



Fourth Session - Thirty-Fifth Legislature  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**

on

**PUBLIC ACCOUNTS**

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41 Elizabeth II

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*Chairman  
Mr. Leonard Evans  
Constituency of Brandon East*



**VOL. XLII No. 1 - 10 a.m., THURSDAY, MARCH 4, 1993**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fifth Legislature**

Members, Constituencies and Political Affiliation

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NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP
<i>Vacant</i>	Rupertsland	

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Thursday, March 4, 1993**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Leonard Evans (Brandon East)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Enns, Manness

Messrs. Doer, Helwer, Lamoureux,  
Laurendeau, Pallister, Penner, Reimer,  
Santos, Evans (Brandon East)

**APPEARING:**

Carol Bellringer, Provincial Auditor

Jean Friesen, MLA for Wolseley

Jim Maloway, MLA for Elmwood

**MATTERS UNDER DISCUSSION:**

Summary Financial Statements, Volume 3, for the year ended March 31, 1991

Summary Financial Statements, Volumes 1, 2 and 3, for the year ended March 31, 1992

Report of the Provincial Auditor to the Legislative Assembly for the fiscal year ended March 31, 1992

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**Mr. Chairperson:** We now have a quorum, so I now call the Committee on Public Accounts to order.

Firstly, I would like to advise committee members that I did send a memorandum dated February 3 to each member of the committee asking if they had any agenda items to submit for consideration over and above the normal consideration of the Public Accounts committee and the Annual Report of the Provincial Auditor.

I can advise that I have received none, so we will just carry on, I guess, as usual considering reports before us. The point of that, of course, was that if any member did have a detailed question it would give the staff involved an opportunity to provide the detailed answers if this were the case. Nevertheless, it is a good idea. We will continue to

pursue this in case in the future there are detailed questions that members may have.

Just prior to consideration of the Public Accounts and the Annual Report of the Provincial Auditor, I would advise members that I received a letter from the Canadian Comprehensive Auditing Foundation from a Mr. Jean-Pierre Boisclair, the executive director, dated January 4, with a package of information on improving accountability and management of hospitals and the health care system in general, including a tape which is 15 minutes long.

Notice that all of this material, these ideas for new and effective accounting and reporting by health care institutions, has been sent to various ministers of Health across the country, their senior officials, professional health care bodies, associations and so on. So I presume that everyone in the governmental system probably has this, and I do not think this is something new that no one else in Manitoba knows about. What I would suggest is that we just accept this material as information, in effect table it, and if any member wishes, certainly they are free to look at the tape and read the correspondence.

Does the committee agree with this? Fine, that is agreed to.

We have before us the Public Accounts Volume 3 for the year ending March 31, 1991, also Public Accounts Volumes 1, 2 and 3 for the year ended March 31, 1992, and the Annual Report of the Provincial Auditor for the year ended March 31, 1992.

In case members have failed to bring copies of these reports with them, we do have additional copies on the table behind me and they are invited to help themselves.

I believe we normally proceed by asking detailed questions, et cetera, and then passing the reports at the very end as opposed to going page by page or section by section, but again we are at the pleasure of the committee. Shall we proceed as we usually do, and that is, have more or less

freewheeling questions and answers of the material in the reports and then, having received no further questions and answers and discussion having come to an end, at some point pass the reports? Is that agreeable?

**Hon. Clayton Manness (Minister of Finance):** Certainly that is agreeable with me, Mr. Chairperson. I would emphasize your very words when you said "of . . . the reports." Again, I know you are going to have to make decisions with respect to questions that may be leading from the reports into present matters, but nevertheless, I emphasize your words, "of . . . the reports."

**Mr. Chairperson:** Thank you, Mr. Manness. I would invite the minister now, if he would like, to make any opening remarks and perhaps introduce staff with him.

**Mr. Manness:** Thank you very much, Mr. Chairperson. I would like to introduce Charlie Curtis, Deputy Minister of Finance who needs no introduction; Eric Rosenhek, the Comptroller of the Province of Manitoba, Assistant Deputy Minister, and also Carol Bellringer. Again, this is Carol's first formal Public Accounts committee meeting since being appointed Provincial Auditor last fall so, on behalf of the committee, welcome to you.

I should say I feel kind of badly. I tried to call this committee throughout January and February, and it is actually nobody's fault. It is just the fact we could not find a date common to everybody. I know it is always the Provincial Auditor's request that the legislators deal with the annual report as quickly as possible, at least her report to the Legislature. An effort was made but, again through nobody's fault, that proved unsuccessful.

Mr. Chairperson, I would just like to say that we are pleased that the Provincial Auditor has adopted a format in her report that gives greater emphasis to the areas of government where the results of her audit work have been positive, and a new section of the report summarized the reviews done during the year where the overall evaluation of areas under audit is positive. Some opportunities for improvement are reported, and these will be followed up. Nevertheless, some credit should be given to management that this year at least the positive items made up the majority of the new matters.

I probably will give further comment a little later on, Mr. Chairperson but, with those few introductory

remarks, I welcome the contributions of all members.

**Mr. Chairperson:** Thank you. Does the critic for the official opposition have an opening statement?

**Mr. Gary Doer (Leader of the Opposition):** No opening statement, if we could proceed.

**Mr. Chairperson:** Does the critic for the second opposition party have an opening statement?

**Mr. Kevin Lamoureux (Inkster):** No.

**Mr. Chairperson:** No? Well, then, fine, we can just proceed right into the discussion.

**Mr. Doer:** I would like to, as part of my first question, congratulate our new Provincial Auditor and wish her and her office well in the job of working for Manitobans, not for this Legislature, but for Manitobans in terms of their funds and their investments in our great province. It is a real responsibility, I am sure. I am sure you will do very well in your capacity, and I think we have had a tradition in this province of excellent Provincial Auditors. Certainly, it has been my experience both in government and in opposition to feel that the office is complete with integrity and competence. For all the staff, I want just to put those formally on the record on our behalf.

I would like to raise some questions arising out of your report of December 11, 1992, starting with the Vision Capital Fund that has been documented in terms of concerns in terms of conflict-of-interest guidelines, concerns regarding the accountability between the government and the fund, the lack of documented objectives, the lack of any clear monitoring responsibilities, et cetera. We feel these are very important matters and we want to raise both the general and specific questions dealing with your comments on investments that are made in the province of Manitoba under the Vision Capital Fund.

It is certainly something we had heard in the private corporate community, that there were problems, and I was pleased to see the auditor deal with it in this year's report. There is lots of concern in the corporate community, or had been lots of concern in the corporate community, expressed to us about this fund in terms of who gets approved, why they get approved, who does the approval, who is part of the decision-making body, what the criteria is for maintaining this fund and what the evaluation will be for the fund's investments on behalf of Manitobans.

There were some comments made about the government's role and the advisory committee's role on this fund. Who are the members of the advisory committee of the Vision Capital Fund?

\* (1010)

**Mr. Manness:** Mr. Chairperson, we can retrieve that information. We are not absolutely certain right now. We do not have that information with us.

**Mr. Doer:** Then I would like to ask the auditor, there were concerns raised about the conflict of interest between potential advisory members and the decisions that were made on the board of advisors. This raises a whole number of concerns because government representatives would be, of course, I would think, covered by the conflict of interest guidelines of the provincial public service.

So I would like to ask, would these members not be government members who were on the advisory committee approving or dealing with investments in the Vision Capital Fund?

**Ms. Carol Bellringer (Provincial Auditor):** It is correct that the board of advisors extends beyond representatives of the government, and we were happy with the conflict of interest guidelines that the government representatives were following, but we did extend our audit to look at the overall conflict of interest policy for the entire board of advisors, because we believed that it was important that this board act in the context of acting in the best interest of the government, that the overall practices of that board were also important.

We believe that there were opportunities to strengthen the conflict of interest policy, while there was an unwritten one that it had not been formally adopted.

**Mr. Doer:** Yes, under what authority is the board of advisors appointed by the government?

**Mr. Manness:** Mr. Chairperson, I am going way back, but it seems to me that we passed legislation, at least I thought we had, that allowed the setting up of the Vision Capital, and again, I am way out on this, but if that is not the response, then maybe the Provincial Auditor would be able to give a better response.

**Ms. Bellringer:** I do not have the answer to that at this point. I am just looking to the report to see if there is anything specific in there. I do not believe there is. [interjection] On the authority for appointment?

**Mr. Chairperson:** Do you have anything to add, Mr.—

**Floor Answer:** No.

**Mr. Manness:** Mr. Chairperson, in fairness to respond, to providing full answers to the question, I would ask Mr. Doer, if he wants an in-depth response to all these questions, and I am sure he does, that he give us some time to get the information.

I want to assure him that what the government has done in setting up the Vision Capital Fund is basically took an entity that was developing within government and said, we believe that our better business minds outside of government can make decisions regarding public funds and who it is that should have them in support of their business leading to greater employment. That the best people that could, first of all, make decisions and monitor as to how those funds were being spent would be the best business minds from the community. They were brought forward in the Vision Capital Fund, a \$30 million fund, \$15 million flowed in the first tranche, with the next \$15 million not flowing until government was totally satisfied after internal review that, first of all, the fund was working as anticipated. What happened, and I will try and get greater documentation, is that one of the private sector individuals on the board whose company's application was being considered excused himself from the discussions involving the consideration of that particular application, but indeed that was not admitted. That was not shown on the minutes.

The Provincial Auditor did the right thing in drawing note to that shortcoming. Furthermore, the government has pushed the Venture Capital fund to make more formal its procedures. I am told that a disclosure of interest director's contract was adopted by the fund in November, and I hope that this would alleviate the Provincial Auditor's concern. That is the nature, from my understanding at least, of the comment within the Provincial Auditor's report. Again, the Provincial Auditor will speak for herself.

**Mr. Doer:** The minister mentioned the funding of \$30 million was frozen at the \$15-million amount, and the minister will note that there were other concerns raised by the auditor, not just the issue of the conflict of interest, but the issue of lack of any

objectives, lack of monitoring, et cetera, that was noted by the auditor in the Auditor's Report.

Are the funds still frozen in terms of investments, or is the government satisfied at this point and is proceeding with investments?

**Mr. Manness:** Mr. Chairperson, we have had an internal review done by an outside source who is very conversant and knowledgeable as to how funds work in general, and our Minister of Industry, Trade and Tourism (Mr. Stefanson) who would be more knowledgeable in this area than I, it would probably be better if he were to comment.

As I recall, that report was favourable to the activities, and I am talking now about the peer activities with respect to the files for the first two years of the activity of the Vision Capital Fund and that virtually all of the files showed that there was success associated with those companies that had had funding. On that basis the government has decided that they will move forward with the second tranche of \$15 million.

**Mr. Doer:** Will the government be tabling the internal review that they contracted for?

**Mr. Manness:** Mr. Chairperson, I cannot answer that question. I will, again, enter in discussion with the Minister of Industry, Trade and Tourism, and we will attempt to decide at that time.

**Mr. Doer:** Has the auditor been given a copy of that internal review?

**Ms. Bellringer:** No, Mr. Chairperson, I have not seen it.

**Mr. Doer:** The minister did not answer the question about whether the government is proceeding now with the next \$15 million.

**Mr. Manness:** No, I did answer it. We are.

\*(1020)

**Mr. Doer:** You are proceeding.

**Mr. Manness:** We are. Mr. Chairperson, certainly, we will see that that report is shared with the Provincial Auditor.

**Mr. Doer:** Given the Provincial Auditor identified three or four major concerns in her Auditor's Report, would you not think it was prudent to have the Provincial Auditor review the findings of the internal report before the government proceeded to invest taxpayers' money again on this fund. The auditor has very clearly identified a number of major concerns in this fund. I am surprised the auditor has

not been given a copy of the internal audit, and I am surprised the government would not satisfy themselves that the Provincial Auditor was satisfied that things were operating to deal with the concerns prior to unfreezing the second investment, the \$15 million.

**Mr. Manness:** Mr. Chairperson, that is a government responsibility. We have set into place this type of Vision Capital Fund. Indeed, it was following very much in place of its predecessor, small business venture fund, set up by the former government. We have not done anything significantly different.

The Provincial Auditor, rightfully so, has called into question some of the accountability relationship, and I understand that. I can tell that, in response to the Provincial Auditor's concern, the government has reviewed the relationship, and there are documented objectives in place for the province's participation in the fund. Furthermore, specific monitoring and reporting responsibilities have been set out for the provincial representative on the board incorporating the auditor's suggestions.

With respect to the decision as to whether or not the final \$15 million should flow, I would say, Mr. Chairperson, that is very definitely within the government's prerogative. We will rest with that decision, and the Provincial Auditor and, indeed, as importantly, members of the opposition will have a right to comment before, during or after the results are seen.

**Mr. Doer:** The minister mentioned that there was complete satisfaction with all the files in terms of investment by the government's internal review. Is that the findings of the Provincial Auditor, that there was complete satisfaction with all the investments and files that the provincial government has determined under the Vision Capital Fund at this point?

**Ms. Bellringer:** Mr. Chairperson, our audit last year did not extend to include that as one of the objectives of our audit. We had looked at the situation in a more general sense. This is something we will be looking at following receipt of the report.

**Mr. Doer:** Can the auditor advise or the minister advise the status of the investment in a company called Chip & Pepper? Was there an investment by the Vision Capital Fund, how much was it, who

approved it, what is the status of that, and was there collateral funding for the investment by the immigrant investment fund?

**Mr. Manness:** Mr. Chairperson, I cannot answer that question in any type of detail. As a matter of fact, it is a new issue with me.

**Mr. Doer:** Can the Provincial Auditor answer whether there was a million-dollar investment in the company called Chip & Pepper in the province of Manitoba, partially by this fund?

**Ms. Bellringer:** No, Mr. Chairperson, we do not have that detailed information either at this point.

**Mr. Manness:** Mr. Chairperson, the question is fair, and that is fine. I have no problem with it, but I do not know where Mr. Doer is trying to lead. If he is trying to give the impression that Venture Capital funds in some respect are always going to invest in companies that are going to be successful, I am here to tell him that will never be the case. By their very nature, there will be some investments that will not end up being successful. If he does not want to take my word for it, I can tell him I am still writing off losses of Venture Capital and indeed the government-funded activities that the former government was involved in.

So I wish he would state what his allegation is specific to the files of Vision Capital. I know that, at least in reading the report that I have, with the sampling of the files that they looked at with respect to this report—and I am not sure whether the one the member brings up is one of them or not—that the vast majority are successful present files. If he wants to ask about a specific file within the Vision Capital, I ask him to do so of the Minister of Industry, Trade and Tourism (Mr. Stefanson).

**Mr. Doer:** We have asked the Minister of Industry, Trade and Tourism on a number of occasions to give us information and we do not get it, so this is our only opportunity to ask the Provincial Auditor, with the greatest respect, about what is the status of public money and public investments.

I am not disputing Mr. Manness's claim that not all Venture Capital or Vision Capital are successful or not, but surely this is the forum under which members of the opposition, given—the minister has listened to stonewalling answers before in the House. Often he is not the one giving them, but he has listened to stonewalling answers before in the Legislature, and this is the public safety net, I would think, through the Provincial Auditor to ask specific

questions on specific investments with specific objectives and with specific results.

I am sorry the minister took offence to the question. I just think it is appropriate to ask it here; I just asked that the question be taken as notice and do not say they do not all succeed before we even know the answer to the question. I think that maybe this is a successful investment in Chip & Pepper. Maybe it is not.

**Mr. Manness:** I am sure if it was, you would not be asking.

**Mr. Doer:** Sometimes we hear things from the corporate community and the public community, and we quite frankly do not know. We do not have 18,000 people advising us in the bureaucracy and another 12,000 in the Crown corporations. We do not have that. Sometimes we walk down Broadway, and somebody says you have to worry about this. This is a real trouble, really going to be trouble for the taxpayers, and we file and note it and ask the questions in the appropriate place.

I want to ask a general question because it leads into the next set of questions we have, and I will come back to Vision Capital when we get more specific information from the internal review: (a) whether we can get a copy of it; (b) whether the auditor has a copy of it; (c) what the status of those files is, because those files are really public investments. I think it will be useful when we get further information on that.

I asked the question about Chip & Pepper. Have there been investments in the Vision Capital Fund that are part of investments that are made up of private investments from the immigrant investment fund?

**Mr. Manness:** Mr. Chairperson, I cannot answer that question in a comprehensive, nor can I even in a casual fashion. I would think that in virtually all cases there would not be a relationship between the two concepts of funding.

**Mr. Doer:** The relationship I would talk about would be a public investment through the Vision Capital Fund and a private investment through funds arranged through the immigrant investment fund. So the minister is saying there are no such arrangements under the Vision Capital.

**Mr. Manness:** No, I am not saying that there are not any. In other words, I am not giving a categorical response to the question because I cannot answer it.

**Mr. Doer:** Is the auditor aware whether there are any immigrant investment funds as part of the private component of the Vision Capital Fund?

**Ms. Bellringer:** Mr. Chairperson, at this point we are not aware of that level of detail, but in follow-up to the previous discussion on the Vision Capital Fund and following up on those items that are already in the report to the Legislature, we would be pleased to provide to the Public Accounts committee a report as a follow-up to the report to the Legislature once we have received the detailed report on the actual, specific investments. We will conduct whatever audit work we feel is necessary to pursue certain areas, and we will look at what objectives that we will specifically be auditing once we have received that report, and that report we will provide to the Public Accounts committee.

\* (1030)

With respect to the Immigrant Investor funds, I would like to advise the committee that our office is looking at it at this moment. That is something we have not yet provided a draft report of anything to the government. We would follow the normal course that we follow in conducting any audit during the year prior to its being reported in the report to the Legislature once we have done that. Any overlapping findings, if you will, between the two funds could possibly be of relevance in our follow-up of the Vision Capital Fund and would be provided at that time.

**Mr. Doer:** So the auditor is investigating the concerns arising from the immigrant investment fund at this point?

**Ms. Bellringer:** Mr. Chairperson, at this point the audit of the Immigrant Investor fund is at a very preliminary stage. We are obtaining information about the fund—what is it? Once we have reviewed that information, we will define the scope of the audit and the direction that the audit will take. So I do not have a specific answer to the question at this point.

**Mr. Doer:** I am very concerned about the use of the words "independent auditor" in the public arena and the appearance that that is in fact the Provincial Auditor in the public arena in statements made by the government.

A person who is hired as an accountant to do a job for a government in my opinion is a consultant that is an accountant, a person who is not an "independent auditor." I guess there is some confusion in the public arena.

I want to know what the Provincial Auditor's opinion of this is. When ministers hire an accountant to do an internal report and then call them the independent auditor's findings in the public arena, does that in fact confuse roles between professional consultants that are hired versus an independent Provincial Auditor that is a sovereign body reporting under legislation to this Legislature? I just raised that, because it is very important I think to us.

**Ms. Bellringer:** Mr. Chairperson, I do not want to extend my own views to say that it would be something that would be an item of confusion to someone else, because I do not believe I am in a position to do that. My personal opinion is that I do not like to use the word "auditor" unless a standard auditing report is being produced at the end of the day.

Generally that is a report that is used in the financial-statement world. A standard audit report is well recognized both within the private and the public sector. In the public sector, Value for Money auditing standards have been published by the Canadian Institute of Chartered Accountants public sector auditing and accounting committee and those standards, again, are defining an audit outside of the financial-statement world.

I get nervous when the word "auditor" is used for something that is a general review of something. The only way of defining whether that consulting job is truly an audit, and we get into some territorial discussions about what consultants do and what auditors do and I do not want to get into that today because we could be here for many days, but certainly the auditor in the report will explicitly state what standards were used to conduct the work and it is not until you look at a report that you can really answer that question as to whether it was a management consulting job or whether it was an audit assignment.

**Mr. Doer:** Was the Provincial Auditor's Office consulted or utilized in the untendered contract to hire the firm to review the immigrant investment fund by the province?

**Ms. Bellringer:** Mr. Chairperson, no, we were not. The answer is, no, we were not consulted.

**Mr. Doer:** Mr. Manness, I think you used the Auditor's Office before when you conducted the overview audit of the provincial government finances in 1988.

Is it standard practice to consult with the Provincial Auditor's Office, or is it kind of ad hoc as to whether you use the auditor on these major financial inquiries, such as the immigrant investment fund?

**Mr. Manness:** Mr. Chairperson, I have to ask where in this report that we are considering today there is discussion on the Immigration Investor fund. I mean, the member's questions, I am sure, are legitimate, but what relationship do they have to anything before us today? We have been summoned here as a committee to deal with the annual report of the Public Accounts and the Report of the Provincial Auditor.

Now, I do not even see where the Provincial Auditor talks about the immigration investment fund, and not that the member's questions are not his right to ask, but certainly not in this forum. I am wondering if, indeed, we are going to want to get into a full discussion on the immigration investor fund, I would say to you, Mr. Chairperson, that I am attempting very hard to bring Estimates of economic development departments before the Legislature as soon as March—Industry, Trade and Tourism being one of those departments—if the opposition so wish, the third week of March. At that time I think that would be the appropriate place and time to put those types of questions.

I am not running from the issue, but I am saying to the Leader, if we are going to get now into the Immigration Investor fund, let us set up a special time and place to do that, because nothing in the report that I see before me, either the Provincial Auditor's Report or, indeed, the Public Accounts of the Province of Manitoba would allow for the line of questioning that the member provides.

Now, the question directly to me with respect in a general fashion, when do we approach the Provincial Auditor to look at certain inquiries and in certain areas? Mr. Chairperson, there are times when we hear certain allegations that we very quickly ask the Provincial Auditor to look into certain areas. There are times when we decide to go outside of government.

I remind the member, with respect to the Immigration Investor fund, that we have absolutely no investment as a province. There is not a fund as such that we contribute to. As close as we get to the Immigration Investor fund, as the Minister of Industry, Trade and Tourism (Mr. Stefanson) has

said, is that we have been asked to pass judgment as to the economic benefit of certain funds, but we have no direct relationship in a money fashion with these particular types of vehicles.

**Mr. Doer:** Yes, you do. You have staff in that department, paid for by the taxpayers, who are responsible for approving projects under the immigrant investment fund, so I beg to differ, and those staff made recommendations to the government in the last fiscal year.

So, on the technical point you are raising, I disagree with you. On the general point I am trying to raise, and I think this is the appropriate place to raise it because this is the only opportunity we have to deal directly with the Provincial Auditor in a formal setting, is what the criteria are for using—I guess I am starting from a point where I saw a minister of the Crown, a colleague of the Minister of Finance (Mr. Manness) on television, saying, quote: The independent auditor found this, found that, and found something else, and I find that troublesome when, to use words interchangeably in the public arena, somebody—the Provincial Auditor's Office was not used. Not only was it not used—what are the criteria for going to a \$50,000 untendered contract for an outside accountant? What are the criteria for going there as opposed to the criteria for going to the Provincial Auditor for something like the Vision Capital Fund? Who makes that decision to go to the Provincial Auditor? I actually wrote to the Premier (Mr. Filmon) in the last fiscal year about the immigrant investment fund, saying that there are concerns. Now, I am not saying that he was wrong in not sending it to the auditor, but at what point does the government decide to sort of move it out to private accountants or move it in to the Provincial Auditor's Office? This is what I am trying to get at.

Then how do we use those terms so that the public can be assured that when we are talking about the auditor it is the Provincial Auditor as opposed to, you know, a private accountant, which is, in my definition, a much more selective use. The person who hires that person decides the criteria; decides the contract; if it is untendered, decides the fee; and, in some ways, obviously the terms of reference, may dictate the findings. So that is my question. I am trying to get some handle on this.

**Mr. Manness:** Mr. Chairperson, I guess it falls around the word "audit." I know within the Taxation Division I have many people that go out and do audits, with nothing as a year-end balance sheet

type of accountant exposure, but they are called auditors. They do audits on your business and mine, and you better believe that it may be nowhere at all close to what the accounting profession understands as the year-end audit. So I am not saying that to defend my colleague. I am telling you that I do not know whether or not the wording and the semantics around "independent," around "audit" can ever be built somewhere so that the casual observer can take comfort from a statement made by a minister or indeed by anybody with respect to those two terms.

\* (1040)

As far as what criteria are in place, as to the government approaching the Provincial Auditor to investigate some matter or going to somebody outside, there are no criteria. That has not changed. All we know is that, as regards the Provincial Auditor, at times we will request the Provincial Auditor to look into certain matters of a special nature, as is the right of every member of the Legislature. Indeed, the Provincial Auditor does not even need to have a request from any of us. The Provincial Auditor can move into any area they consider appropriate to do so. Therefore, I say there are no formal criteria, never have been, and I do not know how it is that you could build formal criteria.

**Mr. Doer:** Will the Provincial Auditor be able—I am just trying to satisfy, I have no hidden agenda here in this question. I just want so that the minister does not get concerned about it. Does the Provincial Auditor—excuse me, if this is an uninformed question—get a copy of the working notes of the so-called consultant, I guess, in this case the \$50,000 contract? Do they get a copy of the working notes to proceed with their audit, or do they just audit the sort of findings of the accountant?

**Ms. Bellringer:** Mr. Chairperson, what we would generally do is, we will first look at the report itself prior to even considering whether it would be appropriate to look at the detailed working papers supporting it. The working papers belong to the auditor. In other capacities, where auditors have been involved to conduct other work of government agencies, we usually contact their client. In this case it would be whoever it was that had hired the auditor, and ask them if they would mind if we talked to the auditor. If they have a concern, it would stop right there. If they say, no, go ahead, we would contact the auditor, and we generally start with

informal discussions. Again, it is a request, do they mind if we look at their working papers. We have never had a problem with getting access, but that is the protocol that we would follow.

**Mr. Doer:** In this case, the client would be the Premier, I guess. With a \$50,000 contract, would that have to be approved at cabinet? Technically, the client would be cabinet, would it not? I am just saying, the working paper or the minister at minimum. I mean, \$50,000 is not something that any of us can sign for—or maybe the Minister of Finance could.

I cannot remember what goes to Treasury Board and what goes to cabinet. I should know these things, but \$50,000—

**Mr. Manness:** Mr. Chairperson, certainly a contract of that nature and that size would come before Treasury Board, and I believe all consulting contracts come before Treasury Board. I cannot remember specifically whether this consulting contract came before cabinet or not. I assume that it maybe did. If it did not, it certainly came before Treasury Board.

**Mr. Doer:** I do not want to take a lot of time with this, but I do believe that the Immigrant Investor fund is a very important issue for Manitobans. It is very important in terms of our reputation in the Pacific region. It is very important in terms of our reputation in terms of dealing with major investments. It is a very important issue in dealing with the public interests of Manitoba. Manitoba is involved in these programs.

Would it be possible for this Public Accounts committee to reconvene when the—because these decisions have been made by people in the departments in past fiscal years. Quite frankly, it started in '86, and then it was accelerated in '88. Then the criteria changed in 1990. Then the findings came out in December of 1992, and we are still in a situation in '93. So the situation has developed over a number of fiscal years, which would be under the purview of the auditor.

Would it be possible to reconvene this committee with the findings of the Provincial Auditor at a time that the Provincial Auditor reaches those conclusions, which has happened before, before this committee, rather than wait for the annual report of of the Provincial Auditor which may be released some time in December of '93.

**Mr. Manness:** Mr. Chairperson, the Provincial Auditor, under The Provincial Auditor's Act, has full responsibility that, should she in this case find something untoward, to make a report immediately to the Legislature. I can assure members that if that was to occur, I would make sure that this committee was called.

**Mr. Doer:** I just have a couple of other questions. I do not want to burn up all the committee's time, but just one other question on the Environment Innovations Fund. Has the auditor audited the Environment Innovations Fund? I will just ask the general question first—the Department of Environment in the third volume of Public Accounts.

**Mr. Chairperson:** Well, we agreed that we would discuss the reports before us in a general way and without tying ourselves to any one specific report or part of a report, so could you repeat the section?

**Mr. Doer:** I am just asking a question on the Environmental Innovations Fund. Has the auditor reviewed that fund? There are tax initiatives tied to that fund. Allegedly, there is money in that fund; there are allegedly expenditures in that fund. I guess it is one of these other funds. What I am worried about, when you see comments from the auditor on one fund, are there problems in another fund, for example, the Vision Capital Fund. So I am asking questions on the Environmental Innovations Fund.

**Ms. Bellringer:** There is nothing obviously in our 1992 report to the Legislature. We do not have any specific audits going on right now. We conduct what we call an overview of all departments, all funds, all agencies—everything combined in the summary financial statements. We have that listed as one such entity that we will be conducting what we call an overview, but we do not, at this point, have anything specific lined up for an audit. If there are specific concerns, I believe this is an appropriate forum to raise them so that we are aware of them so that we can take that into account when we are doing the overview.

**Mr. Doer:** I have a copy of a memo from Michael Bessey to Gary Filmon dealing with the legislation around the environmental legislation and tax initiatives. To quote: No one in the Department of Finance is satisfied with the fee- and charge-setting power proposed under the legislation, which was passed. It will be seen as a reasonable delegation of revenue raising and spending authority from the

Legislature by the Provincial Auditor. As well, there is general discomfort respecting the absence of accountability controls in the application and disposition of revenue that would be raised by government-mandated charges, the collection and payment of which would be delegated to independent groups outside of government. The Provincial Auditor could reasonably be expected to argue that charges imposed by government and payments authorized by government are ultimately government revenue and expenditures and should be reflected as such in the provincial Estimates.

I am just raising this as a follow-up. I thought I would never raise this as a big issue, I mean, before when the memo is dated. I just thought it was important to follow up on some of the concerns that the Department of Finance had in those days.

What I want to know is: Are those issues with the fund dealt with? Secondly, I want to know: Are there criteria for the fund in terms of who gets money? Are those criteria being met? Are they being monitored, because the auditor identified that with the Vision Capital?

These concerns of this memo are only a small item for me, because I think they actually have been taken care of in the Estimates. But I am more concerned about the follow-through on what is in the fund and what is not in the fund. Again, we hear rumours that this group got the money, or this group was denied the money. We do not know the criteria, whether it is consistent with the legislation. We do not know the approval mechanism. We do not know the evaluation of that. It is taxpayers' money based on budget decisions that were made by the Minister of Finance, and I would just like to raise that with the auditor at this point.

**Mr. Chairperson:** As an interjection, would the member be prepared to table a copy of the—

**Mr. Doer:** Yes, I would. I love tabling the odd memo that I get from the Premier (Mr. Filmon). It is not my only concern, and it is an old memo, but my concern goes way beyond—

**Mr. Chairperson:** Do committee members want copies?

**Mr. Doer:** I will make copies available.

**Ms. Bellringer:** Mr. Chairperson, we will have a look at this issue while we are conducting our overview this year. Again, we would follow the same process. If a standard report is issued, it will go into the report to the Legislature. If there are

significant concerns, they will be raised immediately.

**Mr. Doer:** I have taken enough time. I have lots of other questions, but I will wait for the next committee hearing. Thank you.

**Mr. Manness:** Mr. Chairperson, I have to comment on this. The questions posed by the Leader of the Opposition are all legitimate. They should be answered, I would think, in detail by the Minister of Environment (Mr. Cummings) during his Estimates because they are legitimate questions.

\* (1050)

Let me say with respect to the memo, what Mr. Bessey was in essence saying in that memo was that we inherited, when we were in government, the drive, pushed by the auditors of the day, that indeed everything should be reflected in a consolidated fashion within the presentation of the finances of the province, that this fragmentation that occurred over the years and still occurs in many other provinces should be brought in a consolidated fashion to the whole budgetary process and to the accounts of the province.

That was really what the Department of Finance was concerned about, when we set up any type of new fund, that they be consolidated, and believe me, this fund is consolidated. If money is not spent after the year, it lapses. It does not roll over into the next year for the government's right to continue to build and then spend in the year before the election. That was the essence of Mr. Bessey's comments with respect to the Department of Finance.

**Mr. Chairperson:** Just as a matter of interjection, I am not sure to what extent the committee members will be asking detailed questions and whether we will be passing these reports today, but I was wondering whether the Leader of the Opposition (Mr. Doer) expected another meeting of the committee to further pursue these questions that he has been asking on the Vision Capital Fund.

**Mr. Doer:** That will be the will of the committee, but I assume if we do not pass the reports today, that obviously the opportunity is there for another committee meeting. I do not want to presume what the committee will do.

**Mr. Lamoureux:** Mr. Chairperson, I was interested in the actions of this government with respect to the Provincial Auditor's Office, in noticing an OC that went across my desk a while back. On the OC, what we saw was that the Manitoba Lotteries Foundation

is no longer going to be reported on by the Provincial Auditor's Office. My question to the minister is: Why is that?

**Mr. Manness:** Mr. Chairperson, we are giving the Lotteries Foundation full Crown status. We have passed an Order-in-Council to do that, to put it under the provisions of The Crown Accountability Act and therefore giving it a Crown mandate. We are allowing it then to treat itself like a Crown and to source the best, under the criteria as developed by the Crown Corporations Council, to source an auditor after a request for tenders.

**Mr. Lamoureux:** Mr. Chairperson, before I go into some more in-depth questioning on my first question, I wanted to ask the minister first: Is the government looking at expanding this policy of having additional so-called independent auditors doing the auditing and phasing out other areas?

**Mr. Manness:** Mr. Chairperson, I do not know what the member means by independent. If he is saying that our Crowns, which have engaged the services of accountancy firms which are known worldwide, in their terms, if their independence is in question, then I would ask him to state his case more specifically. If he is asking whether or not we are allowing a greater number of our Crowns to seek the services of agencies outside audit firms who are not necessarily the Provincial Auditor, the answer to that is yes, although I do not know whether it was ever imposed. I do not know if there is any criteria or obligation that the outside Crowns use the Provincial Auditor. I do not know whether that has ever existed. I doubt it.

That is a policy of government one way or the other, and this government has chosen to say to the Crowns to the extent that the Provincial Auditor and outside auditing companies can do the job, go to the marketplace and see who can do the job, not necessarily at the cheapest rate, but given the way that Crowns and indeed businesses weigh all of the factors around making a decision as to who should audit, that they have that freedom.

**Mr. Lamoureux:** Mr. Chairperson, I do see a significant difference when you have previously the Manitoba Lotteries Foundation reporting through the Provincial Auditor to now having to go through an independent auditor when the Provincial Auditor comes before the committee, so that if in fact we do have some questions relating to the Lotteries Foundation, we can put them forward. I can

understand to some degree what the minister is saying, but I do not necessarily agree that the government—I was under the impression that Ernst & Young was giving this. Let me ask the minister. I do not want to speculate on it. Who is the one who set up the tender?

**Mr. Manness:** Mr. Chairperson, that would be the board of the Lotteries Foundation. I want to point out to members of the committee, Section 17(2) of The Provincial Auditors Act says: The Provincial Auditor may request an agency of the government—in this case Lotteries—to obtain and furnish to him—her in this case—such information and explanations from its present or former directors, officers, employees, agents and auditors or those of any of its subsidiaries as are, in the opinion of the Provincial Auditor, necessary to enable her to fulfill her responsibilities as auditor of the accounts of the government.

So the Provincial Auditor, in every case, has the right to overview the activities of any entity of government, in this case, the Lotteries Foundation. There are many good reasons why Crowns from time to time seek the services of outside private companies who have certain expertise in these areas, which the Provincial Auditor may not have. This happens within the real business world, and indeed we have given our Crowns the right to do the very same thing.

**Mr. Lamoureux:** Mr. Chairperson, the Lotteries would have been done annually through the Provincial Auditors. Now it makes reference to the fact, the auditor, as the auditor is entitled to, can go into any one of them. Well, that means that every four or five years, whenever the Provincial Auditor decides to go into it, as opposed to having to do it on an annual basis and coming before this particular committee on an annual basis. I do see a difference. Again, I would ask the minister, in terms of the tendering, why would you not incorporate? If his argument is that it is going to become a full Crown corporation, why not allow that to occur first and then allow it to do the tendering itself?

**Mr. Manness:** Mr. Chairperson, that has happened. The Lotteries Foundation is a full Crown.

\* (1100)

**Mr. Lamoureux:** Is the Minister of Finance or the government looking at tendering out any other

responsibilities from the Provincial Auditor's Office for auditing?

**Mr. Manness:** The answer to the question—the government is not forcing activity away from the Provincial Auditor. I know, for instance—I just saw some results lately. I cannot remember which one of the government entities had called for proposals re audit. The Provincial Auditor had bid to do the audit and, I believe, had come very close by the way of the waiting, had come very close to the top, but somebody else came before.

It is a combination of two things. Price obviously has a significant impact, but there are other criteria. I know, and I cannot remember the example, but just two or three weeks ago, the Provincial Auditor was rated second and was not the successful tenderer. That is what we have said to our entities. You have the right to go out and do this.

**Mr. Lamoureux:** Mr. Chairperson, price does have an impact, but so does public accountability. Public accountability, in my opinion, is not being taken into consideration when—[interjection] The minister says why not.

Let us get some more of the details as to why it was decided that the Lotteries Foundation would no longer be going through the Provincial Auditor. For us to give a more detailed explanation, he has to provide us more information in order that we can do that.

On the surface, it does appear—the Lotteries Foundation is growing. We are moving into VLTs, gambling casinos and so forth. Who knows what is coming up next in the Lotteries Foundation? Now we find out that the Provincial Auditor is no longer responsible for it, so we cannot ask questions with respect to revenues and so forth because it has gone to an independent firm.

Mr. Chairperson, there is a big difference when you go to an independent firm over the Provincial Auditor and say, well, the Provincial Auditor can go and look at it at any point in time that they want. Well, the same principle applies to all the others.

What I want to know is, what direction is the government taking with the Provincial Auditor's Office? Do they want the Provincial Auditor's Office to play a lesser role in the future? Is the price tag the No. 1 priority from this government and the direction that it might be giving to its agencies, or does this government have a sense of public accountability?

**Mr. Manness:** Mr. Chairperson, I cannot believe what I have just heard.

The member is impugning the integrity of these firms, Deloitte & Touche, Arthur Andersen, Price Waterhouse, Ernst & Young, Coopers & Lybrand, Pete Marwick Thorne. If the member is saying that these people are not independent, he is calling into question the integrity of world-national firms with respect to the way they do their audits.

I am shocked that he knows so little about businesses that he would impugn the integrity of these majors. The whole business world depends on the integrity of these firms around the world. There is not a shareholder who could exist if they did not have confidence in these audit companies, yet the member is trying to somehow say that because our Crowns might be given the freedom to call upon these firms for a fee, to do an audit and to report back to the shareholder, in this case the people of the province of Manitoba, there is a lack of accountability, a lack of sincerity and calling into question the integrity of these firms.

Beyond that, the Provincial Auditor, of course, has the full right, and indeed is empowered by The Provincial Auditor Act, to call upon these majors and ask them specifically any issue under the sun, to do an overview audit, and indeed to pursue any issue that the member, indeed any citizen brings to the attention of the Provincial Auditor.

I think it is a wonderful system, but what the member is saying, I think is saying, is that, no, unless the Provincial Auditor does the audit, then accountability is not being practised, and I find that a shameful statement.

**Mr. Lamoureux:** Mr. Chairperson, I can see what the Minister of Finance (Mr. Manness) is trying to say. You know, he says that price has an impact, and I am suggesting to him, well, so does public accountability have an impact.

You are taking away from public accountability whenever you take something away from the Provincial Auditor in the sense that the Provincial Auditor comes before this committee. Ernst & Young does not come before this committee, and they are in the list of other auditing companies.

It is not a question of questioning their integrity. What it is a question of is questioning your integrity or this government's integrity as to what direction this government wants to take the Provincial Auditor's Office.

I would ask the Minister of Finance: What direction is he taking the Provincial Auditor's Office in the province of Manitoba? Does he want to see it downsized?

**Mr. Manness:** I have taken a hands-off approach to the Provincial Auditor's department, and I make no apology for that. The member may say, well, that even reflects more on your lack of integrity, but the reality is that the Provincial Auditor is all powerful and is to report to the Legislature.

If the Provincial Auditor sees a failing with respect to the way any of the majors with the Crowns have chosen to call upon to do the audit, which is public by the way, indeed, the member will see that on his desk in the Legislature as a member.

If the Provincial Auditor finds some aspect of that report questionable, I fully expect, as is the responsibility of the Provincial Auditor, to question and inquire and to do something about it in an inquiry sense, therefore, ultimately, upon their findings to report to all the members of the Legislature by way of the report.

**Mr. Lamoureux:** Let me ask the Provincial Auditor if in fact there has been a decrease in demand for the services of the office from the Legislature.

**Ms. Bellringer:** Mr. Chairperson, I will answer that question, but I have to admit I am sitting here on the edge of my chair wanting to say a few things myself. I am feeling like I am being placed in the middle of something that I do have a few opinions on.

\* (1110)

The Lotteries Foundation audit, which we will not be attesting the financial statement audit for the year ended March 31, 1993, has caused us to shift around our time. We have taken it into consideration and have elected for that year, which is actually halfway into our planning year. When you look at the way that we design our scheduling of our staff to conduct all of our assignments, we are halfway through our year, so we are not in a position, at this point, to react in a way that we would be reducing our staffing at this point because of that particular assignment no longer being with our office.

At the same time, we are right in the middle of a strategic planning exercise, and we are focusing on exactly what it is that we are here to do. We will be speaking with MLAs, with our clients, with all of the stakeholders who are interested in our work, with the public, with the private-sector accounting firms

as well, because there is a difference between our office and them.

There are certain situations with Crown corporation attest audits that I think that they can bring expertise that we do not have. That is just no one likes to be told they were second on a list, but, in any event, I also can conceive that there are times where they can bring into play expertise that they may have from being an international firm, having contacts in other countries.

On the other hand, we also have contacts within the legislative audit community. There is a national network of all provincial and the federal Auditors General. As well, we make contact with international associates, but the focus of our work is different.

There are many other factors to consider as well. There is the risk to the government itself, the financial risk. If you have sourcing of revenue that is external to the taxation system, you may want to take that into consideration and spread your risk in the event that there was cause to even bring into question the quality of the audit. I am speaking about some extreme situations where you will hear about legal cases in the States, or in Canada, where the auditors are brought to court. Bringing the Provincial Auditor to court is bringing yourself to court right now. That is the way the legislation is set out, unless there is extreme negligence.

There are many opportunities that we have to visit all of the agencies of the government, and that includes grant recipients. Any recipient of public monies falls within our purview, and quoting sections of the act, 17(4) of the act, I think, that allows us to conduct inspection audits.

We also have interpreted the section of our act which requires us to bring any matters that we believe are of significance to the members to their attention, and we interpret that to mean matters of significance both within government departments, agencies, Crown corporations, defining it anyway you will, including grant recipients.

We do visit every Crown agency every year. We do not conduct extensive audits necessarily. Certainly, you do have the opportunity in this forum to ask us questions about any of the agencies, and if we do not have the answers, we have the authority to go and find certain answers.

I am trying to be objective about it, and I certainly have biases. I cannot pretend I do not. The

benefits that can be derived by having us do certain audits certainly should not be overlooked. I think we have a very strong office, and I am convinced that looking at the criteria that is being used for the allocation of audits to external CA firms rather than to ourselves has been based on a careful consideration of many criteria.

Cost has certainly been considered, but it is not the deciding factor. We are aware that there are other criteria being looked at, and in the request for proposal, the criteria is listed out. We have been happy in the past with the process being followed by the shareholder in appointing the auditor. It is still an objective awarding of contracts, if you will, despite my personal biases.

**Mr. Lamoureux:** Can the Provincial Auditor tell the committee if in fact the resources to her office are increasing, decreasing?

**Ms. Bellringer:** The financial resources of the office that we have planned for '93-94 are a reduction of the current, and that was a decision of the executive in the office because we had certain vacancies at the present time and were looking at the direction of the office and saying that we believe that the greatest benefit we can provide to the members is in the area of the broader-scope work that we do and that there is certain expertise that we want to develop within the office that is going to require different hiring practices than we have had in the past. It is going to take us a year to get to the point where we can define exactly what that is. That was a decision that we made.

As far as the statutory audits that we are required to do today as compared to two, three, four years ago, it is basically flat in total.

**Mr. Manness:** Well, Mr. Chairperson, I have to comment. I find the question a little bit shameful, not that it is not our member's right to ask it, but he is fully well aware of the answer from a different venue.

He sits on LAMC with certain members, and he is well aware that the Provincial Auditor had indicated that there were some vacancies and in keeping with the general thrust of what the government is trying to do, the Provincial Auditor has seen fit to play a role, not in support of the government, but indeed in trying to help contribute to a lower deficit.

The member is well aware of that, and I think he uses this forum in a very selfish way to try and make the point, unsuccessful I might add, that somehow

it is the government who is, by their decisions, causing the reduction of activities at the Provincial Auditor's Office.

**Mr. Lamoureux:** Well, Mr. Chairperson, I would then ask the Minister of Finance maybe to expand on some of this criteria. He made reference to price has an impact, public accountability has an impact. What other types of criteria does the government have in terms of contracting out?

**Mr. Manness:** I do not have that full list of criteria. Maybe Ms. Bellringer could help me, but certainly the ability I guess to do the audit, and that is a subjective criteria, obviously, secondly, the type of experience, that is a subjective criteria. Those are the type beyond price, which is an objective one, obviously. I am sure there are many more of which I do not have the list. If the member is seeking the list, I will attempt to find that for him.

**Mr. Lamoureux:** Mr. Chairperson, I would ask the Minister of Finance, ability to do the audit, type of experience—would a reduction in staff for the Provincial Auditor have an impact on being able to provide better abilities to perform the audits, on experience for the future for the Auditor's Office?

\* (1120)

**Mr. Manness:** Mr. Chairperson, again, you see the very narrow, myopic view of somebody who does not understand business, and I say that kindly. I know most opposition members believe if you have more money you can do things better, but in reality that is not the way the real world works. If a certain firm, and I dare say the Provincial Auditor's, if they have a certain individual who has experience or has great depth in a certain area of expertise, obviously that will go a great distance at a lower per unit cost in doing the job. I make that general comment, but again, if the member is looking for the list of criteria, I would ask the Provincial Auditor herself whether or not she could lay out some of the other criteria.

**Mr. Lamoureux:** Mr. Chairperson, I would ask the Minister of Finance and the Provincial Auditor both to maybe answer: Are they aware of any other government agencies that are now seeking to go into private audit firms?

**Mr. Chairperson:** Would you repeat the question, Mr. Lamoureux?

**Mr. Lamoureux:** Yes, the question is: Is the minister aware of any additional government agencies, Crown corporations that are changing and going into independent auditing firms?

**Mr. Manness:** I am aware that the Liquor Control Commission may be.

**Mr. Chairperson:** Ms. Bellringer, did you have anything to add?

**Ms. Bellringer:** Yes, in addition to the Liquor Control Commission, we are aware of the Alcoholism Foundation of Manitoba and, I believe, Fleet Vehicles, which is a newly formed special operating agency.

**Mr. Lamoureux:** It is interesting that in Finance the minister is responsible for two of the three, anyway, the Liquor Control Commission and the Manitoba Lotteries Foundation—

**Mr. Manness:** The member has his information wrong. I am not responsible for any of them. The Liquor Control Commission falls under the Minister of Consumer and Corporate Affairs (Mrs. McIntosh) and the Fleet Vehicles falls under the Minister of Government Services (Mr. Ducharme). What was the third one? AFM falls under the Minister of Health (Mr. Orchard), so the member struck out three times.

**Mr. Lamoureux:** Can the minister tell me, has a tender gone out for the Liquor Control Commission?

**Mr. Manness:** Again, Mr. Chairperson, we are all over the map here and indeed, if that is the desire, the answer is yes. Call for tenders have gone out.

**Mr. Lamoureux:** Can the minister give us or provide for us the criteria that have been established for that?

**Mr. Manness:** Mr. Chairperson, I cannot. If the member wants it, I will attempt to give him that criteria. I am almost positive the Crown Corporations Council has set that out by way of policy statement to the Crown.

**Mr. Lamoureux:** With respect to the Fleet Vehicles, that is not a Crown corporation at all. I am wondering why they would want to have the Fleet Vehicles tendered out at this point in time. Who made the decision for that?

**Mr. Manness:** Well, if the member remembers, I brought in an act last year called The Special Operating Agencies Financing Authority Act. He probably voted against it, but that of course—

**Mr. Lamoureux:** We probably did not vote on it.

**Mr. Manness:** Well, typical Liberal, did not vote at all.

The reality is, Mr. Chairperson, that set up the legislative authority to set up new entities in government which, within the consolidation of the government, are still going to be there, but these are legal entities outside of the department. They, therefore, will have a business plan, charter with government signed as a formal entity, and indeed their books are expected to be audited.

**Mr. Lamoureux:** Who would have made the decision to go outside of the Provincial Auditor's responsibility?

**Mr. Manness:** Mr. Chairperson, the agency was given, under the legislation, the responsibility to find an auditor, and they would have called for proposals. So they would have gone to the industry as a whole, including the Provincial Auditor, and called for proposals.

**Ms. Bellringer:** Just one thing that relates to that, not just with the special operating agencies, but any piece of legislation generally has an audit clause. That, as well, is part of the determination of whether it is the Provincial Auditor or whether that can also go beyond that.

Some of the legislation is written such that it indicates that the—sometimes specific as to exactly what is audited and will indicate that the balance sheet and statement of profit and loss shall be audited by the Provincial Auditor. In other cases the legislation is written and it indicates, who may be the Provincial Auditor. In drafting and approving the legislation that would be the first legislative decision as to whether it would be acceptable to be our office or outside.

**Mr. Manness:** Mr. Chairperson, Ms. Bellringer is so correct. I mean, some legislation is directive, some is permissive. In this case this was permissive. The agency was not directed that they had to use the Provincial Auditor.

**Mr. Lamoureux:** I want to talk about this new entity of the vehicle fleet. Maybe the minister can tell me who actually would have made the decision. Is this a board then that is appointed from the government?

Obviously I do not think it is quite as simple as saying, well, here we are just creating, everyone is going out putting tenders, lowest bid, when in all likelihood, as far as I am concerned, after listening to the Minister of Finance, is obviously taking the first priority or at least the very first criteria. I prefer public accountability.

**Mr. Manness:** Again, the member is nowhere around the reports, Mr. Chairperson, and he is nowhere close to it.

It seems to me that the board of the special operating agency of the Fleet Vehicle includes two deputy ministers and two or three individuals from outside who are understanding of that industry. They are basically the board. They are the ones that called for proposals and ultimately came forward with a list of recommendations. They put that in the hands of the minister, and the minister brought that to Treasury Board for sanction, as I recall the process.

**Mr. Lamoureux:** I will make sure I got this right. The government makes it permissive. The government then appoints the board and then the board brings it to the government for approval. Is that correct?

**Mr. Manness:** That is correct.

**Mr. Lamoureux:** Okay.

**Mr. Manness:** Oh, you have us now, do you not?

**Mr. Lamoureux:** Mr. Chairperson, because this is after all—I would ask the Minister of Finance, what additional agencies or these permissive boards that are out there that are going to the Provincial Auditor's Office?

**Mr. Manness:** I am going to have to search the legislation or the lexicon somewhere. I do not know what a permissive board is in the government context. This is not a permissive board. As a matter of fact, this is a legal entity which the member had an opportunity to pass judgment on when the legislation was brought forward.

What other operating agencies do we have? I think that is what you are asking. Remember the legislation that was passed was enabling legislation to set up special operating agencies. That was not specifically a Fleet Vehicle. It was, by regulation, the flows from the legislation. So the legislation to the extent that government finds other areas where indeed they want to set up a special operating agency, they will all be given the opportunity to select the auditor that they wish to, not that they wish to, under the criteria that is in place for the selection after they have called for proposals.

\* (1130)

**Mr. Lamoureux:** Mr. Chairperson, I am sure that we could go on and on about this particular issue.

**Mr. Manness:** What is the issue?

**Mr. Lamoureux:** What is the issue?—the issue is that this government does not necessarily feel that the Provincial Auditor's Office is better prepared to hold the different agencies and so forth that are out there more accountable publicly in this Legislature, because obviously that is set low on the criteria because we are starting to see more agencies moving into the private sector.

Mr. Chairperson, I am not saying that those outside organizations do not have credibility, as I am sure the Minister of Finance will love to go and tell individuals that I do not believe that they are competent and capable in order to give independent reports, but this is a form of contracting out to a certain degree. I think that the Fleet Vehicles is an excellent example of it.

It can very clearly be demonstrated that the government is doing it through the Fleet Vehicles, that the government is suggesting in some form or fashion that we want to see a change from the Provincial Auditor's Office or, Mr. Chairperson, I would ask if that is not the case, why would this board that they appoint, go out and get an opinion and maybe this is what I should ask. Will the Minister of Finance make a commitment to this committee that we will see the tendered contracts that out bid, that won out over the Provincial Auditor's Report? Was it just the dollar value that gave it to this outside auditing firm?

**Mr. Manness:** Mr. Chairperson, I do not think that is in keeping with government policy at any time to release the tender proposals, whether it is with respect to an audit request, whether it is with respect to a housing request. The member knows that the government is seeking requests for proposals in a whole host of areas, and there is no way we can set aside the requests on the audit side from any of the other areas, whether it is to find lodging for an employee in community A.

It is not the government's traditional role to lay out all of the tenders that come before us. Does the member now want us in the Highways construction budget to lay out all the tenders that come forward with respect to building five miles of road on provincial road XYZ? I mean we have to be reasonable here.

**Mr. Lamoureux:** Mr. Chairperson, I would argue that there is a difference in the sense that we have a Provincial Auditor that reports to the Legislature, not to the minister or the government of Manitoba,

and we see responsibilities being taken away from the Provincial Auditor's Office through different mechanisms. I mean the government likes to say that, no, they do not have anything to do with it, when it is very hard to say that when we especially look at the Fleet Vehicles.

I believe that if the government was wanting to be straightforward with us, both at the committee and in the Chamber, there would be just reason, or there is reason there, to allow us to find out in fact why a private auditing company would have been given this particular contract to match the criteria, if you like, to what is actually happening.

That is the reason why I would suggest and ask again: Would the minister co-operate with the opposition, or at the very least with myself, and allow us to see that?

**Mr. Manness:** It would be so precedent setting that the answer is no. Let me say to the member, the Provincial Auditor's legislation, I would ask him to read it, all the sections, particularly Section 17, and comfort himself with the tremendous powers that the Provincial Auditor has in every area of government involvement, including the Special Operating Agency.

I even look at 17(3), and I quote: "If, in the opinion of the Provincial Auditor, an agency of the government, in a response to a request made under subsection (2)—the one I read previously—"fails to provide any or sufficient information or explanations, she may so advise the Lieutenant Governor in Council"—in other words, the Premier (Mr. Filmon), the cabinet—"who may thereupon direct the officers of the corporation to furnish the Provincial Auditor with such information and explanations and to give her access to those records, documents, books, accounts" and so on and so forth. End of quote.

Tremendous powers under the Provincial Auditor to demand any information of the Crown or any other entities of government.

**Mr. Lamoureux:** Mr. Chairperson, if the Minister of Finance (Mr. Manness) does not understand the difference between that and what it is that I have been talking about, it does not matter how often he chooses to read the act, he is not going to get a better understanding of the system and how it works.

I wanted to, because I know I have already been at the mike for a while here and no doubt will get another opportunity through Public Accounts to

revisit this particular issue, because I do not think it is an issue that is just going to lie there, that in fact it will be something that will be coming back up—I did want to ask a couple of other questions, in particular with The Forks Corporation. Does the Provincial Auditor have anything to do with The Forks Corporation?

**Ms. Bellringer:** I am sorry. Could you please repeat the question?

**Mr. Lamoureux:** Does the Provincial Auditor's Office have anything to do with The Forks Corporation?

**Ms. Bellringer:** I am sorry, could you please repeat the question?

**Mr. Lamoureux:** Does the Provincial Auditor's Office have anything to do with The Forks Corporation?

**Mr. Chairperson:** Just repeating, I believe the question was: Does the Provincial Auditor have anything to do with The Forks Corporation? This was the question.

**Ms. Bellringer:** Mr. Chairperson, we have not specifically looked at anything with respect to The Forks.

**Mr. Lamoureux:** Maybe I will ask the Minister of Finance (Mr. Manness). The financial reports that come out with respect to The Forks, how is that tabled or how is that made available for members of the Legislature?

**Mr. Manness:** Well, Mr. Chairperson, we are a one-third shareholder as I recall and, as you know in the past when Mr. Carr has tried to call forward these groups, of which we are one-third owner under a tripartite agreement, we have tried to provide opportunities to provide greater accountability for their spokespeople to come forward and provide responses to questions. At this point in time The Forks Corporation would have an auditor also and, to the extent that this member or any member of the public brings certain issues to the attention of the Provincial Auditor, our Provincial Auditor would have the right to undertake an investigation or an overview. That is the way the process works, but there is no requirement, as I understand, for The Forks Corporation to lay before this Legislature a document or an annual report—pardon me, an audited financial statement.

**Mr. Chairperson:** Mr. Lamoureux, I believe some of the other members of the committee are wanting

to ask questions, but I do not want to interrupt a flow here. You may have a particular line that you want to pursue. If you could conclude that, then we should allow some of the other members an opportunity to ask questions.

\* (1140)

**Mr. Lamoureux:** Okay, just two final questions, Mr. Chairperson, and that is, the financial reports, I am wondering if there is something that the Provincial Auditor's Office could do, given the act that the minister himself quoted from not once but twice in dealing with, just strictly speaking, the financial reports and how MLAs can have some sort of input on it.

Having said that, I will just move on to the second point that I was wanting to just seek some clarification on. For revenues that come into the government, in particular corporate taxes, the different taxations, is there—there is the manual way in which I guess I could go back and get all the provincial audits, reports or the Public Accounts books and make my own graph, but does the Provincial Auditor's Office have a graph saying, you know, from 1971 corporation taxes, this is the percentage it has gone up or it has decreased or something of this nature? Is there something that gives a bit more detailed breakdown of revenue?

**Ms. Bellringer:** No, we would not have that information for you. We do not have that information.

**Mr. Jim Maloway (Elmwood):** Mr. Chairperson, based on the questions asked by the member for Inkster, it seems fairly clear to me that what we have here is a complete circle whereby the government passes permissive legislation on the one hand, allowing certain agencies to hire these outside auditors, then it turns around and appoints the board members who in fact make the decisions and hire these outside auditors.

What I see here is the government is in effect contracting out the Provincial Auditor functions, and it is certainly doing that when it does not allow the Provincial Auditor to hire staff replacements and certainly provide the functions that I feel a Provincial Auditor should be able to provide.

What I would like, Mr. Chairperson, is if the minister or the Provincial Auditor could endeavour to provide the committee with a list of the successful firms who are in fact going to be providing the auditing in these cases.

**Mr. Manness:** Gladly. I do not know what cases he is talking about. Certainly, a decision has been made recently with respect to the Special Operating Agency, Fleet Vehicle, so if the member would be more definitive of what agencies beyond that one.

**Mr. Maloway:** Well, the minister made reference to the Liquor Commission. In that particular case, the tenders have been called, so this committee I think would be very interested in knowing who the successful tender auditing firm would be.

Certainly, in the case of the Fleet Vehicles and in fact any other outside contracting that is going on, I think this committee and the members of this committee should know who are the successful firms. The minister made reference to several firms, Arthur Andersen and others, who are in fact doing contract work right now. I think we would like to have a list of those.

**Mr. Manness:** Fair enough, Mr. Chairperson, but I think in almost all cases these are O.C.'d. This is part of the public record. I mean, the member, if he just watches the O.C.s as they come down, will be given all his answers.

**Mr. Chairperson:** Do you have any further questions, Mr. Maloway? Mr. Santos?

**Mr. Conrad Santos (Broadway):** I would like to follow up on that point. So actually what is taking place here is the original prerogative of the Legislature to make a decision of whether or not it will be the job of the Provincial Auditor or any other external auditor, the choice, whether it is mandatory or permissive, is practically removed and placed in the hands of the cabinet because of that special operating agency staff. Is that the outcome?

**Mr. Manness:** Absolutely not. The Legislature never did have final authority as to who the government, other than the passing of the legislation—

**Mr. Santos:** The very passing of the legislation provides the leeway to remove that authority from the Legislature and place it in the executive.

**Mr. Manness:** I react to the word "leeway." The Legislature is supreme. The Legislature has decided. The people of Manitoba, through their elected representatives, have decided that entities of government in some cases do not need to have their books audited by the Provincial Auditor. If you believe in the rule of law, that is the law. So I react to the word "leeway." That makes it sound like it is

kind of slidey, kind of slippery, kind of an attempt to deny accountability.

(Mr. Marcel Laurendeau, Acting Chairperson, in the Chair)

That is not factual at all, because every piece of legislation that we bring in that causes a new government entity to come into existence—as the Provincial Auditor indicates, one of the very basic tenets of that legislation is accountability and how it is that the entity will report to the shareholder, in this case the people of the province of Manitoba.

**Mr. Santos:** By passing this special operating agencies act and giving whatever agencies are created under it the discretion or decision whether to go to the Provincial Auditor or to go to an external auditor, the directions from the executive necessarily of course mean that the choice has devolved upon the executive, not in the very law itself, because the law removes it by delegating this power to the executive, the government in power.

**Mr. Manness:** Mr. Acting Chairperson, that is what the people of the province of Manitoba want. That is why it is a law.

**Mr. Santos:** I would like to go to the report itself and do it systematically so that everybody can follow what I am asking.

On page 5—

**The Acting Chairperson (Mr. Laurendeau):** Order, please. Mr. Santos, will that be the Provincial Auditor's Report? Could you define which book—

**Mr. Santos:** This is the Provincial Auditor's Report for the fiscal year ended March 31, 1992. I am referring to that document.

On page 5 under the topic Future Direction of the Office, second paragraph, it says there, in January 1993 the Auditor's Office, that is to say, the Provincial Auditor's Office, will be commencing a comprehensive strategic planning exercise, using the Canadian Comprehensive Auditing Foundation's Effectiveness Framework.

Can we have some little background information about this new approach?

**Ms. Bellinger:** The approach that we have elected to take in what we are now calling actually our directional plan, which is going to precede our strategic and tactical plans for the office, is being conducted by all of our staff members. We are having everybody in the office contribute to looking

at: Where are we today, where are we going, and how are we going to get there?

The introduction of the CCAF Effectiveness Framework is actually, just going back to something that Mr. Evans mentioned at the beginning of the committee, the hospital tape that he referred to and the book that accompanies it is a recent publication of the CCAF, and I was in attendance at the conference this year when that was released.

It is an excellent tape, an excellent book. I encourage all of the members to view it or glance through the book itself. There are many documents that the CCAF has available on the Effectiveness Framework, and the Department of Finance, through the Financial & Management Systems Branch, has been assisting a number of departments and agencies in the government in actually utilizing that framework.

When we started out in our strategic planning exercise, we looked to having a facilitator from the private sector come in and help us with the plan using a combination of traditional strategic planning techniques and implementing, as well, at the same time, the Effectiveness Framework.

Well, this was a novel idea. It is not something that has ever been done before. So we recognized that after we received information from consultants and decided to split those two activities. We were first conducting this directional strategic and tactical planning exercise and will then be incorporating elements of the effectiveness framework following that.

\* (1150)

The effectiveness framework is something that can be used. It was developed primarily for the public sector initially; and, if you were to ask the question, is management doing a good job, and you sit back and say, are they effective, it is very difficult to then set out criteria to evaluate that. What I think is effective and what you think is effective, and what anybody in this room thinks is effective, is probably somewhat different. The CCAF tried to put together a standardized set of criteria that, if applied anywhere, would give you the answer to that very question: Is management effective, is management of the program effective?

In fact, Manitoba and the individuals within the administration in Manitoba have become pioneers, if you will, in implementing this framework and are nationally known for the work that they have done

in that area. Our office, in conjunction with the Crown Corporation Council for the year from April 1, '93 and on—we have elected to become sustaining members of the CCAF. We are the only remaining province to make that formal financial commitment because we believe the benefits of that framework are immeasurable. It is an excellent way of defining accountability for good management. We have elected to use that process, and we thought it best to start with ourselves.

**Mr. Manness:** Mr. Acting Chairperson, I want to comment because what Ms. Bellringer is saying is so accurate, but beyond what she is saying I would tell members that government, during these very, very difficult times, has to have in place some measure of deciding which programs stay, which ones go. The ones that stay, how they can deliver better and more efficiently? A case in point, I have not seen "How Effective Are Our Hospitals?" I have not seen the video myself, but I know, for instance, because the nurses tell us, that as little as under 50 percent of their time is spent providing direct care to patients. The rest of the time is spent filling out paper, walking the wards. When we look at health reform, it obviously has to become one of the objectives to let nurses again do what nurses do best, and that is provide direct care, what they want to do and what society wants.

Yet there are those in society, as soon as you begin to try and find ways and means of doing that, through first of all measuring the effectiveness of what we do now and trying to develop a standard to move to a better system—there are those who will, of course, want to make politics with respect to any changes. Yet governments everywhere are going to be driven to make decisions on the basis of these evaluations. We are proud of our fledgling activities as a government in this area, but we have an awful long way to go. So to the extent that the Provincial Auditor pushes us to even go further, I welcome very much that push from her point of view.

**Mr. Santos:** I have other questions, but I would like to give the opportunity to my colleague the member for Wolseley because she came precisely to ask some questions.

**Mr. Brian Pallister (Portage la Prairie):** Mr. Acting Chairperson, a question for the Provincial Auditor, I note that you recommend that members be provided with more information regarding the projected deficit and borrowing program of the government, and I would like you to outline why you

make that recommendation in terms of Estimates, information on Estimates.

**Ms. Bellringer:** Mr. Acting Chairperson, this is a recommendation that our office has been making for a number of years, and it is, just for the other members' reference, it would be in the previous recommendations on page 176.

We did an audit of the Estimates process in 1989, and it was one of a number of recommendations that were made to strengthen the quality of the information being provided to the MLAs when they are reviewing the supplementary information. At the federal level, the Auditor General has been making similar suggestions, and the focus this year of the Auditor General's report, in a more recent up-to-date context, is extending that sort of information to not just provide an increased quantity of information, but rather to provide it in a format that would be understandable to the public and to the members, using graphs and trends and that form of information.

I concur with the Auditor General's recommendation that it is something that requires careful study and would require input from interested parties to ensure that it is not just increased quantity but rather quality. I would suggest the same thing in our province.

**Mr. Pallster:** Given the seriousness of the current deficit situation in this province, and at least in part this problem results from a series of accumulated deficits, I would agree that this recommendation has some validity.

(Mr. Chairperson in the Chair)

I would ask the Minister of Finance (Mr. Manness), given the situation that we are faced with today, and given the relative lack of understanding that I believe many members and many people in society have certainly about this situation, if there are some measures which could be taken to provide better information to the members on this issue, as it seems that many are blissfully ignorant of the problems that we face as a government currently.

**Mr. Manness:** Mr. Chairperson, I certainly welcome the suggestions from my colleague. I know over the years there have been radical improvements made in the information provided to members, so much so now I think there is a question in some people's minds whether the annual reports the departments bring down have the value that they were intended. The supplementary information has

a wealth of detail, and yet to the extent it can be made better for departments, I guess we could always review and change.

To your Estimates request, in a perfect world, I would love to do—I can tell you I can hardly put one year together right now. So everybody that receives funding from government would like greater certainty with greater predictability going out two or three years, and I would love to provide it as long as somebody can give me the greater predictability as to what my revenues will be in two years or three years.

We have gone some distance in providing even three years estimate of trying. I called for five years when I was in opposition. We went out three years with forecasts of deficit more so than any other province. The reality of it is that unless you can—if you know with certainty what your revenues are going to be in three years, your forecasts are subject to a lot of abuse and a lot of varying interpretation.

**Ms. Jean Friesen (Wolseley):** I would like to ask about the areas where there are cost-shared programs with various parts of the private sector, and I am particularly interested in Workforce 2000. I wonder if you could perhaps give me a general idea first of all of how the auditor approaches these cost-shared programs. Under Workforce 2000, I am thinking particularly of the section of the program which gives direct cash grants, not the payroll elimination part. So could you tell me what procedures you follow in looking at those cost-shared programs?

\* (1200)

**Ms. Bellringer:** Mr. Chairperson, for all recipients of public monies we annually conduct a risk assessment of those entities that we wish to complete inspection audits and, in the 1992 Report to the Legislative Assembly, that was the Manitoba Museum of Man and Nature, the Sports Federation and the Art Gallery, and those were very detailed inspection audits. We generally conduct two or three of those a year. That includes any joint efforts as well as grant recipients.

We also look at the procedures in place at the department level to monitor compliance with agreements or just general accountability for the results of whatever it was they had set out as their initial expectations in giving grants to the various recipients. My own approach to auditing the recipients of public monies leans more towards

looking at it from the departmental perspective rather than an in-depth inspection audit where we go in and look at overall management practices. I believe that is a departmental responsibility, and we would only go in and look at something—we are looking as well at joint audits in conjunction with departmental officials as well as with other interested grant orders, including the City of Winnipeg, where the city auditor may go into a particular recipient of public monies.

We look at the interests of all taxpayers and say, is there any point having duplication of effort if we are auditing it and they are auditing it? So we certainly work in conjunction. To date we have not had any joint audits per se, but Workforce 2000, at the moment we are, in conducting our audit of the Department of Education, looking at all of the programs that are under their purview.

**Ms. Friesen:** Could you explain to me then how the department conducts its reviews of the grants that it gives to the relatively small groups involved? These are not for the most part—in fact, I do not think, with the exception of some co-ops and credit unions, these are essentially grants under \$10,000 to a very wide range of groups.

So could you explain to me how you have dealt with the department on this and how you are satisfied with their procedures or not satisfied?

**Ms. Bellringer:** Mr. Chairperson, for the Workforce 2000 program, that is not something that we had reported in our '92 report to the Legislature, and we have not conducted a detailed audit of those procedures, so I do not have that answer for you today.

If it is the will of the committee for us to pursue that specifically, we can. Otherwise, it would be something that we may or may not look at for the Department of Education audit this year.

**Ms. Friesen:** If you were to conduct an audit of a program like that, would you be conducting it—and I do not know the right accounting terms for it—would you be looking at effectiveness?

This is a training program. Would you be looking at the nature of the training received and its relationship to proposals that were made, and how would you do that kind of investigation?

**Ms. Bellringer:** When we get into the broader-scope audits, they range everywhere from some very quick questions of management as to how do you conduct your review of these grants all

the way through effectiveness audit questions: Are the criteria that the department is setting reasonable, and is the information that they are obtaining giving them the information they need to make that evaluation?

We may go as far as saying, not only does that information they are receiving give them that kind of information, but we would check as to what extent they are going out and verifying it. If we feel there is a risk area, we would go out and verify it ourselves.

Just in terms of process, some of the audit reports that are in last year's report that are very similar in nature to that would be the Department of Culture, Heritage and Citizenship, both reports, in that case, on grant accountability, practices and procedures, and on the MGAC, the Multicultural Grants Advisory Council. There are a few more than just that.

In conjunction with the Manitoba Museum of Man and Nature and the Art Gallery audits, we looked at the departmental operations, and that is that grant accountability, practices and procedures report.

With respect to the Manitoba Sports Federation, in conducting that inspection audit, we also looked at the practices of the department, and actually the full report did not get reproduced because we did not have any concerns, and it is summarized in the items of significance as an area where we were happy.

**Ms. Friesen:** Many of the grants that you are comparing them to—in the case of culture, heritage and recreation, for example—would tend to be grants that would have an end product in view—a building, a renovation or something that either was or was not done, or was or was not done in a specific manner.

When you are looking at training programs, education, it seems to me that there would need to be some kind of evaluation of the trainer, the educator. There would need to be some evaluation of outcome and some evaluation of curriculum, and I wonder if you could tell me how you are going about assuring that these kinds of things are being done in the department.

**Ms. Bellringer:** This is an area that, as an office, we have only had limited exposure to in conducting our audits. It is the wave of the future in comprehensive auditing. In fact, in the area of education, it is one of the forums that were presented at the CCAF conference this year as an area where measurable objectives in education

must be defined and to date have not been defined, and they range obviously depending on the nature of the organization, but certainly there are a number of experts in the field who have opinions as to how you would measure those outcomes.

We generally, in setting the criteria, because there is no definitive way of how to measure effectiveness of any program—there is no black-and-white way of saying that this is the way to do it—one thing we take into account is the effectiveness framework that we referred to previously which looks at 12 attributes of effectiveness.

It looks at, is the program relevant? Is it accepted? In other words, are those people whom it is serving, is it what they are looking for? It looks at costs in productivity as well, because you cannot ignore the costs, but it does not take that in isolation. It looks at the effectiveness of management of the program delivery in terms of, do they provide direction to their staff? It looks at the working environment. It looks at that as more of an intangible thing. It is one of the more difficult audit criteria for us to look at, but in terms of, are people happy where they are working, and productivity is generally directly proportional to the environment that they work in.

Without going into all 12, there are 12 of these similar attributes, taken as a package, which will enable you to determine whether or not the outcomes are as expected. That is one approach that we may take, and we do not take any one approach in all circumstances. We may do that. We may just look at the objectives that have already been established and do they make sense?

In the case of reviews we have done in the past in Child and Family Services, we have used people in the social services area to help us with that review, because we are not experts in that field, and we do not have experts in that field in our office.

The answer today that I like and we are strongly supporting in the office is using a steering committee, if you will, of people within the department. In this case, it would be those people actually delivering the Workforce 2000 programs, somebody within the Department of Education, possibly, Department of Finance with experience in applying the effectiveness framework, and ourselves, and using a steering committee to set criteria, which has many benefits, because that in

itself allows all of the interested parties who are later going to have to implement our recommendations and who have to buy into our recommendations for them to have any value, to have input up-front in determining, once we do our audit, what would constitute good management or good delivery of your program. It is a novel approach across the country to getting some recommendations that are of value.

**Ms. Friesen:** So then at the moment, we have a \$3-million program of Workforce 2000 which has not in fact been audited for completion, for quality, for meeting the limited goals, I would say, that the department has set out.

**Ms. Bellringer:** That is correct, and I am going to go as far as generalizing that there are a number of programs in government that we do not have the resources today to audit all programs every year, and we do not even attempt to do that.

What we do when we do our overview audits, when we do our departmental audits, is determine which areas do we believe are of most risk, and that is where we focus our work. It does not enable us to do all things every year.

That is one of the difficulties we have had as an office in producing our final report, because I think it does give the impression that we are doing all things every year, and that impression is demonstrated in questions such as, what is your overall rating?

We cannot give an overall rating, because we do not do an audit of all things every year. Certainly your having raised it in itself increases our awareness of it, and we take that into account when we do a risk assessment in selecting our projects for detailed review.

**Ms. Friesen:** If I can perhaps suggest some areas to you, one of the things that would concern me is the qualifications of the people who are doing the training and the basis on which they are selected.

My sense of some of the grants that have gone into Workforce 2000 are in fact for half-hour training. Now, that would give anybody concern. I do not think you have really got time to show people the bathroom and the telephone on a half-hour training.

So I think the definition and the goals of where the department is going on that would be useful to look at. I would be interested in seeing what kind of audits there are of similar types of areas.

I think overall in education—you know, the whole basic issue of whether you go to standardized testing and that kind of thing—and there are some areas where that is appropriate and some areas where it is not, but in the case of Workforce 2000 we have some very specific goals, and particularly on the short-scale training I think we need to be very careful about what is happening.

**Ms. Bellringer:** Just one final comment on our process. This has, to me, been an extremely useful discussion, because I think it is important for you to understand where our process comes from.

We do not audit the effectiveness of a program in the political sense, we look at it from the administrative sense and ensure that the initial goals are available for discussion at a political level just to avoid any confusion. I mean we use those terms interchangeably.

We say effectiveness and what we do not mean when we look at whether a policy is appropriate or not, we take it to be our job to indicate whether a policy is appropriate or not, but that is an administrative policy not a political policy. I still think we can look at all of these areas in the sense of from the administrative perspective.

\* (1210)

**Ms. Frlesen:** I was interested in your raising the Museum of Man and Nature and the Art Gallery reports, and I wondered, are those available in detail?

**Ms. Bellringer:** The detailed reports have been reproduced in our report to the Legislature for all three of those.

**Mr. Chairperson:** Just before I recognize Mr. Lamoureux I notice it is getting close to 12:15. We can either adjourn now—I gather there are a lot of other questions—or can we go to 12:30? Is that the will of the committee to adjourn at 12:30 unless everything is decided on and discussed and passed before then? I do not sense that, but we will agree that if we are not completed, we will adjourn at 12:30, and then we would have to decide on another date that is convenient to all. I presume the House leader will then advise people.

**Mr. Manness:** Mr. Chairperson, I have no trouble with that, going to another day, but if there is a likelihood that the Provincial Auditor's Report could be passed, then indeed it is one less element that we have to deal with in planning another date.

**Mr. Chairperson:** All right.

**Mr. Lamoureux:** Mr. Chairperson, I wanted just to clarify a few things with respect to what some might classify as contracting out, governments then at least participating at some level; that is, for clarification, there is the Liquor Control Commission, the Alcoholism Foundation of Manitoba, the Fleet Vehicle and the Manitoba Lotteries Foundation, all of which now are done from independent auditors outside of the Provincial Auditor.

**Mr. Manness:** Mr. Chairperson, I cannot from recall give a definitive response. Certainly, the Lotteries Foundation is no longer with the Provincial Auditor's department. I am sure the Special Operating Agency Fleet Vehicle decision has been made. I do not know how public it is yet, so I will not report to that just yet, and the other two I would have to seek additional information on. I am not close enough to them right now.

**Ms. Bellringer:** Could you repeat the question because I was not—were you indicating just those audits that we are not conducting, because there are a variety of those as well, and of the ones that you listed, the only one with a firm decision, that I am aware of, is the Lotteries Foundation? The other three—and I may have misled the committee as well in terms of the Special Operating Agency.

Fleet Vehicle is currently operating as part of the department, and we audit it because it is part of the department, and it is therefore part of Public Accounts. Any change in that case is not because we are auditing it as a separate agency today and possibly not in the future. That is because of a restructuring, not because of something that we are currently auditing separately and has now gone out for proposal in the same way as the others have.

**Mr. Lamoureux:** Can the Provincial Auditor tell me if the Liquor Control Commission and Alcoholism Foundation of Manitoba—if the Provincial Auditor's department was successful in the bid that they no doubt would have put forward?

**Ms. Bellringer:** Those are the two that I do not know today what has been decided, but we have, in both of those instances, submitted information through the mechanism of submitting a proposal.

**Mr. Lamoureux:** I would ask the Provincial Auditor or the minister, who is now doing the Fleet Vehicle audit?

**Ms. Bellringer:** The March 31, '93 year-end will be the first year-end for Fleet Vehicle, and the auditors

of the financial statements for that period—I do not know who those auditors are at the moment.

**Mr. Lamoureux:** Does the Minister of Finance (Mr. Manness) know who it is?

**Mr. Manness:** Yes, I do, and that will be made public in due course.

**Mr. Lamoureux:** Mr. Chairperson, why would the Minister of Finance not want to tell us who was awarded it if in fact it was tendered and the company has been given it? Is there some big secret that has to be kept on it? Why does he not want to tell the Public Accounts committee?

**Mr. Manness:** Because I want to do things right in the sense of protocol. Firstly, I am not the minister. Secondly, once you have gone through a selection process, there is a right way and a wrong way of letting those who are successful know and of course the larger majority who are not, and this is not the time or the place.

**Mr. Lamoureux:** But, Mr. Chairperson, we do know that the Provincial Auditor is not one of them, so we do know that it is in fact in the private sector, and the Minister of Finance knows who it is but is unwilling to tell the Committee of Public Accounts who that person is. Is that correct, who that other firm is?

**Mr. Manness:** Mr. Chairperson, I cannot believe the gall of the member. He just asked the Provincial Auditor who said she does not know. I do know. What he is saying is that I should use this occasion in a public forum to tell one of the bidders, one of the tenderers exactly what has happened—

**Mr. Lamoureux:** —which reports to this Chamber.

**Mr. Manness:** Mr. Chairperson, there is some protocol; the member is asking me to blow it all to—

**Mr. Chairperson:** —smithereens.

**Mr. Manness:** Forget it, and I will not do that. He can push me as much as he wants, but this is a tendering process and there is protocol around that and I will follow that protocol.

(1220)

**Mr. Lamoureux:** Mr. Chairperson, I would be interested in receiving the protocol, too, whenever the O/C does come across my desk.

**Mr. Manness:** Well, again, this member shows his total lack of understanding of protocol. He has probably never put a tender in for a doghouse, let alone anything else. I mean the reality is there is

protocol around putting tenders in to be a successful proponent, and once those tenders are open, there is a proper protocol for getting the information back to the individuals as to whether they have been successful or not, and I will not break from it.

**Mr. Lamoureux:** The minister can question my capabilities and abilities. I would question his capabilities and abilities to be able to ensure that the public's interest is best being served. I do not believe that the minister is, in fact, doing what is in the best public interest, and we can go on.

The Alcoholism Foundation of Manitoba, who made the decision to set that up?

**Mr. Manness:** The Board of the Alcoholism Foundation of Manitoba. They are charged with that responsibility under a legislative act of which, not the member, indeed a predecessor of ours brought into law some years ago.

**Mr. Lamoureux:** Who appoints the board?

**Mr. Manness:** There are roughly three hundred to four hundred boards and commissions in this province and every one of them is appointed by the government.

**Mr. Lamoureux:** So, again, similar to the Fleet Vehicle, we have a government-appointed board opening up a tendering to the private sector in order to get that criterion of cost-savings, or whatever, alternative motives the government might have. It could even be contracting out, is that correct?

**Mr. Manness:** Mr. Chairperson, I resent the line of questioning. I have not sworn an oath yet, but I feel like I am on the witness stand here. I have no trouble with the line of questioning, although this is certainly not the place for it, but if the member is trying to establish the fact that the government has said to its agencies and Crowns that you have the opportunity under the legislation, and say the legislation allows for you to call for tenders both from the Provincial Auditor and outside public auditing companies, the answer is correct.

Whereas before there might have been a closed policy, even though the legislation may have allowed for one way or the other, and there was maybe a dictative government—I am not saying that there was—but maybe there was, that all entities of government to the extent possible should use the Provincial Auditor, we have said to the extent that criteria are set in place, we have said to the extent that it is a fair tendering process that everybody in

the private sector goes through, and to the extent that legislation allows for that, then that is fine.

**Mr. Lamoureux:** Mr. Chairperson, the minister mentioned that these are the four agencies that he is aware of that have gone out to tender.

Can the minister tell me if he is aware of or if any of the staff that he has here is aware of additional agencies that have been not necessarily instructed, but are looking at the option of tendering out?

**Mr. Manness:** Mr. Chairperson, Ms. Bellringer brought up the four examples. I mean, she would know better than I, because the Provincial Auditor's department are the ones who obviously in some of these areas have put in a tender.

Beyond that, I do not because I am only in charge, as the minister responsible for, of a very few number of boards and commissions; and, if there are others beyond that, I would not be the first person to know of them.

**Mr. Chairperson:** Mr. Lamoureux. Excuse me, Ms. Bellringer wanted to add something to that.

**Ms. Bellringer:** Just one additional one during the year, the Manitoba Arts Council also put their audit out for tender, and I am pleased to say that we were selected as No. 1 in that instance.

**Mr. Lamoureux:** Mr. Chairperson, I would ask the Provincial Auditor, who was doing it the previous year?

**Ms. Bellringer:** We have been doing the Arts Council audit for a number of years.

**Mr. Lamoureux:** So we have other organizations that are seeking—is this something that is new? Is this the first time that the Manitoba Arts Council has sought to get an independent audit?

Let me ask the Provincial Auditor, has the Provincial Auditor's Office ever had to put in a bid for the Manitoba Arts Council before, or is this the first time where they had to put in a bid to retain it?

**Ms. Bellringer:** The answer to the question is, it is the first time that I am aware of that we have had to put in a bid.

I am probably answering questions that are not being asked, and again my bias is coming out in terms of our own responsibilities in ensuring that we are doing work for valid reasons, and there are a number of boards that do question in this area as administrators, as managers of the entities, why are they using the Provincial Auditor, should they be using the Provincial Auditor, asking us for

information. We attend audit committee meetings at the majority of the agencies, not only when we do the attest audit, but also when we are not the attest auditors, we attend Crown corporation audit committee meetings so that we are aware of information for our broader-scope responsibility.

We can assure the members in attendance here today that whether we are the attest auditors or not, from an administrative perspective, we will ensure that we meet our own responsibilities, and we will provide you with whatever information we think is necessary to continue good management in government.

Not speaking from the political perspective, but from administration, in terms of accountability, we do not believe that you lose anything in that bigger picture of accountability, whether we are the attest auditors or someone else. There are pros and cons to it, but it is a very complex discussion in terms of how much information do we become aware of when we are in attendance. There are a number of solutions to that.

There is a possibility of joint audits with the private sector. That takes place in a number of jurisdictions. There is the possibility of the Auditor's Office actually contracting for those services which we are enabled to do under our act and we are exploring as well. In fact, in Alberta's case, the Alberta Auditor General contracts for all audits out of that office.

The only element of accountability that I do have concerns about is obviously that transaction itself in terms of any tendering process in government, that we have access to the information, and we can provide assurances without providing details which could compromise the competitiveness of various individuals who are entering into the tendering process.

I would like to explore the options with the Department of Finance as to how that accountability can be retained in the event that we are looking at audit contracts, because I do not believe I am in a position to now go in and audit the process when I have been one of the people who has put in the tender, but there are many options as to how that accountability can be retained from an administrative perspective.

**Mr. Chairperson:** We are drawing near closing time. Mr. Manness wanted to add to that, and I see other members with their hands up.

**Mr. Manness:** Mr. Chairperson, there is no smoking gun because nobody has been shot. Let me say to the member, private sector audit firms conducted the attest audit of the following government agencies, most of these I am about to read off for some period of time: A. E. McKenzie Company Limited and subsidiaries, Communities Economic Development Fund, Credit Union Stabilization Fund, Crown Corporation Council, Fonds de Sécurité des Caisses Populaires, Manitoba Hydro-Electric Board, Manitoba Properties Incorporated, Manitoba Properties Leasing Incorporated, Manitoba Properties Management Incorporated, Manitoba Public Insurance Corporation, Telephone System, Rehabilitation Centre for Children, Venture Manitoba Tours, Workers Compensation Board—most of those for a significant number of years.

**Mr. Chairperson:** We are now at the time of adjournment, and I wondered whether the committee desired to pass any of the reports before us. Is there a desire to go beyond 12:30 to finish with the Provincial Auditor's Report? No? Mr. Penner, did you have a point?

**Mr. Jack Penner (Emerson):** I have been sitting very diligently listening for the last 20 minutes, and I thought we were dealing with the Provincial Auditor's Report. I thought we would adhere to your direction that you laid out and the parameters that you laid out at the beginning of the committee's hearing. I have over the last 20 minutes yet to hear a question related directly to the report. Therefore, I would wonder whether the committee would in fact—I think we have talked about procedures around procedures in tendering and all those kinds of things, but the report, I think, is something that we have ignored over the last 20 minutes. I wonder whether the committee would in fact want to pass

the report, that we could in fact get on with the business of dealing with the other matters before us at next committee meeting.

\* (1230)

**Mr. Chairperson:** The committee should endeavour to deal with items within the report. The only point is, though, that when questions are directed at the Provincial Auditor or involve the role of the Provincial Auditor, this is the only committee that this can be done in as far as I know, and it is the appropriate committee. So, to that extent I think we should provide some leeway, and we should always err on the side of being a little more generous than restrictive in our questioning. At any rate, it is time, but I am quite prepared to go beyond. If we could pass any of these, that would be fine by me.

Is there any point of order?

**Floor Comment:** No, but I would not mind just to have one or two more questions.

**Mr. Chairperson:** No, no. Well, I think we are at the adjournment time.

**Mr. Manness:** Mr. Chairperson, given that we are passing the reports, I suggest that we rise at 12:30, but I would like to pass out my response to many of the Provincial Auditor's concerns publicly. I would ask members to receive them, and because I think it would save some time at another meeting. Indeed, if members want to even talk about some of the real interesting concerns of the Provincial Auditor, certainly we have a response to many of them, and we are prepared to share them with members of the committee.

**Mr. Chairperson:** Thank you. So the committee will rise, and we will meet again at the call of the House leader. The meeting is adjourned.

**COMMITTEE ROSE AT:** 12:31 p.m.