN: Any further questions on Page 34? 34--pass. Page 35. Mr. Wilson.

MR. WILSON: I wondered under the Development projects if Mr. Ziprick had done any examination. I will throw out my comments and maybe the Minister would respond or maybe just put them on the record. It seems to me that if you have two very popular townhouse projects and you are offering these units for sale, it would seem to me that you would have to raise the question as to the quality of the work put into it by the builder or possibly some reason why we would build two projects and sell them on, at that time, a very bullish market of a very popular concept and lose one and a half million dollars. Another question I throw out from a matter of wanting to be fair to everyone - is there any particular commitment when these people buy these houses that they must stay in them a certain length of time, in other words, would some enterprising young low or middle income person buy one of these townhouse units and put in on the market for \$5 or \$10 thousand more than what they had bought it for, at a subsidized rate? What I am concerned about is that the concept of building houses for low income people is a commendable one but if you assume that the private sector is building them with approximately 25 to 40 percent markup then if you eliminated that 40 percent markup and you were in the government and willing to let people have it at, you know, what it cost you to build it, it's rather mind-boggling to me how we could put these on the market and still lose a million and a half dollars. I would be interested who the builders were and because of the townhouse projects concept being very popular, I think of Osborne Village which is very close to the centre section of the city, has all the amenities, has a brand new community club, recreation centre, has transportation, has shopping centres, has absolutely everything going for it and yet the condition of some of these units when you examine them leaves to question in my mind as to possible public exposure of who the builder was, because it seems to me there is some type of either inferior materials or there's something missing that would make these particular projects, not only not be saleable but to be saleable at a million and a half dollar loss to the other taxpayers in the province who have to go out and pay market price for their homes.

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To just recap, if somebody could comment, is there any requirement for the person buying these to stay in the house for a period of time before reselling it, and is there any explanation why in examining who the builders were, why we would have to sell it at a million and a half dollars loss? Did we pay too much for the land, or what were some of the reasons?

MR. ZIPRICK: As far as selling the units, it's just like any other sale, they put them out on the market and they try to get as much as they can. Once they've been sold then they are the property of the individual that bought them and from then on he has to live up with the agreement that he undertakes in this kind of project but beyond that he can sell for whatever he can get out of it. Now as far as the reason for the loss, as I mentioned before, we are concerned that there is some element of mismanagement and there's also elements of difficulties beyond the control of management, the decision itself, but these are the kind of things that first of all I'm just commenting on recollection and if we were really to study this thing in depth I'd have to review the situation much more closely myself and besides some of these explanations I could not provide, you would have to turn to people that are qualified in the fields of estimating and evaluating tenders and this kind of disciplines that could provide you the kind of explanation that you're asking.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: No, that's all right, except I would like to ask . . . would you be able to tell me who holds the mortgages on these units and is it a closed mortgage, open, or is that information available?

MR. ZIPRICK: That information is available but I think it would be better obtained through the agency approach, sir.

MR. CHAIRMAN: Any further questions on page 35? 35--pass; Page 36--pass; Page 37. Mr. Wilson.

MR. WILSON: I guess on 36 and 37; what is the present status of Venture Manitoba Tours Limited? I believe it's something you might not be able to answer today. I am interested in who the make-up of this corporation was, who makes up this Manitoba Venture Tours Limited and was there not a government-appointed board of directors, or has the government got anything to do with this? That's basically it. I realize there were some problems I think in the past and I am just wondering is everything running smoothly. Is this the outfit that runs the Hecla Island operation?

MR. ZIPRICK: Yes, this is the corporation that runs the Hecla Island Motel operations. It's a corporation that's owned by the province of Manitoba. The Minister of Finance is the shareholder. The board consists of Mr. Anderson, who is the comptroller until - he's gone now - but he's still the . . . And Mr. Prefontaine and Mr. Jarvis are the two other board members. There is some difficulty - the audit has now been completed and the financial statements are available - there was some difficulty . . . so the audit is a qualified audit, but we've carried out further reviews and I am satisfied the difficulties that are arising from the book work are not contributed through any kind of misappropriation, or there is no evidence, and it's just bookkeeping difficulties that prevent it from being a qualified report. The audited financial statements I don't think are completely finalized and released as yet but the figures that we give there, there is some differences in those figures, but in totality, the result is about the same.

MR. WILSON: When I've raised questions in the past about what I consider ideas to make this operation a winner, it's been told to me that it's under Parks, and I wonder is it just the physical structure of the hotel itself that Venture Manitoba Tours Limited operates, or is it the marketing concept? What does this organization do? I'm trying to envision. Would they be like in the private sector like the owner of the hotel responsible for the marketing of that hotel and

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the tour packages? Are they responsible for the cosmetics that surround the motel, is what I'm trying to get at.

MR. ZIPRICK: As I understand, they're just responsible for operating the motel, and as far as the park operations, that is, the campgrounds and that, they have nothing to do with that. They just operate the motel, the bookings and the motel.

MR. CRAIK: Maybe I can elaborate a little bit, Mr. Chairman. The operation of the Gull Harbour Lodge comes under the Minister of Finance because he is technically the shareholder of the corporation Venture Manitoba Tours Limited, and the operation of the golf course and the other facilities comes under the Parks Branch. I think the director of parks is a member of the board, I think perhaps that's been changed; I think there is a new director of parks and he's on the board. The current chairman of the board that's managing it comes from the Finance Department; his name is Gary Hastings. The former comptroller that is mentioned here is still on the board although he is no longer with the government, but because of his past association and knowledge of the operation he is on the board. It's made up of a combination of representatives, the director of parks is on because of the involvement of the parks branch. There are two or three other government staff people on it and there are two or three external members on the board as well.

There are outside auditors that do the audit on this and as Mr. Ziprick has indicated, there has been over a period of . . . as long as I have been involved, it was an inherited problem, the day we walked in the door, we resolved, a lot of the problems, I think, but it's not completely resolved in all areas but in general terms the Gull Harbour operation is operating in the black on a cash-flow basis. And from the point of view of general operations, given the size and the number of rooms and so on, that the operation has there, it's coming along not too badly. There is a problem, an ongoing problem, with staff turnover. It's the type of facility that attracts staff on a fairly short-term basis and there is in that regard fairly strong turnover, but that's the picture of it. The responsibility for the management, the overall board responsibility comes under the Department of Finance still.

MR. WILSON: Well, I realize we're only to deal with the expenditures in Public Accounts, but might I offer the suggestion that possibly by having these two organizations attempt to run what could be a fantastic winner, that a lot of things are sort of turned upside down and apples and oranges, where really we all have a common goal and that is to market that particular site. And we talk about past errors. I can't think of one of the greater errors than the swimming and lagoon area which was designed initially to give them the option of swimming and a beach, and I think of the former government building a massive fountain and then not realizing that the Member for Inkster would be . . . Lake Winnipeg regulation, and take the lake down so that the fountain was too high for the water, these type of things, that if they are co-ordinated under one marketing thing and one management, would be avoided. For instance, if the golf course is being run by a different department of government, how can the hotel put together an all inclusive package that includes golf tours and everything else if you have two bosses? What I mean is that in order to continue to have a cash flow in the black, there should be all inclusive packages because the American traveller does not want to arrive at a place and be nicked and dined to death with such things as green fees. I think that really in order to sell the hotel, which this Manitoba Venture Tours is under, we have a fantastic potential of the marina. People like to take their cameras, take pictures of sailboats and everything. The beach is a disgrace; the lagoon path from the hotel down to the beach area and such little things that are not massive amounts of money. I think if the hotel says, "What do we need to sell this hotel? It's an absolute winner; it can't fail. More Manitoba people, as well as Americans, should be made aware of it."

I'm just putting these comments on the record, I really think that having two sets of management is the wrong concept because people envision Hecla Island and the Gull Harbour Hotel operation as being one and the same. I would like to see the day that it was run by one particular operation of government, because with a

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salaried manager, with an incentive program, I would think that if we had the site development that it would more than help sell the hotel. Because I think it's an absolute winner, it's just that all these small things, like no power at the marina. I hope that has been solved. There's no fuel available; there's no - as I say the green fees seem to be separate from the hotel - and I think it has the makings of a real winning operation. I just put these comments on the record because I can't think of where else I'll get an opportunity to do so.

MR. CHAIRMAN: Any further questions on Page 37? 37--pass. Page 38.
Mr. Miller.

MR. MILLER: Mr. Chairman, I noticed the comments by Mr. Ziprick and these are comments that I think he's made in the past. I'm wondering - to the Minister - have you considered this since we last met, the suggestion by the Minister about having departmental officials present at committee meetings. Have you given further consideration to that suggestion put forward by Mr. Ziprick?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, the type of discussion we tend to get into, there's a great deal of it actually duplicates what goes on in the estimates. The estimates' review are such that it lapse over into last year and the year before usually without any significant restriction, and the real question is, just how much time do the departments have, in addition to the regular estimates review, have to spend on going back into the past years operations or the year before that operation. Because if there is, in fact, a perceived concern on the part of any member of the Legislature, I don't really know of any example where there has been a restriction in the estimates' process to not only look at the current year but to go back and examine why something went wrong in the previous year and what remedial action has been taken in the current year. In my own opinion, a lot of that does get done. There is no restriction from that happening. I have some reservations about us setting up a system where we would really go through it twice around, because it would really be a double estimates review type, I say estimates type of review inasmuch as you would be going back really and looking at the last year and you go into the Legislature and into the Supply Committee and look at the current year. But there is no real restriction in that current year review of the estimates to prevent any member from raising questions on the previous years operations.

Now, since the Auditor's report is always out well in advance of the estimates' review, there really isn't any restriction for a member to take the Auditor's report and, of course, raise the matters in the Legislature; if there are any remaining questions, then raise it with the Auditor himself. So I think it's really a question, although there may be some additional value come out of having all the departments appear as we go through here, we would, to some extent, be duplicating what is currently possible. I point this out, I know government has changed. I can recall when Mr. Miller and I first entered this House, the whole Public Accounts Committee, including the Auditor's report, two grey books, and the whole procedure was usually about a three-hour sitting.

MR. MILLER: Two-and-a-half hours by Doug Campbell.

MR. CRAIK: Two-and-a-half hours with all members present and at that time we had a total of 80 hours available to look at the estimates. We now spend 300 hours on the estimates and it's not abnormal to spend a number of sessions going over the Auditor's report and then a subsequent number of sessions going over the grey books --(Interjection)-- the blue books. --(Interjection)-- Well, the Auditor had I guess, a statement in the old accounts book which gave fairly wide latitude of discussion to any member who really wanted to pursue it. But the question is, where do we stop? I think we're probably spending several times as much time as we have before. I've never found during eight years of opposition any great restriction, when I was in opposition, from being able to raise questions at Public Accounts or, in fact, in the estimates review. Sometimes in the estimates review when we were under the old 80-hour restriction, you didn't get to

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a department, but now that's off. Every department is dealt with. I don't really think that members of the Legislature have a lot more time that they could devote to this type of thing by setting up one more committee.

MR. MILLER: I'll ask Mr. Ziprick. Mr. Ziprick, in light of the Minister's comments, which I'm sure you've heard before from other Ministers, do you still feel that your objective of having departmental officials at the Public Accounts Committee is really necessary in light of the comments made by the Minister?

MR. ZIPRICK: Mr. Chairman, I make these observations on the basis that when we particularly get into the Public Accounts, and we get to the expenditures being made by departments, there are various questions raised. I try to respond to the extent I can, but the questions that are raised are of a kind that really require people who are operating, carrying out and that, that should be answered. So if it's agreed and a system established that this committee does not enquire about operating procedures under these departmental expenditures and that's taken care of in another place, then I can see that being a satisfactory operation. But the way it is right now, there is nothing particularly laid out and the Public Accounts Committee, as I understand it, is to review not only the figures but the operations behind the figures and to do that effectively, you have to have departments present. Now if it was going to be done, it would have to be done on an organized basis and now I'm referring to what other public accounts committees do and the chairman here, the first time there was a meeting, attended the Public Accounts committee meeting of the various chairmen and what most of the others do is when they are reviewing expenditures of a particular department, the agenda is set and the department is present and the expenditures are reviewed in conjunction with the Auditor being present and the department being present, and that particular department is reviewed on an organized basis and concluded.

Now this can be done, or probably is being done in conjunction with the estimates and I think that the procedure should be clarified and that would be our system of evaluating. As I take a look now and make comparisons, I don't see that kind of an orderly procedure. I think that there is additional merit to having a review of operations, after the fact review of operations with the departments present, because as I indicated it's a good incentive mechanism. I can only point to the quarterly report being issued. At one time it was said that the quarterly report wouldn't be too effective and too useful. I find that the quarterly report now that's in use is fairly effective to give the position in a much more current basis of what's going on to the outsider, but in addition it's a very good internal disciplining mechanism because every department working with the Department of Finance know that they have to go on the line, and quarterly indicate what was going on. And so we find that the quarterly report is not only producing information for the public that's useful, but is a very effective disciplining tool for internal operations, and to some degree this could be the same way. But as far as I'm concerned, I'm just pointing that out on the basis of my observations and understandings of what's going on other places. If that's the general feeling that whatever is going on over here in the review and the estimates and that is adequate, that's completely satisfactory to me.

MR. MILLER: Mr. Chairman, the Minister indicates that of course in the estimates procedure a lot of this information can be solicited, but I suppose there is a difference, Mr. Ziprick, in that what we're dealing with in the estimates is the line over line, the large figure, the block figure, whereas in your accounts here there is a pretty detailed breakdown of the previous year, the fiscal year in which you're dealing with. So that I'll have to agree with you to this extent that in the estimates procedure I doubt very much whether we get into the kind of detail that appears here, simply because it isn't broken down in the Estimates Book. And to the Minister, I am just wondering whether, if we went into estimates with these books in our hands, which really is the previous year, and we started to ask questions based on the various expenditures as they may appear in the Public Accounts, either this book or Volume 2, which is the payouts to firms and so on, I suspect it wouldn't be - how many hours did you say we spend now? 300 - I suspect it would be more like 600 hours, because actually it would be a review of the previous year in detail and the sort of look-ahead on programs, policies, and the block dollars associated with that.

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MR. FILMON: That's actually two years prior to the estimates you're dealing with.

MR. MILLER: Yes, that's right; it's really two years we'd have to go back. That's right; you're quite right, it is two years. I don't agree with the Minister that in fact the estimates procedure gives us the kind of opportunity, I think it would really interfere with the estimates procedure because we'd be dealing more with what was than what's going to be, and if we try to tie it all together as I say, your 300 hours would double and triple. So I'm wondering whether the Minister would continue to consider Mr. Ziprick's suggestion, and since the Public Accounts didn't this year, but last year it did and I assume next year it might meet intersessionally, then it may be easier and take less time of the Legislature generally to examine the accounts and to explore with the department what some of these figures mean. Because I can understand that Mr. Ziprick certainly doesn't have the detail and I don't expect you, Mr. Minister, to have the details of co-op development or education or whatever it is. I know you're very knowledgeable but to explain certain expenditures in the Department of Labour, I suspect you don't have it at your fingertips.

So with those few comments, Mr. Chairman, I wonder whether the Minister would continue to consider this particular suggestion by Mr. Ziprick and not dismiss it entirely. As well, the previous suggestion in that same paragraph, that the annual reports of the department to be co-ordinated with the estimates and the Public Accounts, we discussed it at some length earlier on in this committee and I am wondering whether the Minister would also consider that perhaps for next year. It's too late for this year I realize but for next year having the department table in the House when estimates come up, have the Minister table the kind of information which I think would probably save a lot of time in committee itself.

MR. CRAIK: Mr. Chairman, number one, we'll again get back to calling the Public Accounts Committee sooner than we have this year. The year before we were able to get it moving before the end of the calendar year; the Accounts now are coming out earlier and are available by October, so we'll attempt again, we ran into some difficulties this last year because of the federal-provincial conference that was on in November, it was difficult to get it done before the new calendar year, we'll again get back to calling the Accounts in the fall of the year which we undertook to do at the time of changing procedures and accelerating the reporting of the accounts. So we will certainly make every effort possible to do that.

I'm a little concerned to get back to bringing forward departmental staff, the Minister and so on, for the review of the accounts to, as Mr. Miller has mentioned, if we were to go into all the detailed accounts in the estimates review, we'd go to 600 hours rather than 300; my main concern would be that we'd end up if we start the new procedure here, we'd end up 300 hours in this committee plus 300 hours in the estimate review committee.

What I meant earlier to indicate was that, for instance as an example, anything raised by the Auditor, well, such as the question under MHRC with regard to what was the \$800,000 in fees intended for, that sort of question of course can be raised in the 1980-81 review by any member if he wants to with this knowledge at hand. I can't imagine the Minister not having the information unavailable for that kind of question. I wasn't really referring to the more detailed things that are contained in the accounts book, but certainly will keep open the possibility of further change as far as the government members of the committee are concerned, and as the auditor has mentioned, we did institute the quarterly reports which brings up the reporting on a much more current basis and has had its benefits with regard to the management of the departments because it has required the departments to be much more on top of the financial operations.

MR. WILSON: Mr. Chairman, it's almost like I would like to take the Chair and have you comment on some of the things you learned at the convention, but I would like to throw a different slant on it and as a small businessman, I look at the incentive and the production aspect of it and I say, well, what can I do as an elected official to try to make government remotely resemble a small business or any business in a community. And one of the things that seems to be missing in my

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general criticism is the production and incentive that seems to be missing that is so prevalent in the private sector. I think if we did what other provinces do, Alberta and Ontario I believe had 30 meetings, which say an average of four hours a meeting, would only come to 120 hours, so I don't quite agree with the Member for Seven Oaks that we would go from 300 to 600 hours. I think that one of the biggest problems that we have is having a government who is willing to introduce this. Now the former government, when the former Member for River Heights wanted to bring the Minister forward and examine him under the Co-operative Developments or the Co-operative arguments about four years ago, I believe either he presented a resolution to the House or presented a vote and it was defeated. So the former government . . . I had thought of bringing a resolution forward but because of the fact that there was a meeting going to take place in Winnipeg in conjunction with the speakers, to continue to find out what others have done across Canada.

One of the greatest problems government has is like I imagine Premier Moore has found out is, he changed the rules of the Public Accounts Committee from sitting a total of two-and-a-half hours to having the committee be able to call Ministers and the Premier before them, and some member of the committee questioned him about his lack of tendering of a helicopter and a number of other situations which he was able to explain. But these are the types of things that you would never get in estimates. I think you have an overview in estimates, raising current questions, current matters of interest to the public and the media, versus the detail that you get into in Public Accounts.

We've got a member from St. Matthews who doesn't want to raise the indemnity because of lack of non-constituency matters for members to do. Might I suggest it might not even be necessary for the Minister to attend intersessional reviews of an organized public accounts because we would be talking to a staff person or several staff people within a department, and I cannot envision why the Minister would need to be there at some of these particular meetings. In other words, I am not trying to create any extra workload for the Cabinet but I think there is a role for members of both the opposition, and especially the opposition, and government backbenchers to be able to sit on Public Accounts and try to, by the very examination of the blue or grey books, in some detail, be able to congratulate staff on a fine job done or be able to examine them as to why, for lack of, I'll call the word "incentive" or a matter of convenience. I remember in raising questions regarding tendering within the hospitals it became very convenient for the doctors to just say everything was an emergency and doesn't matter what it costs, just go out and buy it, and just call it an emergency and therefore you wouldn't need to tender it.

There are so many examples of people knowing that politicians are not looking at what they are doing, so therefore they take the easy road out. And maybe some of the policies we have are wrong and only through an examination of the cumbersome red tape that sometimes we place on civil servants and departments, would we be able to become more efficient. I started, I have a file - I don't have it with me this morning or I would be able to refer to what Ontario and Alberta do, which are both conservative businesslike provinces, who are looking upon ways to become more efficient. And the very fact that we are a new government it would seem to me we would hope that we would leave the door open to some kind of effective accountability by the civil servants because we are charged with the responsibility of protecting the expenditures of the taxpayers money, and it is through the examination of these minute details that you come across sometimes major changes in government policy which save countless thousands and thousands of dollars.

A lot of times many of the programs of the former government could have been . . . the information that they spent on research and analytical studies could have been obtained for free from the private sector. In their tourist department many expenditures, under promotion, could have been obtained for free from the airlines and from the film libraries across the nation. Countless thousands and thousands of dollars wasted on over-printing of publications to the extent that boxes and boxes become redundant as Ministers change and their picture has to appear in the annual report. These are the kind of things that I think, out of that, could become some kind of an incentive to the civil servants and out of it would become some interesting things, which would help government change policy to become more efficient.

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I would hope that the chairman who is attending these particular meetings, if it is in Winnipeg, I hope other members of this committee will be invited to listen in and maybe we can find out, take the best parts of what Ontario and Alberta and Newfoundland are doing and apply them to the Manitoba scene. I just want to put those comments on the record.

MR. CHAIRMAN: Any further questions on Page 38? 38--pass. Page 39--pass. Page 40. - Mr. Wilson.

MR. WILSON: I appreciate inflation is taking place, but I'm wondering if the Minister could explain the new system as of the old because I wanted to congratulate him and the members of the Cabinet for taking the \$14.5 million expenditure in 1977 down to \$13 million. I had hoped it could be better.

Pertaining to travelling, pertaining to conferences, conferences by civil servants, on-the-job training and leases and rentals, and so on and so forth, the use and non-use of government aircraft versus tendering out or using the different airlines, both the regional and national airlines, I just wondered, what can we look forward to in this area? Can we look forward to a continued prudent review of these expenditures to the extent that we can cut them down? Do we have a new policy where civil servants attending these week-long conferences - is there some evaluation as to the benefits to government? My biggest concern seems to be in the area - well, one of these, I guess not a big concern, but so many times we train members of our staff by having them attend all these conferences and everything and then they go and work for the private sector. It's been said that the Attorney-General's department is really a post-graduate course for law students to spend a couple of years working for the Crown and then go out into the private sector, we send them all over to these conferences and courses and everything and then they take off. I'm wondering if there's a continuing review of the evaluation of these conferences, and so on and so forth, to help, as your department has done, to bring these expenditures down to \$13 million from the former \$14.5 million.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Mr. Chairman, we've put these figures in here basically as a demonstration in totality as to how the system was deficient, in that as far as the expenditures - we used the travelling expenses as an example - and as far as the travelling expenses themselves, the management committee are now treasury board guidelines that specify the kinds of expenditures that are permissible and these are all very effectively controlled. What I was pointing out is that there was no particular way of evaluating, as to what extent travelling was necessary because this was not spelled out in any estimates objective and then there is nothing particular to compare it against.

Now we've been comparing it in total, that we got a print-out through the computer and an analyses. We felt that there should be an ongoing system that should do this. Well, I can report now that an ongoing system has been established and for the first time this year, when we get into the Public Accounts you will see a statement showing the breakdown of these expenditures, not just by detailed individual items in the departments, but collectively by departments and in totality. Now this has been the first year, so that there's no way that we can make comparisons within departments or within sections in any kind of detail and try and get explanations, and to be able to do it to any extent would be a very difficult job.

But when this similar statement comes along next year, it will be very easy to make comparisons and see where they increased and where they reduced. And where the increase comes in, this is where the questioning commences and if the increase is justified, then fine; if it's not, that's when an attempt can be made at the reduction. So I can't pinpoint what department, what area or even the particular justification for this particular reduction. All I know it just happened in totality. And until this system progresses into the next year and there's comparability, I think that any kind of analyses would be a difficult analyses and the work involved would be substantial.

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MR. WILSON: Well, I don't want to put the staff to a lot of work so that I can compare. Is there any type of computer print-out that would be able to tell me a comparison in the travel section? Am I to assume by Page 40 that in 1977 the travel budget was a certain amount of money and in 1978-79 it was . . .? It doesn't really spell out the word "travel per se". It lumps it all into the tune of \$13 million. I wondered, is there anywhere that they have travel, is there anywhere - I notice in one of my questions that you answered from last June 8, 1979 regarding taxis where the former government had spent \$480,000 on taxis - I wondered, is this type of information available without putting staff to a lot of work by means of a computer punch-out? What do you, Mr. Ziprick, feel encompasses travel? I mean, does this Page 40 encompass what you would consider travel, or how would you break it out?

MR. ZIPRICK: Mr. Chairman, Page 40 encompasses travel items and they basically consist of two things there, travel by automobile and the travelling expenses that are coded. And when we get to the Public Accounts and when you get to that schedule, you'll recognize that this is a combination of two elements in that. Now in that schedule this year there's a breakdown by departments as to what had occurred, and this is what I'm talking about, comparison. Now as I said, we were using travelling only as a demonstration, to indicate just what the difficulties were. When we get to the Public Accounts this schedule not only has that for travelling, but it has for all other object-kinds of expenditures and that is salaries, grants and whatever have you, and comparisons will be able to be made by departments in totals on that basis.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, just on that point, the member or any other members who are interested, will find that this sort of breakout is contained on 416 of the Volume I of the Accounts. And then Mr. Ziprick's boil-down of that gives a year-to-year comparison in a little more overview type of presentation. But you'll find all the departments there and all the various categories, advertising, travel, etc., all laid out.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: Yes, that's what I'm talking about. In the Estimates you have all the departments and you want to be able to pick out, by use of a computer or some form of accounting system, the amount of commercial, say, aircraft travel as an example. And if I look at Page 40 I see where in 1977 there is \$2 million, whereas in 1978-79, there was \$1.5 million. So I'm saying, is there something that picks it out of all these estimates and plants it right down into Public Accounts where you can say, the government's really doing a fantastic job, even with inflation, at being able to reduce the commercial aircraft travel of its employees. That's the type of thing I am looking for.

I'm looking to, besides examine government expenditures, I'm looking to pat our government and myself on the back for becoming more efficient. I envision through that - I haven't been able to do those type of things - I wonder is that type of information available?. Is it coded? In other words, is commercial aircraft travel coded in such a way - I remember, I believe, last year I asked for cartage expenditures from departments and they were able to have them under a certain code and that information was readily available without a great deal of . . . Mr. Chairman, what I am saying is, that at some point in time maybe you could tell us what other provinces are doing so that if they are using a computerized system, we would hope that our system of being able to punch out this information for members of the committee would be such a way that it wouldn't involved a great deal of tying up of manpower in order to obtain this information.

MR. CRAIK: I'm just reminded, Mr. Chairman, that last year we tabled all the object codes under which information is tabulated.

MR. WILSON: Yes, I have something like that.

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MR. CRAIK: Now, if you want to get an object code total, that can be provided fairly readily, but at request through this committee would be the normal channel to get it.

MR. WILSON: Okay.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Well, Mr. Chairman, I'm looking at the same reference material on Page 40 and I would like to ask the Provincial Auditor what interpretation he gives to those figures, because as I see his preamble to those figures, it really tells us that we are not yet in a position to really determine whether that's a plus or a negative in terms of efficiency, etc. You can come up with any interpretation of those figures depending on what has occurred in that period of time, the fiscal year. As an example, if we look at commercial aircraft or government aircraft, does that represent efficiency, does it represent program reduction, does it represent staff reductions because programs were cancelled and so on? Unless you have that in detail you don't know whether this could be less efficient than what it was before, even though the costs show that it is less - depending on what you're doing. I'm just wondering whether the Provincial Auditor is in a position to tell us whether or not in fact real savings have been made here because of efficiency measures that were introduced, or whether this merely reflects a lower level of activity in a number of areas.

MR. ZIPRICK: Mr. Chairman, this is the whole point that I have been making that I've been making for a number of years, that as far as the expenditures themselves, they are controlled, the items as to how much you can spend for particular things. Now as to whether "that much travelling for that program is too much or not", in comparisons within our system as it was we couldn't arrive at, and this was one of the points I was making, that we could not do that kind of audit, there couldn't be that kind of evaluation, and there should be a system established whereby this was possible. To indicate just how you can get two different kinds of figures between years that do create questions in a person's mind and yet you are not in a position to be able to answer it. Now I am saying that the system that's been established and put into place will put us into a position of having some idea of comparison in the departments between year to year the volume of travelling and then some judgemental evaluations can be made as to whether it's reasonable within that program to travel that much or why has it gone up more this year than last year. This year obviously the only reason that we can continue to compare the travelling is because we did in the preceding year build up the travelling figures so we can make comparisons, you can't make comparisons for the other because the statement is prepared for the first time this year. It's next year that the comparison will be made. Now when it gets down to the estimates, the estimates that are presented in the Legislature are in totals and the breakdown is something that the Minister has in his books. This is the kind of thing that we talked about that is solicited and appears in Hansard through discussion but that's not organized and cannot be too effectively used to project from estimate to actual and get a comparison there. That's what Mr. Uskiw says here, that's right, there is a demonstration of the weakness of the system. The system now has been improved to bring in this kind of information, it's there only for the first time this year so comparisons cannot be made but next year we'll be able to make comparisons by departments, by areas, and then objective questions can be raised next year.

MR. USKIW: Mr. Chairman, I am pleased to hear what the Auditor is suggesting because that was my interpretation that this was for illustrative purposes and didn't imply anything per se in terms of the legitimacy or otherwise of past expenditures, because of his position that he really had no means of getting a handle on whether they were warranted, unwarranted, excessive or otherwise, and that this will now give him that means and I appreciate that. But that detracts substantially from the comments made from the Member for Wolseley who implies that somehow these two sets of figures are very definitive as to what really took place, and I argue that they are not and the Auditor has confirmed that they are not, so I am satisfied, Mr. Chairman.

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MR. CHAIRMAN: Any further questions on Page 40? Page 40--pass. Page 41? Page 41--pass. Page 42? Mr. Uskiw.

MR. USKIW: Mr. Chairman, the Provincial Auditor makes a strong point with respect to arrive at a measurement system and I believe he expresses some disappointment that legislation was not put in place to provide for that. Apart from a legislative provision, Mr. Ziprick, is it not possible to come to that reality without necessarily having it spelled out in the Act.

MR. ZIPRICK: Mr. Chairman, that is the point. The legislation as it is now is quite broad but does not provide any kind of specific requirements in that area, so I have in the past, on my own initiative, carried out these kind of audits as I have done in the past, and this can be carried on into the future, but my view would be that the legislation should be amended to include it. Prior to that, when everybody was in the same situation, it was quite satisfactory, but now Canada and a number of other provinces have made these changes.

I notice the Auditor General was here not very long ago and he was speaking to a group and in talking about legislation he referred to Canada's legislation as being quite strong, Ontario's approved legislation that's quite strong, and in this area Alberta has done so, B.C. has done so, but he made no reference to Manitoba. We will continue to do, and I have the authority and can carry out the same kind of audits as they have. What concerns me is that we may not fully get credit for it if it is not prescribed in the Legislature and that is as it goes on and this gets more known and the investment agencies and the Securities Exchange Commission in the United States key quite substantially on Ontario, for example, and if they in analyses conclude that our legislation is weaker even though the Auditor is carrying it out, there might be a penalty that would be taken into account in evaluation. I don't know.

So if we are going to carry out . . . and as far as economy and efficiency, particularly (d) section, it's been going on, we're going to continue to go on and I think that as a requirement in legislation it would then not only be that the Auditor is going to do it because he feels that's what's supposed to be done but it would be prescribed in legislation. Now the (e) part that's the effectiveness section, that's a more complex thing as I indicated before. For instance, B.C. has not included the effectiveness part in the legislation, yet wherever there is a discussion about the strength of the audit legislation, B.C.'s included in the economy and efficiency evaluation that they have that kind of legislation. Manitoba will not be included, even though we will be carrying it out. So I think that there is an advantage to having it in the legislation and I have indicated that whatever concerns were expressed with regard to controls and the Auditor's position, I think there are still adequate controls and if the Auditor gets carried away unduly in exercising his powers, I guess that can happen right now, so all I can say is that it's very important that in choosing the Auditor that care is exercised to ensure that the person is highly experienced, mature and will abide within the rules of the democratic system.

MR. CRAIK: Mr. Chairman, a year ago in this committee when the large changes were made to The Financial Administration Act and The Provincial Auditors Act, we spent many hours on this general topic and in the final analysis on the efficiency and economy review we had a fairly lengthy debate and discussion on it and it was moved by a member of the opposition at the time that that kind of a statement in the Auditors Act did not fit well with the concept of parliamentary democracy and the responsibility of elected government and the rights of oppositions and so on, and the debate went on at some length. As a result it was an unanimous decision of this committee that part be deleted, and I think we have to remind ourselves that in the final analysis that as a result of that the Provincial Auditor is a servant of the Legislature, and the legislative committee that set out his terms of reference was unanimous.

I think it is quite appropriate for the Auditor to indicate that he is puzzled by it, as indicated in his report. I think on the other hand that the legislative committee has to remind itself that it set the terms of reference for the ombudsman, the auditor and any other officer that reports to the Legislature. That's been done - it got a lot of debate last year. I think the system is working well,

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we've made some good advances, I think that the changes we made to the auditor's report were appropriate and adequate and are working quite well. I think if there is a problem comes about, that is perceived to be a problem by the members of the Legislature, we then ought to enter. In the meantime, I think we have to remind ourselves that officers that report to the Legislature still report under the guidelines established by this committee.

MR. USKIW: Mr. Chairman, I am not presuming to take a position on that question. I am sure that there must have been adequate debate on the part of all parties when that legislation was processed last year, but not having been on the committee I have to admit that I really don't know what the debate consisted of but I thought I would get some elaboration on the part of the Auditor as to his insistence on this point. It seemed to me that he had the facility to do just that and he indicates that he does, and intends to do it but that he would prefer that it be enshrined in the Act. That's fine Mr. Chairman. I won't pursue that.

MR. CHAIRMAN: Any further questions on Page 42?

MR. USKIW: Yes, at the bottom of the page Mr. Chairman I notice a reduction of 5 staff positions. Would the Auditor care to explain why the reductions took place?

MR. ZIPRICK: Mr. Chairman, I think if you continue on to the next page we had more than 5 reductions, we had a complement of 65, there's 5 reduced and there's been 2 more reductions, and the way the position sits now is we had 65 then we reduced 8 in the net under Transfer of Government Agencies to other audits, that brings it down to 57, we feel we need 2 additional staff to carry out the broader responsibilities and that brings it up to 59. We found that 1 office staff we did not need so we are now working on the 58 that I referred to on the next page.

MR. USKIW: What does the Auditor mean when he says we need 2 to handle the broader responsibilities? What is that reference of?

MR. ZIPRICK: That's the second part - Estimated 2 staff man years required to carry out the audit of grantees in accordance with the amended provisions of the Provincial Auditor's Act. So that we are deeper involved in the grantee accountability.

MR. USKIW: Are we on Page 43, Mr. Chairman? That's where we are? That's fine.

MR. CHAIRMAN: Pass Page 42, we can move on to 43. 42--pass; Page 43. Mr. Uskiw.

MR. USKIW: Could the Auditor give us his opinion as to the efficiency re the shifting of work to the private auditing system in terms of how much more is it costing us and, whether or not, after having had a year of that kind of activity, whether he recommends the continued arrangement of contracting out?

MR. ZIPRICK: Mr. Chairman, the costs involved would run approximately - the direct costs plus about roughly, I would say, around 100 percent markup on to costs. That, to me, is a quite reasonable markup for this kind of operation, so I have no quarrel with the overall audit costs. Our markup was direct cost, plus 25 percent. Now when it gets down to whether which one is more costly or not, one could say, yes, the in-house approach is a little less, but then, on the other hand, in doing it this other way, there is a broader exposure, there's broader involvement, although it's the same kind of professionals, there is a broader involvement.

As far as I'm concerned, either system is quite satisfactory to me. It's a policy matter as to whichever system is used, and I can work with either system. As to whether the difference in costs is worth the broader involvement or not, I would not want to comment because particularly myself, in my position, I could

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hardly be considered an objective observer in this area. So it really resolves itself into a policy decision that either system is satisfactory. Under the present system, we carry out an overview so that the accountability is not in any way diminished. We see what's found during the course of audits, we do certain things ourselves. If there was anything that was needed to be brought to the attention of the Legislature, I would do it in the same sort of way, so on that kind of basis, I have no observations on it.

MR. USKIW: No, Mr. Chairman, I didn't want to draw the Auditor into the area of policy. I can appreciate that that's not his function. I simply want to know in actual dollars and cents, how much more is it costing us to function this way as opposed to the way in which we were functioning prior to the change on a per annum basis? Are we looking at \$100,000 or \$200,000 or what are we looking at in terms of added costs for this broader approach to auditing the Auditor refers to. It will be our judgement in the end whether we think that the policy is right or wrong, but we should at least have an opinion from the Auditor as to his expectations or realization of added cost that could have been avoided.

MR. ZIPRICK: On the basis of the costing that was established in my office it was established some years ago, and I remember when this was gone into we had panelized and put several proposals through and the one that was accepted by the government and approved by the Lieutenant-Governor-in-Council at that time was a cost plus 25 percent, so that when you go to cost plus 25 percent - and obviously no private firm could operate on that basis. Then we get into the private firm and it's cost plus 100 percent, which I am satisfied is not unreasonable and a quite reasonable price. When you take that difference, we are talking in terms of roughly about \$100,000.00.

MR. USKIW: \$100,000, that's the figure. All right, that's fine, Mr. Chairman.

MR. WALDING: Any further questions on Page 43? 43--pass. Mr. Miller.

MR. MILLER: Mr. Chairman, the rough figure of \$100,000, is that the one that's reflected at the bottom of the page showing 11 of the agencies as \$345,000, and two of these had not yet at that time been approved, or the audit fees haven't been approved. So this \$345,000 for the 11 agencies versus about \$214,000 is what the Provincial Auditor estimates it would have cost had it been through his office that the audits had been done?

MR. ZIPRICK: Mr. Chairman, no, this is what was actually billed the year before. Now if we'd continued, you would have to add on at least around 10 percent to that because of the salary increases, so if we'd convert that \$214,000 to a year further down the road, we would be I guess probably . . .

MR. MILLER: 235.

MR. ZIPRICK: 235 or somewhere in there, and that gives us a difference of roughly \$100,000.00.

MR. MILLER: All right. However, it is still fair to say that because the government desired to turn these audits over to the private sector that, in fact, there's about \$100,000 extra cost to the public at large.

MR. ZIPRICK: I don't think I could put it that way, because the 25 percent that is taken in for my costs or the costs of the Provincial Auditor's office only take into account the clerical staff. For instance, it's never considered to take anything into account for our accommodation, buildings. In other words, the building space has never been costed out by the province, so there was no point in building a cost element for the use of buildings and build a corporation and wind up with a credit. So all the costs are not really accumulated; this 25 percent is our salary costs plus stationery and those kind of direct costs that come under my appropriation, then the housing and other kinds of costs are not in there. If we

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took those costs into account and costed them out, I don't know just exactly what it would come to.

MR. MILLER: I appreciate what Mr. Ziprick is saying, but his office is still in operation. It isn't as if his office has disappeared. His operation still continues and I agree that there is no overhead costs; there is no light, heat, rent, etc., etc. If, in fact, by moving in the direction the Provincial Auditor had been entirely eliminated then we could say there is a significant saving, your overhead, your existing operation would be eliminated. But you're still in business; you're still operating. I see you're here today, that's proof of it. That cost is there and whether you had five more audits or five less audits, it doesn't really affect your overhead costs, it's still in existence, it's still being paid for out of the general operation of this building and the offices that are enclosed in this building.

MR. ZIPRICK: Essentially, that's correct, like reduction of eight audit staff did not reduce the size of the office because most of the auditors are working out in the field. and the clients, so to that extent, it's correct.

MR. MILLER: You don't use less light, or heat, or anything of that nature?

MR. ZIPRICK: No, there's been no reduction in the size of the accommodation.

MR. MILLER: All right. In that case, Mr. Chairman, it's valid to say that going to the private auditors has, in fact, cost I think about \$100,000 more. That's the bottom line, so far. I see here it says the audit fees for the two of the agencies have not been approved as yet. I'm assuming that they have now been approved, they are now working and this will show in the next year.

MR. ZIPRICK: Yes, they have been approved and the audits have been completed. They weren't at the time we were preparing this and the costs on those were running about in the same sort of area.

MR. MILLER: I see. I notice when you say - well, pass 43. I want to talk to 44.

MR. CHAIRMAN: 43--pass; Page 44. Mr. Miller.

MR. MILLER: I notice it says, consideration been given to developing a standard method for engaging audit firms. When you say "standard method", what exactly do you mean? Are you talking about the fees or the hourly rate or what?

MR. ZIPRICK: It's a question of selection and proposals could be requested. For instance, the municipal auditors, there is a committee established that determines the hourly rates and that maintains consistency right through. I was thinking along the lines of what's now employed by the Department of Municipal Affairs in determining rates for municipal auditors.

MR. MILLER: Yes, I had that in mind, too, because I know the municipal audit is standardized right across the province. The hourly rate and so on was negotiated and once a new one is set, it affects every municipal audit. Is the government moving in that direction, Mr. Ziprick or is this a suggestion you made, but that's as far as it's gone?

MR. ZIPRICK: It's just a suggestion I made. The way it was done the last time, the rates that were produced didn't vary very much; wherever I guess they varied, they were adjusted. So probably the way it's established now follows much - particularly the way it's being approached this year which is a highly systematic evaluation to ensure that the rates in a composite are all very comparable, that probably it's getting to that kind of an approach already.

MR. MILLER: It's moving in that direction.

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MR. ZIPRICK: Yes. I don't know whether the firms are really aware of that policy, but the policy that I see being employed in the government here is probably pretty well there already.

MR. CHAIRMAN: Mr. Miller. Any further questions on Page 44? 44--pass; 45--pass; 46--pass. Page 47. Mr. Miller.

MR. MILLER: Mr. Chairman, I notice in his statement, the Report of the Provincial Auditor, the following reservation and you refer to the Manitoba School Capital Financing Authority which, because it's serviced from the consolidated fund, is essentially the same as direct debt to the province. And you, sort of, by highlighting it as you have, I'm wondering whether the department intends to move this particular item to the direct debt of the province? That would meet your objective, I assume.

MR. ZIPRICK: Mr. Chairman, it cannot be moved as a direct debt. It's legally established through this kind of deal, so that the instruments are drawn that way. The practical implications are that it's like a direct debt. We discussed it with the department and they are going to modify the wording on the statements which will take care of it. What was concerning me, was the implication of being a guaranteed debt that the province does not have to have an input until somebody defaults. In this situation, pretty well most of that debt or all of it is for capital construction. The province, with the exception of any little additional construction that the school may undertake over what's permissible, is all financed 100 percent from the consolidated fund. So that, really, there is no guarantee element that the consolidated fund is carrying basically the entire obligation, and what was concerning me is the way it was presented at that point, there could be a misunderstanding. Now the wording is going to be modified and the guaranteed liability will be expanded to reflect this kind of thing with a breakdown, and then I'll be satisfied that there will be no misunderstanding and that's how it's going to be taken care of.

I just might add that when we're coming on to page 48 and 49, these are reproductions from the Public Accounts, there's more detail and backup so that those would be probably better reviewed under the Public Accounts wherever there are reproductions. So as we go on I can tell you whether that's a complete reproduction or a schedule that's only in this report.

MR. CHAIRMAN: Any further questions on page 47? Page 47--pass. Page 48.

MR. ZIPRICK: That's a reproduction.

MR. CRAIK: Perhaps, Mr. Chairman, Mr. Ziprick, since there is only maybe a few, we could pick out the ones that are duplicated in the Accounts. Exhibit 1 through 6 are all in the Public Accounts book.

MR. CHAIRMAN: Can we then pass. Page 48--pass; Page 49--pass; Page 50--pass; Page 51--pass; Page 52--pass; Page 53--pass. Mr. Miller.

MR. MILLER: I have a question on page 53.

MR. ZIPRICK: That's a complete reproduction, Mr. Miller.

MR. MILLER: Well, I won't deal with it later on, but I've got it marked here. I just want to ask a question. Mr. Chairman, under Cash Basis of Accounting, Revenue ii), Money received pursuant to shared-cost agreements and arrangements that extend over more than one fiscal year is recorded as revenue in each fiscal year in proportion to the related expenditure made in the respective year. These shared-cost agreements I assume with Ottawa, that's the most common, but they're always behind, so you set it up as an Accounts Receivable for that fiscal year?

MR. ZIPRICK: Mr. Chairman, I think that this one deals the other way, that money is sent along by Ottawa to carry out a certain project in advance and that's

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happened, then we would set it up as a liability and use it up as the expenditures were made. It's just the reverse of the . . .

MR. MILLER: It's the reverse of what I had in mind.

MR. CHAIRMAN: (Pages 53 to 74 were read and passed.) That completes consideration of the Auditor's Report. Is it the wish of the committee to proceed to Public Accounts Volume 1?

MR. CRAIK: Mr. Chairman, I wonder if the committee would be willing to call it a day and then come back to the Accounts next meeting.

MR. CHAIRMAN: Is that agreed? That being the case, Committee rise.