

**First Session - Thirty-Eighth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Public Accounts**

*Chairperson*  
*Mr. Jack Reimer*  
*Constituency of Southdale*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**First Session—Thirty-Eighth Legislature**

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

**Tuesday, October 28, 2003**

**TIME – 1:30 p.m.**

Public Accounts Volume 1 for the fiscal year ending March 31, 2002

**LOCATION – Winnipeg, Manitoba**

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**CHAIRPERSON – Mr. Jack Reimer (Southdale)**

**Mr. Chairperson:** Good afternoon. Will the Standing Committee on Public Accounts please come to order.

**VICE-CHAIRPERSON – Mr. Jim Maloway (Elmwood)**

**Committee Substitutions**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Honourable Messrs. Selinger, Gerrard

Mses. Allan, Oswald, Messrs. Loewen, Maloway, Reimer, Mrs. Taillieu

*Substitutions:*

Mr. Dewar for Ms. Brick  
 Mr. Schellenberg for Mr. Rondeau  
 Mr. Maguire for Mr. Fauschou

**Mr. Chairperson:** Prior to proceeding with our other business, we need to deal with some committee resignations and substitutions. I have before me the resignation from the committee of the honourable Ms. Marilyn Brick. Are there any nominations to replace Ms. Brick?

**Mr. Jim Maloway (Elmwood):** Mr. Chairman, I would like to nominate Mr. Dewar, Selkirk.

**Mr. Chairperson:** Mr. Dewar, Selkirk, has been nominated. *[Agreed]*

I also have before me the resignation from the committee of the honourable Mr. Jim Rondeau. Are there nominations to replace Mr. Rondeau?

**Mr. Maloway:** Mr. Chairman, I would like to nominate Mr. Harry Schellenberg.

**Mr. Chairperson:** Mr. Harry Schellenberg has been nominated. *[Agreed]*

Finally, I have before me the resignation from the committee of the honourable Mr. David Fauschou. Are there nominations to replace Mr. Fauschou?

**Mrs. Mavis Taillieu (Morris):** I will nominate Mr. Maguire.

**Mr. Chairperson:** Mr. Maguire has been nominated. *[Agreed]*

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**APPEARING:**

Mr. Jon Singleton, Auditor General, Province of Manitoba

**MATTERS UNDER DISCUSSION:**

Annual Report of the Operations of the Office of the Provincial Auditor for the fiscal year ending March 31, 2001

Provincial Auditor's Report: A Review of the Policy Development Capacity within Government Departments dated November 2001

Provincial Auditor's Report: Value-for-Money Audits dated February 2002

Annual Report of the Provincial Auditor: Audit of the Public Accounts for the year ending March 31, 2001

**Mr. Chairperson:** On October 22, 2003, the Clerk of the committee circulated a letter to committee members requesting submissions for agenda items or questions requiring detailed answers. As we did not receive any agenda items or questions for this meeting, we will be considering the reports which have been referred to this committee. The notice of today's meeting included a reference to consider any item standing over from the meeting held yesterday, October 27, 2003. I would like to note for the record that two reports were not passed at yesterday's meeting. It was agreed at the meeting, however, not to pass these reports at today's meeting but instead have them considered at a later meeting.

As the Chair of the committee, I will mention this is the Government House Leader and our committee's Vice-Chairperson as we consider report referrals for the next Public Accounts meeting. For your reference, the two reports in question are the Provincial Auditor's Report: An Examination of School Board Governance in Manitoba dated October 2000; and the Provincial Auditor's Report on Compliance and Special Audits for the fiscal year ended March 31, 2001.

For today's meeting, we have been asked to consider the following reports: the Annual Report of the Operations of the Office of the Provincial Auditor for the fiscal year ending March 31, 2001; Provincial Auditor's Report: Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division #19 dated September 2001. I believe that one has been agreed to be held over for this meeting also.

**Hon. Jon Gerrard (River Heights):** I am just trying to get clarification on the investigation of the adult learning centre. Do you mean we are not dealing with it today, or we are holding it over, or what?

**Mr. Chairperson:** We are holding it over. It is not going to be dealt with today.

**Mr. Gerrard:** Why are we not dealing with it today?

**Mr. Chairperson:** There was agreement that it would be held over.

**Mr. Gerrard:** This issue was not brought up. There was agreement on holding the two from yesterday over to the future, but this has never been brought up with me.

**Mr. Chairperson:** My understanding is that there was contact made between the House leaders and that this one was agreed that it would be held over till the November meeting.

**Mr. Gerrard:** I do not have a major problem with doing it, but, whereas the other ones were discussed, this one was not discussed. I just want to make the point that it is important that this in fact has been raised and was organized beforehand.

**Mr. Chairperson:** Thank you, Mr. Gerrard.

I will continue on with the reports that are under consideration. The Provincial Auditor's Report: A Review of the Policy Development Capacity within Government Departments dated November 2001; the Provincial Auditor's Report: Value-for-Money Audits dated February 2002; the Annual Report of the Provincial Auditor: Audit of the Public Accounts for the year ending March 31, 2001; and the Public Accounts Volumes 1, 2 and 3 for the fiscal year ending March 31, 2002

Before we begin any consideration of these reports, are there any suggestions from the committee as to how long we should sit this afternoon?

**Mr. Maloway:** Mr. Chairman, I would recommend that we revisit the issue at three o'clock.

\* (13:40)

**Mr. Chairperson:** We will revisit the issue then at three. Are there any suggestions regarding the order in which we should consider these reports?

**Mr. Maloway:** Mr. Chairman, as printed.

**Mr. Chairperson:** As printed. Okay.

I will now invite the honourable Minister of Finance to make an opening statement.

**Hon. Greg Selinger (Minister of Finance):** I just wanted to make one correction to the

Member for Morris, Mavis Taillieu. Yesterday, you asked me about flood claims. We checked. Mr. Chairperson, '99 and 2000 have been cleared, but there still are some outstanding claims from 1997. So, if there are some particulars you want to follow up there, we might be able to help you identify what those are.

**Mr. Chairperson:** We thank the honourable minister.

Does the critic from the Official Opposition have any opening statements?

**Mr. John Loewen (Fort Whyte):** No, not today.

**Mr. Chairperson:** Not today. We thank the member.

Does the Auditor General have any opening comments for this committee?

**Mr. Jon Singleton (Auditor General, Province of Manitoba):** No, not today.

**Mr. Chairperson:** Not today. We thank the Auditor General.

The floor is now open for business.

Shall the Annual Report of the Operations of the Office of the Provincial Auditor for the fiscal year ending March 31, 2001 pass?

**Mr. Gerrard:** I would ask the Provincial Auditor, I mean we are looking very carefully at all expenses, and I see that for the year 2000 to the year 2001, the expenses of the Provincial Auditor's office has increased from a little over \$4 million to something over \$6 million. I would just offer the Auditor a chance to give us an explanation for the significant increase in expenditures for the year 2001. I think that I will preface that. You know, you demonstrated this capacity to probably save the Government a lot more than those additional expenditures, but I think it is important that we have on the record a reason for the increase in expenditures.

**Mr. Singleton:** If you turn to page 59 of our report, which shows the revenue and expenses of the office on a comparative basis for 2001 and

2000, if you look at the first expense line, Pension and Other Benefits, you will see that in 2001 the expense went up to \$2.4 million from \$552,000 the previous year and that essentially accounts basically for the entire increase in our Budget. That occurred as described in note 6 to our financial statements as a result of an actuarial review of the liability for our pension obligation. In the year ended 2001, a similar adjustment was made for the Government's own liability as a result of the actuarial evaluation which takes place every three years.

**Mr. Gerrard:** Just a point of clarification. You made a reference to taking place about every three years, the big jump that we saw that is now a full reflection of the extent of pension liabilities or pension expenses resulting from the operation of the Provincial Auditor's office. Is that going to jump in three years' time again or what will be the situation?

**Mr. Singleton:** That takes the majority of the hit in that particular year. When we come to consider our financial statements, say, for the year ended March 2003, that amount has declined to just a little over a million dollars from the \$2.4 million that are here. So it was basically a one-year blip.

**Mr. Chairperson:** Shall the Annual Report of the Operations of the Office of—oh, I am sorry. Mr. Maguire.

**Mr. Larry Maguire (Arthur-Virden):** Just for clarification, a further point on that, two lines below that on the same page, just looking at Professional Fees, notwithstanding the change in the Pensions and Benefits that has just been described, I am just wondering if you could clarify for me the changes in staffing or the reason the Professional Fees look like they have increased by a third, 479 to 641.

**Mr. Singleton:** That reflects primarily specific costs we had for the investigation of the Lions Club of Winnipeg Housing Centres where we had to engage a number of experts to assist us with that particular investigation. A significant portion of that we were able to recover from the Department of Family Services as well.

**Mr. Loewen:** One of the notes on page 13 of the report indicates that at the July 11, 2000,

meeting of Public Accounts there was agreement to review the function of the Public Accounts Committee and consider the Auditor General's recommendations before submitting to the Standing Committee on Rules a set of proposed changes to the operations of the Public Accounts Committee and indicates that work is underway on this endeavour.

Would the Auditor like to update on his feelings on the progress or lack of progress in this regard?

**Mr. Chairperson:** I think the member missed the meeting yesterday.

**Mr. Loewen:** I did. Did you deal with that yesterday? If you did, I am sorry, Mr. Chair. I will pick that up in Hansard. Thank you.

**Mr. Chairperson:** Yes.

**Mr. Loewen:** Okay, good. Thank you.

**Mr. Chairperson:** Not to be facetious, but the Auditor did go through the new rules and the new changes. It has been entered into Hansard already.

The Annual Report of the Operations of the Office of the Provincial Auditor for the fiscal year ending March 31, 2001—pass.

As was mentioned and agreed upon, the next item will be deferred to a later date. We will now move on.

Shall the Provincial Auditor's Report: A Review of the Policy Development Capacity within Government Departments dated November 2001 pass?

**Mr. Gerrard:** My first question would be to the Minister of Finance. Since this report was provided in November 2001, can the Minister of Finance report to the committee what progress has been made in implementing the recommendations of the report?

**Mr. Selinger:** This report inspired the Civil Service Commission to follow through to prepare a workshop for civil servants on policy development skills, and I understand that the

office of the Auditor General was involved in the early stages of the development of this course. This workshop has been delivered on two occasions to 50 civil servants, and further course offerings are going to be planned and made available in the future.

So there has been a training module put in place to increase policy development capacity among people working in the provincial public service.

**Mr. Gerrard:** I note on page 56 that there is a comment: "Policy documents we reviewed generally lacked data or information to substantiate the conclusions and recommendations being put forward."

That is a pretty terrible assessment of the conditions that existed back in 2001, and I would ask the minister whether that has been addressed in some specific way, because clearly that is an area which is in need of major improvement.

**Mr. Selinger:** I am just reading over the comment here. Evidence-based policy analysis is obviously a desirable way to go, and I can tell you that ministers and senior managers ask for that in the reports they get, and where they do not get it they send it back until they do.

Performance measures that we talked about yesterday, better data there is somewhat helpful when you are doing analysis. It depends on the time frame. In some cases the longer the time frame the more data that can be brought to the analysis. If it is a short turnaround then the database is not as strong, unless it is readily accessible and does not have to be developed from scratch.

The skills in doing that are one issue. I have addressed that in the first point about the training element that is being put in place, and then just the availability of data. It depends on the issue being analyzed and the time frame under which it has to be produced, but I do not think there is any disagreement here that evidence-based policy analysis with stronger data sets is highly desirable.

\* (13:50)

**Mr. Gerrard:** Clearly, having a better evidence-based policy framework and doing the research

in policy development well in advance of a program can improve the implementation, improve the quality of the program, improve the results, so this is an area which is pretty important to government and dollars spent here can result in very significant savings in the way that a program is developed and run.

I will give you an example. There has been, during the course of the last year, a program which was developed as a result of the bovine spongiform encephalitis, a provincial program providing feed of, I understand, \$2 a day per animal. This was implemented starting in mid-June and was to go to mid-October of this year, but from everything I am hearing the implementation of this program was a disaster.

Indeed, I hope the Auditor General will have a look at what happened, because this program appears to have run out of money about halfway through the time period. I am getting a large number of calls of people who feel this program did not accomplish what it set out to do, that is to cover people from mid-June to mid-October, and that the net result is it ran out of money because it was, what I hear from people like Betty Green and the Manitoba Cattle Producers Association, it was probably giving money to people who should not have been getting money in the first place. In other words, this was for cows of a certain size which were heading for slaughter because they were on feed, and the numbers that have been slaughtered do not appear to match the numbers that in fact were put on the program.

The result was, as I recall, there are something like 100 000 instead of 40 000 cattle put on the program and you end up expending the money much faster than it should have been expended. Nobody at this point is sure where all these other cattle came from, the point fundamentally being that if you do the policy development and research right up front you are going to have better programs and you are going to have better expenditures of money.

My question to the Minister of Finance is this: Can the Minister of Finance point to, in his allocation of budget dollars, any shifts toward more expenditures on policy development and finance as a result of this report?

**Mr. Selinger:** This report was not directly linked to any budget allocation process. This report was taken as a policy document that spoke to the need to improve policy analysis within government. It has been discussed at the senior levels of government as something that needs to be taken account of as we go forward. There has been a feeling throughout the nineties that there was a shortage of policy analysts generally within the Government, and, as we renew the civil service, and there is a renewal initiative going on, getting good quality policy analysts will be part of the mix in the renewal process.

The other thing that should be noted is that the policy group in Executive Council was not included in the survey, neither were the Treasury Board analysts who also bring quite a bit of skill and knowledge to the policy analysis process, and when reports get to that level often there are value-added components put into the policy recommendations that come forward to Cabinet or its committees.

So I think this report was focussing on line department policy analysis capacity, and I think there is a feeling that that was weakened quite severely during the nineties and is one of the elements we have to address as we renew the civil service in this millennium. So the challenge is there clearly. It is a challenge that has to be met probably within very tight resources. In spite of some recent newspaper articles, actually the civil service has grown less than 2 percent in the last four years. It has been very modest growth, certainly far less than growth in the economy, and within those tight constraints we are going to have to improve our training both in-house and the more people get their training before they come to government is also critical, too.

We have a number of people that have come to us from different graduate programs and different professional designations that bring different skill sets, and then those have to be further honed once they get here as they convert from an academic setting to a policy analysis setting. Some programs now specifically train people to do that in the university setting. There are policy analysis courses, and they are getting better as we go along. Some of the models that were outlined in this report are very similar to

what is taught in university courses. There is a variety of different policy analysis models, but usually some form of problem-solving template is used as is used here, and it is a good starting point for policy analysis and then there are the technical skills to come to that.

We have some agencies, for example, like the Manitoba Bureau of Statistics that are very strong on statistical analysis and can be drawn upon when those kinds of analyses are needed and labour market analyses, et cetera. So, yes, I think the report was helpful in that it identified where areas could be improved. There has been an education initiative put in place, and as we renew the civil service, we will be looking for people with good policy analytic skills going forward.

**Mr. Gerrard:** As the Minister of Finance and, I presume, knowledgeable about how dollars are spent, I would ask the question maybe a little bit differently. Before this report in the year 2000 and 2001 compared to today, budgets of 2002 and 2003, has there been any change in the spending on policy development by the Government?

**Mr. Selinger:** Each year in the budget process, departments make claims for resources, including policy analysis and resources, and they are dealt with as part of the overall allocation process. There has been no across-the-board government significant increase in policy analytic capacity.

There are in certain areas increased resources made available to deal with specific policy topics and the departmental Estimates reflect that. When we go through them you can see where there has been a strengthening.

There is re-allocation of positions, too. Some positions are moved and re-allocated to provide different functions within each departmental envelope. But I do not want to mislead the member here. Policy analysis did suffer quite severely during that late eighties, nineties period in all levels of government practically, I think you could safely say, and it has only been in the last few years that there has been some ability to start retooling that.

**Mr. Singleton:** I just wanted to mention a couple of things that the member might find interesting in terms of response to this report. As the minister has indicated, we did not make any specific recommendations to the Government. Essentially what we did is identify the number of areas that we thought needed attention, such as education, for example, strengthening the evidence in the documents because, as part of the survey, we found that 40 percent of the ministers or members of the policy secretariat felt they were not getting enough evidence in the policy documents to support the conclusions being reached. But, interestingly enough, although you will not have noticed this report in the media if you are reading the newspapers, primarily, I guess, because it does not talk about bad things going on, but when we put this on our Web site it has turned out to be one of the reports that gets the most attention amongst our reports. What I put that down to is a real keen interest amongst the policy development community in the Government to have a look at what we found, and certainly that helped encourage us when we were working with Organization and Staff Development to help develop the course. Marianne Farag from our office, who is here today, was instrumental in coming up with the idea for that course in helping the OSD develop and put on the course, which, as the minister says, has been put on twice now and has received very positive reviews from the people that are attending there.

I guess one of the key messages we tried to get across and is coming across in that course is that ministers expect to get a range of options and what they do not want is policy capacity people to put their blinkers on and think, oh, well, this Government is of this particular stripe, so they will only be interested in these kinds of options and we will not even look or talk about other options. We talked to ministers from the former government and the current Government, and there was a pretty universal feeling that it was on their part, that they wanted the policy-makers to give them the full range of realistic options and an analysis of the pros and cons and the costs and benefits of those different options so that the Government was in the strongest possible position to make the best decision.

That, I think, helping get that message back to the policy development people, is very

important because, along with governance issues, one of the things that we have found is often at the root of situations that have gone wrong in various government organizations is the fact that there is not a well-thought-out policy in place or it is not being monitored appropriately. So the costs of not doing policy well can be quite significant, and it is encouraging that steps have been taken to begin strengthening the process in Manitoba.

\* (14:00)

**Mr. Gerrard:** I would note in this report the section on page 56 which says part of the problem with providing more evidence in policy development may be due to data gaps. Close to 30 percent of senior management suggested there is a need to be able to access more data, and research and development, time and money were cited as obstacles. On page 54, in the first paragraph, for instance, during the interviews senior management spoke of undertaking research and analysis, and clearly one of the issues which is pretty important and is mentioned in this report is the effort devoted not just to policy analysis but in fact to the research to improve the quality of the data.

So I would ask what is essentially the similar question to policy development, that is to say, when you look at the expenditures in research and development that would underpin this effort in policy analysis, whether there have been any changes from the years 2000 and 2001, which were before this report, to the expenditures in the years 2002 and 2003, which are after the report.

**Mr. Selinger:** Well, as indicated, I think I was fairly frank about that, this report did not directly connect to a reallocation of resources, but it made us aware of the need to strengthen policy and analytic capacity within government. We did that specifically with the development of a training program or a workshop program to do that. Two courses of that have been offered. Also, in the context of our civil service renewal initiative, we have some resources we are going to be dedicating to training senior policy managers and policy people in this Government, and that is a long-term process, that renewal process. There will be resources allocated there to improve the

quality of our public service and their opportunities to have training in a variety of skills, including policy analysis areas, but also including management, et cetera.

We think it is a good time to start renewing the public service. We have an initiative to do that. There is going to be senior responsibility assigned for that in each department to look at that renewal initiative and to be accountable for that as we go forward. It is an important part of what we do in the next mandate of government, to get the civil service well down the road on the renewal process, and policy analytic capacity is a very important element of that.

The only other thing I was going to say was that when you talk about research and development and data, governments do not do a lot of basic R&D themselves. They usually do applied analysis. Often they have to rely on other organizations to get access to basic R&D, whether they are research institutes or universities or think tanks, or, in some cases, they fund arm's-length bodies—for example, in health care—that do independent research and make that available.

Those linkages are very important. Governments do not necessarily make those linkages as officially as they ought to, but we have more tools now to make those linkages. We have, through the Internet and through the new technologies, a much quicker ability to find R&D that is out there, globally actually, on certain topics and then to be able to use that information and analysis to do applied analysis in the real context here in Manitoba. I will leave it there for other comments.

**Mr. Singleton:** I just wanted to make the point in harking back to our discussion of the new rules of the committee yesterday and make the suggestion once again, although perhaps I sound a bit like a broken record, but if there is an interest in the committee in really pursuing the state of policy development capacity within the Government and plans to change that, of course the committee has the power under its new rules now to call or invite people to meet with them and answer questions.

I would imagine that people in the Policy Secretariat itself would welcome the opportunity

to share developments in that area at a future meeting of the committee if that was the will of the committee.

**Mr. Gerrard:** Mr. Singleton, your point is very well taken. I think that is something as a committee that we need to pursue, because I think that that could be very helpful.

I am going to sort of close my comments on this section, but I am sure that the Member for Arthur-Virden (Mr. Maguire) may pick up particularly on, for instance, the BSE-related program, where I think that it was a very good example of what was probably a lack of policy planning and R&D before the program was rolled out and that what you have told us is that as Finance Minister you really did not pay any attention to this advice—time and money were cited as obstacles to being able to do this—and that the Government has really not done its job in making sure that there is adequate policy development and R&D so that programs like the feed program for BSE, when they are rolled out, are doing what they should be doing.

As I say, I think that the Member for Arthur-Virden probably has some comments on this. I am going to pass at this point on to him.

**Mr. Selinger:** That emphatically was not what I said. Your interpretation of it is completely inaccurate, which is so often the case for the Member for River Heights (Mr. Gerrard). But I have come to expect that from him. Your conclusions do not square with the evidence, and that is bad policy analysis. I must just point that out to you.

We have said, and I have put it on the record earlier, that we think good quality policy analysis is important to making good decisions in government. The elements of that are an investment in training. There is also a renewal initiative going on in government that will have elements that relate to policy analysis as well as management skills. Departments have, where they believe it is necessary, strength in policy capacity, made recommendations to reallocate resources within departments, and they have done that. Where they make sense they have been supported.

So all of those things have gone on since this report was published in November 2001.

There have been improvements over the last couple of years in all of these areas. There will be continued improvements in the future

I also pointed out that we are seeing a wide collection of people being hired from many different disciplines out there. Many of the professional schools and graduate schools now have policy analysis courses as part of their curricula, whether it is city planning or social policy or economics. Applied policy analysis courses are becoming more an integral part of their curriculum. Master's in Public Administration courses, accounting designations have policy analysis elements in them, particularly financial policy analysis elements in them.

So these things are being done as well outside of government, and when we hire those people, we bring those elements to government. Those skill sets are brought to us, brought to the Government, and then they have to be adapted to the specific needs of the roles that those individuals fill when they are hired.

**Mr. Gerrard:** Well, I would just make one comment. If I have misunderstood you, fine, but what I heard you say was that when it came to the Budget, you could not point to any changes in the Budget which would specifically address these issues. If I am wrong about that, well, then, that is fine.

I would be happy, maybe not today, but I would be happy to receive from you an accounting of the expenditures in policy development and in research and development in 2000, 2001, 2002 and 2003. We will have a look and see whether, in fact, there has been a shift. It seems to me that that is an important reflection of whether, in fact, the job is getting done.

As I said, I just have some concerns that that job may not be getting done as well as it could be.

\* (14:10)

**Mr. Selinger:** I think what I did actually indicate was that this report did not directly connect to a reallocation on a broad-based level across government of resources for policy analysis. That notwithstanding, I did indicate that each

department identifies what their policy needs are and brings forward recommendations in that regard, and where they make sense they are supported. So each department has done things to improve their ability to do policy analysis.

We do have some very good policy analysis people in government. I know, for example, in my department, we have some very strong people on federal-provincial fiscal relations, among the best in the country, without question, acknowledged by the federal government. Other departments have strong people as well.

So there are centres of excellence within government in certain areas on policy analysis. I do not want to leave the member with the impression that nothing was done. It was not done as a direct linkage between this report and a government reallocation in the Budget, but each department at their senior management level addresses on an ongoing basis what capacity they need to do their job, and where it makes sense, it is supported.

**Mr. Maguire:** My question is to the minister, just a comment at least to the minister as well. It is not that I would doubt that his people, as he has indicated, have given the best scrutiny they can to the policy development of packages that have come forward to them, but in commenting on the issues that the Member for River Heights has brought up in relation to the BSE issue, I can certainly confirm that perhaps more should have been done to look into the kind of advice the Government had come forward with in relation to this particular issue and how it was handled.

The flip-flop that has taken place on many of these issues around this particular disaster in the agricultural scene has led certainly the public to be skeptical of this process, notwithstanding the fact that maybe the Minister of Agriculture (Ms. Wowchuk) or that department has—and not the department either. I think they have brought forward the outlines they could bring forward, but certainly the minister has announced public programs with very little time frame between when the groups came forward making requests, and the minister just popped out and said we are going to do this, or we are going to change from the program we had to a new program, and then we are going to flip-flop back to the one we had.

I am referring to the slaughter program, to the \$2-a-day feed program and then back to the slaughter program. Notwithstanding that that slaughter program is urgently needed and that the funds should be flowing and are not at this point, the \$2-a-day feed program has been a complete disaster in the rural areas. It is part of the package that the minister has announced publicly many times that is part of the \$180 million that they have made available.

Feedlots are basically losing tens if not hundreds of thousands of dollars from the fact that that program which was announced early on, near the middle of August, to be retroactive and available until October 15 was cut back to August 30, the end of August. Notwithstanding that, the program has now been further cut back to July 15. So the analysis of policy under those kinds of programs is just not acceptable.

If we are going to be making decisions that have impacted people's lives in the day-to-day decisions that they are making on their farming operations, in this particular example, I would hope that future policy analysis is given a greater degree of scrutiny before these kinds of policies come forward, because these certainly have looked like knee-jerk reactions to the situation. Notwithstanding that some grave need of support is needed there, these flip-flops have not allowed the banking industry, never mind the farmers who are seeking that support from the financial institutions, the ability to make concrete decisions to go forward in their business plans for any length of time.

Certainly, they were already interrupted by the closure of the American border. So I think any programs that we try to help them with should not put them in further jeopardy. That is what this has done in some circumstances. So I would just leave it by saying that unless the minister wants to respond to how these kinds of decisions are made and should certainly I think in the future be looked at as far as the whole process of how those policies are developed.

**Mr. Chairperson:** I would just like to point out that what is under review is the policy development capacity within the Government for 2001. I realize that when we open up the discussion on policy development that there are a lot of other

areas that can be developed. But I would ask the committee looking at the reports to be cognizant of the fact that where we are in regard to the reports and the report is particularly 2001. So policy development, policy discussion are well within the realm of the elected officials, but here we are looking at reports for consideration. I would point out that it is to review the policy for November 2001. Does the minister have any further comments on this report?

**Mr. Selinger:** The situation that unfolded this summer with the closing of the border because of the one cow with mad cow disease detected in Alberta is probably someday worthwhile investigating as a case study in policy development all across this country. It was a crisis. It happened very quickly. It put producers in a very difficult situation very quickly. It required governments of different political stripes and different levels of resources to respond very rapidly. I know of some governments that did absolutely nothing because they felt they did not have the resources. I know of other governments that put substantial resources out there because they did have the resources and then everything in between, as we go across the Prairies and even if you look at the Atlantic provinces as well, where I discussed it with some of the ministers out there.

Good data was one of the essential elements that was needed. As the Member for Arthur-Virden (Mr. Maguire) suggests, flip-flops, I suggest to you that the responses were adaptive to the new information that was coming forward about what the needs were. You know, the original proposal that was put out there was one that was proposed by the federal government as a national program, but each region had specific needs that were different. Slaughter capacity in Alberta was far greater than slaughter capacity which was very limited in Manitoba. So what looked like a good response on a national level was not a particularly helpful response when you got down to the provincial level. We discovered that very quickly and tried to find ways to work beyond that and find other responses that were effective.

So it is an interesting study. Depending on what level you come at it from, and I think the member is trying to give me information based on his dialogue with producers in areas that he

has been in contact with, we needed that information as we were going along to constantly adapt the program to make it effective and then to meet the challenge of finding the resources to do it at the same time as the North was burning with fires this summer. So it is a really interesting case study. I know the minister took all the information she got and the new data that she got on an ongoing basis and constantly looked for ways to make the program more responsive to the needs of producers, and was constantly on the phone to the federal minister to try to get him to support that as well. The lag time there on the response, I think the member would agree with me, I mean we still have not seen a response. The Province had to move well ahead of any federal partner on that. They just basically said no, we have given our one response and that is it and capped it off. Provinces were really left in a position of having from within their own resources to find adaptive responses without a federal partner that was willing to move as quickly as the provincial governments were.

So I take the member's points, but I would like to think the Province was a heck of a lot more responsive than other levels of government were.

**Mr. Chairperson:** Shall the Provincial Auditor's Report: A Review—oh, pardon me. Mr. Loewen.

**Mr. Loewen:** Thank you, Mr. Chair. I will just use this opportunity to recommend to the committee—and I am sorry I missed yesterday's meeting. I am sure I would have loved to hear the Auditor General's comments, and I will be sure to pick them up in Hansard.

One of the challenges of operating this committee is we are dealing with government in the present day, dealing with reports that are sometimes two and three years old. If we were up to date, if this committee was following practices that have been set up in virtually every other province across Canada, we would be more in tune with what is going on in the current day. I hope the committee takes this issue very seriously because it is doing a disservice to the people of Manitoba by not meeting on a regular basis, by not following up these items, and at the same time it would give the Auditor General an opportunity to provide some follow-up to the

recommendations that were made in reports such as this so we could have an intelligent discussion about the ramifications of these reports two and three years later and what progress has been made. I just wanted to make that comment for the record. Thank you.

\* (14:20)

**Mr. Chairperson:** I thank the member.

Provincial Auditor's Report: A Review of the Policy Development Capacity within Government Departments dated November 2001—pass.

Shall the Provincial Auditor's Report: Value-for-Money Audits dated February 2002 pass?

**Mr. Gerrard:** I would just like to point out that when we are dealing with the Value-for-Money Audits, we deal specifically with the Keewatin Community College, it might be a smart move if the Public Accounts Committee were to invite senior people from the Keewatin Community College to a session such as this so we could have a direct discussion. I am a little bit concerned that under the circumstances the Minister of Finance may not have the intimate details or knowledge of the current status of the information technology approach being used at the Keewatin Community College. It would just seem to me that it would be desirable. Perhaps if we do not get sufficient answers, that is something we could look at, at a future meeting, Mr. Chairman.

**Mr. Chairperson:** Duly noted. Thank you.

**Mr. Loewen:** Mr. Chair, again it is unfortunate we are so far behind schedule in dealing with some of these reports, but I would certainly be interested in the Auditor General's comments, particularly with regard to page 61 and some of the follow-up recommendations from the reports that were made in 1997.

In particular, this report indicates the Department of Justice I think has not acted on, I believe it is 11 recommendations that were made by the Auditor General. I just would like a status update if there is one available in terms of

whether any of those items have been resolved to the satisfaction of the Auditor General.

**Mr. Singleton:** Of course the member is right in pointing out the somewhat stale-datedness of this. The follow-up that is being talked about is about an audit that was originally done in 1997, and so we were doing the review in 2001, 2002. As is noted in the Maintenance Enforcement Program, there were 11 of our recommendations where there was some progress made. This would be another example, and I cannot, unfortunately, update the committee myself as to what the progress has been since this report was released, but, as I have said earlier, this might be very useful for the committee to invite the senior executives responsible for the Maintenance Enforcement Program to provide the committee with an update and respond to questions the committee has about progress that is being made in addressing our recommendations.

These recommendations, after all, being as old as they are, technology presumably has changed. Perhaps there have been changes in the program delivery and some of the philosophy or policies around it that have necessitated other changes but were not identified back in 1997.

**Mr. Loewen:** I thank the Auditor General for that response, and, again, would follow up with his recommendation that we should keep these issues on the agenda, and I think as a committee we should be asking officials from departments that have shown a lack of progress on recommendations made by the Auditor General, that they should be required to appear before this committee and explain themselves as to why recommendations are not followed up or not implemented. There may be very valid reasons. I am not criticizing the departments. Technology may have changed. The situations may have changed.

But I think it is incumbent on this committee to ensure that the recommendations that are brought forward through reports from the Auditor General and from his office are followed up in a detailed fashion. If we were simply to pass this report and ignore it, we do so I guess at the peril of the committee and the people of Manitoba. We have no way of knowing whether

these recommendations were implemented and if they were not, why not.

So, again, that is just something that highlights a need for this committee to operate in a different manner than it has historically.

**Mr. Gerrard:** I would like to refer specifically to page 54 and a question to the Auditor General. This deals with some capital equipment items. This is at the bottom under the College Tendering Practice. It details a situation which the Auditor General looked at which dealt with funds which were unspent near the end of the fiscal year. Reading the explanation, it would appear that perhaps what happened at the college is that they had unspent funds, and they rushed perhaps precipitously, perhaps appropriately—maybe the Auditor General can comment—to make some major investments with those unspent funds.

The question that I would have for the Auditor General, first off, is that approximately what happened, and maybe you could provide some clarification.

**Mr. Singleton:** Yes, in responding to the member's question, this would be a classic example where the insight of the members of this committee would be useful, because it is a case where the college does not totally agree with our perspective.

Our perspective was that a purchase of the magnitude that was made, \$135,000, was significantly high, especially in relation to the size of Keewatin Community College, that going through a formal tender process to ensure you are getting the best deal would have been appropriate.

Furthermore, with appropriate planning ahead of time, one did not need to—like, part of the college's response is they did not have time to tender because they were under time pressures. I am not sure I agree with that, because I think they could have planned ahead of time for that. School starts the same time every year. One should be able to figure out ahead of time when one needs to put a process in place to tender for new equipment. However, that said, we did not find any evidence that the amounts were totally

unreasonable or that there was any other problems other than not following due process.

But since the college thinks that we were too harsh and unreasonable with them, if the committee felt it was worth pursuing, it might be interesting to talk to officials about that. On the other hand, it is a pretty small dollar amount in the total amount of dollars that this committee has to consider, and it would cost some money to bring those people down to Winnipeg to meet with the committee. So all that would have to be weighed in deciding whether it was worth pursuing what, after all, is a pretty old purchase at this point in time.

**Mr. Gerrard:** A follow-up question to the Minister of Finance (Mr. Selinger): In a circumstance like this, if the college found itself with, in this case, something over a hundred-thousand dollars of funds which were unspent and they wanted to take a little bit more time in terms of making a decision on how to spend them, what would be the normal procedure? Would the college make application to have that money held over until the next year so they could spend it with a little bit more care?

\* (14:30)

**Mr. Selinger:** Under the current budgeting procedures, authority lapses at the end of the fiscal year. If they wanted to spend that money after the end of that fiscal year, they would have to re-budget for it. That sometimes creates a situation where some people think they have to spend everything they have before the money lapses rather than taking more time and budgeting for it properly in the following year and making a business case why they should do it.

**Mr. Gerrard:** What you are saying, in essence, if I interpret your remarks correctly, is that the way that things work that there is an incentive for the college or other areas or units which are dependent on government spending to spend that money quickly at the end of the year when it is not spent rather than having in place a fairly easy fashion for such money to be held over so that it can be spent with a little bit more thought and consideration the following year.

**Mr. Selinger:** I guess I would have to say that, and the Auditor General may want to comment

on this as well in terms of accounting issues related to this, but if money materializes, extra resources at the end of the year, they are under no compunction to have to spend it all. I think we have to separate that issue from an opportunity to have resources from the long-term planning they do for IT, for example, which was I think what we are discussing here. They do not have to make a precipitous decision to spend IT money. They should have an IT plan, and I think the report speaks to that, in place on an ongoing basis. If that plan is solid and resources are available, then it should be a thoughtful decision no matter what part of the budget cycle they are entering into, because the planning was done in a pre-planned, thoughtful way, the forethought has been there.

So I think you have to disconnect those two issues, the lapsing money versus the planning. The planning can be done if management wants to do that in any institution. Then as resources become available they can make thoughtful decisions even if they learn rather late in the budget year what available resources they have. It does not follow that because resources become available late that you have to make unthoughtful decisions. The pre-planning can be done. Most good organizations try to do that, and then when they see that they have flexible resources, they allocate them to well-thought-out priorities.

**Mr. Singleton:** I think I would tend to agree with what the minister is saying, for the most part. In the case of Keewatin Community College, clearly the demands for IT far outweigh the amount of resources that are available to the college, which is probably true for every organization in the public sector. That being said, if they have a well-thought-out plan, they would know clearly what their needs would be. One can issue a tender on the basis that we may or may not accept any of the offers that come forward, so that if you know you need a particular type of equipment or you need a particular upgrade, but you did not think you had enough money for it in your Budget, but because of things that happen during the year money becomes freed up, with good planning one can plan and make the expenditure in an appropriate way, even close to the year-end.

That being said, though, it is a national problem, I guess, in terms of our budgeting

processes. Because amounts are authorized by law for a particular period of time, when that time ends so does the authority to spend that money. Some governments have been beginning to experiment and think about ways to reward managers for good management by somehow enabling not necessarily the carry-forward of authority, but the reauthorization of amounts that would otherwise have lapsed to try to take off some of that pressure to make last-minute, panic decisions to spend the money. I would certainly encourage thinking along innovative ways to encourage managers to manage wisely in the rather difficult legislative environment and the constraints that that puts on them.

**Mr. Gerrard:** I think the report and the discussion before the Public Accounts Committee is timely in the sense that it is my understanding that the Government may be looking at a northern university and expanded use of information and communications technology in the North, and that if the Government proceeds with this initiative that the Government has talked about, which may be based out of Thompson but presumably would link into and be related in some fashion to Keewatin Community College activities, which are also around the North, the point being that this report on the investment in information technology in relation to Keewatin Community College is of particular relevance to the planning process which we have been led to believe by media reports the Government may be undertaking with regard to a northern university.

So I would ask the minister if the Government is going to use these observations in particular ways in planning its further investments in information technology and education in the North.

**Mr. Selinger:** As the member knows, we have set up a new Department of Energy, Science and Technology. They are playing a greater leadership role in reviewing the need for investments in IT government-wide and are bringing focused policy expertise to that, to relate to an earlier question you asked me, and bringing people together that can focus their resources on making good business decisions around what strategic investments we need to make in IT. They are doing a broad-based review of that as we speak.

IT needs, I think the Auditor General mentioned that they always probably outstrip the resources available, so you have to be clear on what your priorities are. The other problem with IT is it very quickly becomes obsolescent. Three, four or five years out some of these software packages, et cetera, that you purchase do not get supported by the vendors anymore. So the investments we make there have to be ones that give us the best value for the money and give good outcomes.

Certainly, in the North, IT will be part of not only the health care system up there, but also the education system, no question about it.

\* (14:40)

**Mr. Gerrard:** Just to clarify what the minister has said, the Department of Energy, Science and Technology is engaged in looking at the information technology expenditures in the education area in the North. Is that correct?

**Mr. Selinger:** Across government. I would have to check with him specifically, but I am assuming it is, subject to correction. I would have to check with him. He is looking broad-based at how we can get better value for the money in our IT investments across government.

**Mr. Gerrard:** I just would have one more comment on this section which deals with the Keewatin Community College and its investments in information technology and the fair amount of work that went into this report and a look at how things are being spent up north. It clearly is a major need, as the Minister of Finance (Mr. Selinger) has indicated, in terms of expenditures and investments in information technology in the North. One of the subjects that this report deals with is the appropriate tendering process, and so maybe the Minister of Finance could just tell us that, in light of this report and other practices and decisions being made by the Government, when the information technology needs in education and other areas in the North and expenditures come forward, what will be the tendering process which is used for that?

**Mr. Selinger:** Standard tendering procedures will be used in all significant purchases, including IT. I am not aware of any special procedures

being put in place, but the standard government manual of administration will be used in the tendering process.

**Mr. Gerrard:** A moment ago, you talked about the role of Energy, Science and Technology in providing advice. Are they involved at all in the analysis of results of tenders and this sort of thing? I mean, what is their role here, and as regards the process in information technology, because of its nature, because of the concerns about value for money, because of all the other issues that you have raised, is it unique in any way that, when you are engaged in the tendering process, there is going to be an assessment which would involve people from Energy, Science and Technology, for example.

**Mr. Selinger:** Our IT policy expertise has been located within that department. Every department has operational IT expertise within it, but the policy-driven IT expertise has been located within that department. I am not aware of any plan changes that they are considering with respect to tendering procedures. I think they are trying to identify strategically where our IT dollar should be spent to get the best outcomes for government in delivering services.

**Mr. Gerrard:** One last question on this report, and that deals with the maintenance, the review that was done on the Maintenance Enforcement Program. I understand that there have been some changes since February of 2002 when this was introduced, and I was just wondering to what extent that the minister is going to provide, or is looking at, follow-through on the recommendations in terms of the Maintenance Enforcement Program and review and whether the minister would comment on where things stand, both from a financial and a maintenance enforcement perspective.

**Mr. Selinger:** The Maintenance Enforcement Program is under the Ministry of Justice, and, as I read this report, they had started—at the time of February 2002, they had gotten into implementing several of the recommendations made and had further work to do on several others. I think we can ask them for an update on where they are with that. As I read it here on page 61, five were implemented; eleven, some progress;

two, no progress. We can always ask for an update on where they are on that.

**Mr. Chairperson:** Provincial Auditor's Report: Value-for-Money Audits dated February 2002-pass.

Shall the Annual Report of the Provincial Auditor: Audit of the Public Accounts for the year ending March 31, 2001, pass?

**Mr. Loewen:** Again, I preface my comments stating it is unfortunate that we are here in 2003 dealing with 2001's annual report. Hopefully, it will not happen much longer. I am just interested in the Auditor General's response and maybe an update in terms of the recommendations that are found on page 16 and 17 of this report, particularly as it pertains to the full adoption of generally accepted accounting principles which is probably not the first time that it has appeared as a recommendation from the Auditor.

I just wondered if the Auditor General would provide us with his comments in terms of any progress that is being made on these two outstanding issues.

**Mr. Singleton:** The financial statements for the year ended March 31, 2001, represented in my view a pretty significant move forward by the Government in improving its financial reporting and budgeting practices; 2001 was the first year that a summary budget was prepared and included in the Budget papers, and for the first time it was made clear that the summary financial statements are, in fact, the primary reporting tool of the Government. They are now the only general purpose financial statements that are produced for the Public Accounts.

To clarify that, the Government took steps during this particular year to label the operating fund financial statements as special purpose financial statements. The significance of that is that special purpose financial statements can be prepared using different accounting rules than normal because they are designed to serve a specific special purpose which, in our view in this case, is primarily to demonstrate that the requirements of the balanced budget legislation have been complied with.

Mr. Chair, the accounting profession in general has been working diligently to strengthen its pronouncements on accounting practices by governments in Canada. At this time, it looks as though the standards that will be in place for the years beginning April 1, 2005, will be more complete than they have ever been. At that point in time, we would anticipate that it would be appropriate for this Government to be working towards fully adopting generally accepted accounting principles for that fiscal year.

Now, probably the most significant change that is still required to be made to government accounting policies is accounting for infrastructure. We talked about that a little bit yesterday at the meeting where there was concern expressed in the committee about not having enough information in terms of whether the investments in infrastructure were maintaining the capacity of our infrastructure to continue to deliver services in the future. That could be one of the goals that would be accomplished by beginning to account for infrastructure.

I mean, there is a side benefit from a practical point of view for a government when they adopt capital accounting for infrastructure in that if a significant investment such as many hundreds of millions of dollars to build a new floodway protection for Winnipeg is required, that can be capitalized and amortized over the useful life of that particular ditch instead of having to be charged as it goes to operations.

Obviously, we are recommending in this report and we continue to recommend that the Government adopt a plan to begin recording infrastructure as soon as possible. There is a lot of work that is involved in gathering data for that. When the Government originally decided to start recording tangible capital assets in the late nineties, infrastructure was kind of taken off the table because of the complexities associated with accounting for it and the fact that the Institute of Chartered Accountants had a research study that was underway to study the accounting for infrastructure.

That research study was completed early last year. As a result, I think it would be prudent now for the Government to begin plans to gather the

information necessary to start recording infrastructure as soon as possible.

**Mr. Loewen:** Mr. Chair, with regard to the other recommendation that the Government change its accounting policies, record retroactively and restate prior years' balances, that is something that would just affect the summary financial statements, not the special operating statements, I presume, with regard to the need to satisfy balanced-budget legislation. Is that still a recommendation that the Auditor General would make at this point?

**Mr. Singleton:** Yes, Mr. Chair, we still think that is an appropriate recommendation. That is a pronouncement by the Institute of Chartered Accountants, that is a part of generally accepted accounting principles to restate accounting policies retroactively when they are made.

Because the Government, even in its summary financial statements, is still on a disclosed basis of accounting, we have not qualified our opinions with respect to that in the past and are simply recommending here that that practice be adopted. That would be another example of a policy that probably would need to be changed by 2005 or, at that point in time, would probably begin to affect the opinions that were expressed on the financial statements.

\* (14:50)

**Mr. Loewen:** Just for the record then, and I think I know the answer, but that is again a recommendation that has not been acted on?

**Mr. Singleton:** Yes, as you can see from the comments of officials, they disagree with that particular recommendation, and so there is no commitment to my knowledge to adopt that practice.

**Mr. Gerrard:** One of the things in the Public Accounts, the financial statements, and you maybe can help me with clarifying something, but in each year in the Budget documents, we are provided an item which is the In-Year Savings and End-of-Year Lapse. When you get to the end of the year, that line item, of course, disappears and the only way to figure out what was actually lapsed at the end of the year or In-

Year Savings tends to be a sort of complicated matching up of numbers and different line items. I just wonder whether the Auditor General would comment on this specific item.

**Mr. Singleton:** The practice that has been followed today is, I think, probably rooted in the nature of our legislative approval of Estimates of Expenditure. That is, that the Public Accounts discloses those instances where a department or an agency has overspent the authority that was granted to it by the Assembly. There is no requirement to report the details on cases where there is underspending because, of course, in every other case, if there is not overspending, there is always underspending associated with that. Not very often do people come in to the dollar on their Estimates amount.

So I think if the committee had an interest in an analysis of lapsed funds, that would be something useful for the committee to ask the Department of Finance to prepare for.

**Mr. Gerrard:** I would like to ask the Auditor General what might be his advice on how the Public Accounts might be presented so that we are aware of managers who manage to get the job done with spending less than they were allocated.

**Mr. Singleton:** One approach to that, which I do not think we have specific recommendations on in this particular report that is before you, but, certainly, it is clearly something the institute has recommended that governments consider, and that would be to put a budget column right in the financial statements so that you could see beside each expense line in the financial statements the amount that was authorized and you could see right away the difference between the budget amount and the actual amount.

**Mr. Gerrard:** My question to the Minister of Finance would be whether he would look at making those sorts of changes, so that it would be clearer where there was substantive management that was able to get things done with less in the targeted spending.

**Mr. Selinger:** I want to point out to the member that if he looks at the Public Accounts, he has them in front of him, Volume 3, he will see that

in those accounts, I will just reference, for example, page 3-28, you can see there in, say, the Administration and Finance category of Culture, Heritage and Tourism, the amount in the first column was what was allocated, the amount, the second column was what was spent and the amount, and the third column is what was lapsed. So that information is available in the Public Accounts.

**Mr. Chairperson:** Shall the Annual Report of the Provincial Auditor: Audit of the Public Accounts for the year ending March 31, 2001, pass?

**Mr. Loewen:** Again, just referring to the Auditor General's analysis, I am on page 62, I guess, starting on page 61 with regard to the review of the SAP upgrade. There are a number of recommendations included in this report. I am wondering if the Auditor General is able to update the committee on whether these recommendations have been followed up on and completed, or is that something, again, that we would have to summon the departmental officials to appear before the committee to get that answer?

**Mr. Singleton:** I just want to provide a brief clarification to my previous answer to the question about budgets versus actual. My comments were referring to the summary financial statements, but if the member is primarily interested in the Estimates amounts, they are disclosed, as was indicated by the minister in the Public Accounts.

With respect to the SAP upgrade, I think we did a follow-up in 2002, which I do not know that we necessarily have immediately available, although Bonnie is trying to find it for us as we go through there. I think I can report for the committee at least that we found the officials responsible for SAP very responsive to our recommendations. Progress has basically been made in all of them. Whether they have been completely resolved I cannot say. Perhaps the officials from Finance can provide some further update on that for us.

**Mr. Loewen:** I would ask the minister: Is it possible to get an update at this time, or is that something he would be willing to bring back to the committee when it meets in November?

**Mr. Selinger:** I am going to the recommendation about 60 percent down the page, on 63. Is that the one you are starting on: "We recommend that departmental managers be provided with access to SAP"? There is a tool in place available to managers now to have access to that information.

Mr. Chair, on the second element of that recommendation, removing administrative access, each department is making its own discretionary decision on that.

On the second recommendation there, we recommend that the Comptroller's office reinforce the importance with departments of ensuring that delegated authorities are properly represented in SAP, or that differences are approved and documented. That has been followed up on, and manuals reflect the rationalized delegated authority with respect to SAP.

The short answer on the recommendation on the top of 64 is that it has been followed up on. If you want detail, I will try to provide that to you.

On the recommendation, again, about two thirds down on page 64, there is a standard tool for critical standard reports available to managers on their desktops. If it needs to be modified or improved to improve the reporting there, that is being done on an ongoing basis.

On the recommendation at the top or the first third of page 65, there is a backup site for the SAP that has been identified. Business continuity planning is ongoing across the wider government entity, but the essential backup site has been put in place and tested.

**Mr. Singleton:** Just for the interest of the committee, we did, ourselves, do a follow-up of this. That is reflected in the report on the Public Accounts for March 31, 2002. So, when the committee gets to consider that, there will be an update. We plan to put a further update in the report for the year ending March 31, 2003.

\* (15:00)

**Mr. Loewen:** I thank the minister and the Auditor General for that update. I guess just in terms

of general process, if I could ask the Auditor General to explain the process they go through in terms of the reports we are dealing with and the recommendations. Do there continue to be outstanding issues files with regard to reports such as this in the Auditor's reports that you make from time to time on various entities?

I am just looking for more information in terms of how detailed the follow-up process is in terms of ensuring that recommendations you make are either followed up, or at least the ones that are not followed up you are giving at least a departmental response in terms of why not. Or do these things just kind of disappear over time?

**Mr. Singleton:** Well, Mr. Chair, it is our practice to follow up on all our recommendations. In the case of value for money audits or compliance with authority audits, typically, we try for a three-year horizon, to follow up three years later on how things are happening. We do not necessarily always quite accomplish that, but that is our goal.

Something like SAP, because that is a critical part to us being able to form an opinion on the accuracy of the financial statements that the Government produces, we essentially follow that up every year. As long as there are outstanding recommendations, we would continue to bring them back in each year's report on the Public Accounts for the information of the committee. When we do that, we review the progress that has been made with the officials. If the recommendation has been fully implemented, we acknowledge that it has. If some progress has been made, we acknowledge what the progress is and recommend what further steps we think remain to be taken place and give the officials an opportunity to put their comments in in terms of what their plans are to address the recommendations. So, for something like this, it is probably most useful for the committee, at this point in time, to go to the most current report on it, which is the March 2002 one, although before Christmas there will be the follow-up report based on last year's review as well.

**Mr. Chairperson:** As a matter of housekeeping, the hour being three o'clock, what is the will of the committee as to how long we sit?

**Mr. Maloway:** Mr. Chairman, I suggest we revisit the issue at 3:30 and see if we can finish about that time.

**Mr. Chairperson:** We revisit the timing at 3:30. Agreed? [*Agreed*]

Mr. Loewen. [*interjection*] Mr. Singleton, were you not finished? I am sorry.

**Mr. Singleton:** No, I was finished. I wanted to make another comment, Mr. Chairman.

Just in advance of the committee deciding to possibly rise at 3:30 today, there have been a few comments made around the table, some by myself in fact, about the potential usefulness of inviting other people, experts responsible for specific programs, to future meetings to respond to questions from members of the committee. I just wanted to put it on the table that it might be useful before this meeting ends to either see whether there could be a commitment on the part of the Chair and the Vice-Chair to identify potential people to invite to the next meeting, depending on which agenda items are to be considered, or to have the committee itself talk about that particular process, so that if there is a will to have those people invited, there will be a process to make it happen for the next meeting of the committee.

**Mr. Chairperson:** I thank Mr. Singleton for those comments.

**Mr. Loewen:** I would concur with those comments, and, hopefully, that is something we can discuss prior to wrapping up today. There are some other issues as well.

Mr. Chairperson, I guess what I am interested in is whether there is any formal process in place to bring recommendations that have been made by the office of the Provincial Auditor in terms of revisiting any report that is issued by that office and any recommendations included in those reports. It is important that this committee understand that, even though we may pass reports, there may be outstanding issues in that report. I think it is incumbent on us to ensure that in all cases the recommendations that are made in these reports are either implemented or at least we have an explanation and, if we so

desire, an explanation directly from the department involved as to why they are not implemented.

Mr. Chairperson, I am curious to know from the Auditor General's vantage point whether he feels there is enough structure in place in this committee to ensure that that type of follow-up takes place.

**Mr. Singleton:** I am not an expert myself on the rules by which the committee operates and what the implications are of passing a report and what happens to outstanding recommendations in a report that has been passed by the committee; but, just thinking along common-sense lines, I would think that if the committee had particular recommendations, say, well, we have talked about the Maintenance Enforcement Program, that it wanted to follow up on, it could potentially pass a motion asking that it be provided with a follow-up report by the executives responsible for the Maintenance Enforcement Program to come back to a future meeting of the committee and then at that meeting, at that point this report could be passed. There would be an outstanding item in terms of a follow-up report that this committee had asked for. When that was received, the meeting could be held, and the people responsible for producing the report invited and a discussion held at that point.

**Mr. Loewen:** I would ask the Chair if perhaps he could follow up with the Clerk's office and just get some clarification in terms of process with regard to revisiting some of these reports that are passed. I do think it is important that we are able to keep a file of outstanding issues that need to be cleared up or at least explained in terms of the public interest in dealing with some of these reports. I think it would be important for all members of the committee to understand the process and understand what the options of the committee are in terms of calling back people from departments, even though the report may have been passed, if we are unsatisfied. Otherwise, we will end up in a situation where it is virtually impossible with a clear conscience to pass reports.

So, Mr. Chairperson, that is one aspect. Let us leave it at that for now, but perhaps we could

get some clarification for a future meeting in terms of process.

**Mr. Chairperson:** I would just like to point out, in discussion with the Clerk here in regard to the rules and the parameters of the committee, that there is no direct authority of this committee to order people to come before the committee. If there is any type of overtures toward people to come to the committee, it has to be in consultation with the Vice-Chair and the House Leader for there to be people to present before the committee.

The committee does not have the authority to ask and order people to come out of the department in anything that is in regard to the Auditor's report for questioning. It has to be done through consultation with the Vice-Chair and the House Leader. So I just wanted to clarify that.

We will move on then. Shall the Annual Report of the Provincial Auditor: Audit of the Public Accounts—*[interjection]* I am sorry. Mr. Loewen.

**Mr. Loewen:** Well, I am not just sure. Again, I think that is something that needs to get set out in the agenda because it is certainly one of the recommendations from the Auditor General, that this committee have the right to call witnesses and take testimony.

Mr. Chairperson, I think that, again, is a recommendation, and, again, I would like some clarification in terms of the process, whether that is something that needs to be enacted in legislation or whether that is something within the purview of this committee to determine. Perhaps that is something we could put on as an agenda item for future discussion.

I would ask, through you, that perhaps the Clerk's office give us a summary of what the rights and guidelines of this committee are with regard to all of the recommendations that have been made by the Auditor General in terms of the operation of this committee, because I do think it is important that we look at the operation of the committee as a whole and, quite frankly, bring it more in line with what we are seeing across the country in other provinces and bring

the operation of Manitoba's Public Accounts Committee up to date with the rest of the world.

**Mr. Chairperson:** I can only point out what is in the guidelines that we are presently operating under right now. The recommendations, I guess, are something that have to become consideration by the committee, by House leaders, for implementation. But, under the existing guidelines, as I outlined, those are the parameters that we have to work under.

The recommendations are something that maybe have to come forth for further discussions somewhere down the road. I guess that is part of the committee's decision.

**Mr. Loewen:** Well, again, I guess, just to clarify, what I am looking for is process. I mean, we have had the guidelines before us. We have discussed the guidelines. They were presented to us, I think, probably two years ago, and I am just going by memory there. It may be longer. It may be a little shorter, and they have sat in limbo since.

So, as a member of the committee, I would like a little more clarification on who is going to take authority and responsibility to look at these guidelines; and, if it is being done strictly within this committee, if that is the process, then I would recommend that we get on that issue as soon as possible.

\*(15:10)

As has been pointed out by the Auditor General, and as we are all aware, this committee does not operate up to standard when compared to Public Accounts committees across this country. I think that, for the benefit of the members on the committee and for the citizens of the province, it is important that we get this committee operating in a more responsible and up-to-date fashion. I would ask the Chair and, through the Chair, the Clerk, to maybe table that agenda item for the next meeting. It would be very helpful because there are a lot of new members on the committee, and I think there is a general lack of understanding in terms of what all the processes are with regard to the operation of this committee and how we can move it ahead. If it is simply a vote on the committee,

that is just something we need to know so we can prepare ourselves. If it is a recommendation to the Legislature that rules be changed, then I think also we have to be prepared to look at how we are going to move that process forward.

**Mr. Chairperson:** I can only point out that there is no mechanism under the existing guidelines to address that. This is something the Vice-Chair, the Chair and the Clerk will take under advisement.

**Mr. Singleton:** I just wanted to make a comment. My understanding is, and perhaps the Chair could clarify this too, that the rules that were adopted, the rules for calling witnesses for this committee that were adopted, were to be the same as they were for all other committees. Other committees, of course, do call and invite people to come forward. I think what the Chairman has described is exactly what the process is. If there is a desire to have witnesses come forward, it has to be done in consultation between the Chair, the Vice-Chair and the House Leader to make that happen. I am sure, however, that they would respond to an interest expressed by members of the committee that particular witnesses be brought forward and would seriously consider that when they were planning the agenda.

**An Honourable Member:** It cannot be all over the place. We have to be focussed. We have to know what it is we are calling.

**Mr. Singleton:** Exactly. The door is not closed. It just has to go through the right process.

**Mr. Chairperson:** Yes, I think so. Moving on—Mr. Loewen.

**Mr. Loewen:** I will touch on this issue as well when we get into the Public Accounts, but with regard to the restatement of prior years' adjustments, and very shortly we are going to start talking about the federal accounting error, I am just wondering if the Auditor General could describe to us, if the Government was following generally accepted accounting principles and, in fact, was following the recommendation to restate prior years' balances, can you give us some indication how that would have been treated if the statements were presented according to

generally accepted accounting principles versus the way they have been treated in the summary financial statements under the provision of the exception noted in note 1 in those statements?

**Mr. Singleton:** Well, with respect to that particular accounting policy and showing the effect of changes in accounting policies, of course, it only comes into play when there is a change in accounting policy that takes place in a particular year.

In this particular year we are looking at, if you go to page 21 of our report where it has Consolidated Statement of Accumulated Deficit for the Government, about the second line down talks about changes in accounting policies that were implemented during that particular year. You can see there was a change in accounting for the amortization of unrealized foreign exchange, a change in accounting for tangible capital assets, accrual of future employee benefits and the restatement of net assets to trust liabilities. Each of those items has been adjusted straight to the accumulated deficit instead of having the prior year's income statement adjusted for the effect of them. What you see there is the total effect of the adjustment.

I do not have the information with me today. Perhaps officials from Finance do, but a portion of those numbers would apply to the year ended March 31, 2000, and then probably a larger portion would relate to years before that which are not included in the report.

So, if generally accepted accounting principles were being followed, a portion of all those amounts that I named would have been reflected on the income statement for the year ended March 31, 2000, in the report that we are looking at, instead of being flowed through the Statement of Accumulated Deficit.

Mr. Chair, the benefit of that is and why it is a generally accepted accounting principle is that, when you are looking at the amortization on unrealized foreign exchange, for example, and you are trying to compare the change in expense year over year, you will know that they have used the same accounting policy in both those years, and the practice presently followed by the Government, the amortization on unrealized

foreign exchange, would be shown in one method for the year ended March 31, 2000, in these statements in that column and a different method for the year ended March 31, 2001. So it makes it difficult for the reader to understand why an amount has gone up or down or has not changed, because two different accounting rules have been applied.

So I cannot give you a number in terms of how much the net income would have changed for the previous year because I do not have that available, but it could certainly be prepared for you. If the Department of Finance were asked to do so, I am sure they could do that for you.

**Mr. Loewen:** Mr. Chair, I guess what I am hoping or what I would expect is that, if the generally accepted accounting principles were followed, it would be a little easier for the average citizen, the average layperson to, in fact, get a better handle in terms of the flow of either a surplus or a deficit in a given year vis-à-vis tracking the provincial deficit over a period of time.

I think it is very difficult for people without a formal accounting background and training to decipher sometimes how these large fluctuations in the deficit in one way or another have actually occurred.

In your opinion, would it actually be simpler for the average citizen to follow the finances of the Province of Manitoba if GAAP was followed?

**Mr. Singleton:** Yes, I think it would be. I certainly acknowledge that government accounting is confusing at the best of times, and the average citizen would probably be hard-pressed to really get a good understanding of the accounting policies used by government anywhere in our country.

But, from my perspective, the one thing that would be helpful to them to know was (a) that generally accepted accounting principles were, in fact, being used; and (b) that Manitoba was using the same accounting policies as all the other jurisdictions in Canada, so that you have a fair comparison of apples to apples when you are trying to understand the fiscal performance of

each government. Right now in Canada, the best standard for ensuring that comparison is generally accepted accounting principles.

It is not that I am saying citizens need to understand generally accepted accounting principles, but I think it would be useful for them to know that that is what is being followed. It very closely parallels what happens in the private sector, so that if you do know how to read private-sector financial statements, you have a bit of a head start in being able to read and understand government financial statements as well.

\* (15:20)

**Mr. Loewen:** I thank the Auditor General for his comments. I think as well that, given the situation we are in, with the problems particularly that have been the experience of some major corporations, particularly south of the border, for not following generally accepted accounting principles, it would, in fact, be very apropos for the government of the day to recognize that it is in their best interest, I think, and in the best interest of the citizens, to actually move to a system that follows generally accepted accounting principles and gives the people of the province a level of comfort in knowing that their Government is reporting their finances based on those principles.

**Mr. Chairperson:** The Annual Report of the Provincial Auditor: Audit of the Public Accounts for the year ended March 31, 2001—pass.

Shall the Public Accounts Volume 1 of the fiscal year ending March 31, 2002, pass?

**Mr. Loewen:** Just for clarification, I would ask the minister with regard to the annual report for the year ended March 31, Volume 1, who prepares the Operating Fund Details of Budgetary Performance that we see on page 26 and 27? Is that something that his department prepares? Is he responsible for that? Where does that come from?

**Mr. Selinger:** The member is asking: Who prepares the text on pages 26 and 27? Treasury Board.

**Mr. Loewen:** I wonder then if the minister could explain—I am dealing specifically with paragraph

2, because it seems to me in this analysis that there are quite a few holes in it. Specifically with this paragraph, it indicates: "While the 2002 Budget anticipated the initial \$150 million payment from Manitoba Hydro occurring in the year 2001/02 fiscal year, the legislative authorization for the transfer did not occur until recently, and as a result, the initial payment of \$150 million will be recorded as revenue to the province in 2002/03 fiscal year. As a transitional measure, a \$150 million transfer from the Fiscal Stabilization Fund occurred in 2001/02 fiscal year in lieu of the payment from Manitoba Hydro. This transfer will be reversed in 2002/03 fiscal year to replenish the Fiscal Stabilization Fund. More details on the nature and impact of this error are outlined on pages 29 and 30."

I guess, given the context of this paragraph, I would ask the minister: What is the error?

**Mr. Selinger:** The error? More details on the nature and effect of this error are outlined on pages 29 and 30. If you flip to 29 and 30, they explain it to you.

**Mr. Loewen:** I would ask the minister: Does he not feel it somewhat strange in that whole paragraph referring to this error that not one place in that paragraph is the federal accounting error ever mentioned? Again, we are looking at the average layman on the street trying to decipher this information; at the end of the paragraph there is talk about an error that is not mentioned anywhere in paragraph. I just fail to understand how one relates to the other. The whole paragraph deals with the payment from Manitoba Hydro, and then the last sentence states this error. I just do not see how the two relate.

**Mr. Selinger:** The error is discussed earlier on on page 12.

**Mr. Loewen:** I appreciate that, but we are dealing with a brand-new section that starts on page 23. It is a matter of making sure that these reports are transparent to the people of the province of Manitoba. I think maybe this is something that could have used a little more analysis before it was published just in terms of the wording of it. Those of us in the Legislature who deal with these reports, we know what is there,

but for the average person on the street it can be extremely confusing.

A simple question: Was the \$150 million repaid?

**Mr. Selinger:** The \$150 million was retained as operating revenue due to the changing circumstances we experienced subsequent to this report.

**Mr. Loewen:** I take it from the minister's answer that the \$150 million was not replenished to the Fiscal Stabilization Fund.

**Mr. Selinger:** As I indicated, Mr. Chairperson, it was retained due to a change subsequent to this report that required the revenue for operating purposes.

**Mr. Loewen:** I would ask the minister, then, given those circumstances, if he would not agree that maybe in hindsight maybe a little better wordsmithing would have been to include somewhere in this paragraph a reference to the federal accounting error.

**Mr. Selinger:** Mr. Chairperson, there is a reference to the accounting error there. It refers to two pages for a greater detail. I think I understand the member's point. The word "error" comes up in the last sentence, and he would like it to be referenced earlier on in the paragraph so that the last sentence more clearly connected to that. I pointed out to him that it popped up on page 12.

I take the member's point. I think it would have been helpful if it would have been more closely linked to the last sentence in that paragraph, but the member should also recognize that when we published the Budget that year there was an appendix that fully explained the accounting error, including original correspondence that set the precedent for how the error should be resolved. It was probably among the most detailed presentations of the federal accounting error of any province that experienced the issue across the country. As a matter of fact, I would probably say it was the most detailed explanation of the accounting error of any province or federal government that was involved in the error. There was full disclosure in the Budget at the time it was published.

**Mr. Loewen:** I appreciate that. Certainly, in this report and in other reports there is detailed disclosure. My first thought from reading this paragraph was that somewhere the minister or, I guess, Treasury Board was admitting they had made a mistake in trying to take \$150 million out of Hydro. That is how it reads. I am just wondering if that is what the admission was.

**Mr. Selinger:** Well, I know the members would like that to be the case, but the sentence is carefully crafted to refer to pages 29 and 30, which, I think, reference correctly what error we are referring to. It is on page 29 and 30. It is on page 12 when it was fully disclosed in detail in the Budget.

**Mr. Maguire:** As regards the point that it was so clear on 29 and 30, which the minister has just told us, that he had to refer back to page 12 to get it clarified, clearly there is a difference. Page 12 is part of the minister's statement. He has just indicated that the Operating Fund Details on page 26 that we are talking about here is done by Treasury Board. Obviously, I hope there is a link there between the Minister of Finance (Mr. Selinger) and the Treasury Board, but the Member for Fort Whyte (Mr. Loewen) has indicated this error could be read to have been that an imprudent process was taken by the Government here, that the error of \$150 million was taken from Manitoba Hydro and that the error of the Government was seen prematurely in its statement here of Treasury Board. I guess I would just say there is a need for clarification on this one as well.

**Mr. Selinger:** I know the member carefully reads the reports, and he will note on the second bullet in the first column on the bottom of page 25 that the federal accounting error is referenced.

**Mr. Gerrard:** My question to the Minister of Finance and to the Auditor General deals with one of the indices. Yesterday we were talking about how you develop indices and what are valuable and what are not and so on. Page 16, which deals with the economic report, deals with the capital investment in the province. The capital investment in 2001 increased, but the private capital investment increased only marginally by 0.4 percent and the public capital investment increased by 10.8 percent. It would

seem to me, No. 1, that in the graph it would have been useful to separate public and private capital investment so that one could see the trends clearly. This is important in terms of a projection of where the province is going and who is investing in what.

Perhaps the minister would comment and then the Auditor General.

\* (15:30)

**Mr. Selinger:** I just want to point out to the Member for River Heights (Mr. Gerrard), I take the member's point. There might be usefulness in separating public and private investment and looking at the trends over the years—point taken.

**Mr. Singleton:** I do not have much to say with respect to that. The question of what is useful in here, there is an endless source of information that can be provided in terms of analyzing the economic factors that have affected the financial performance of the Government, and I think it is a useful dialogue to take place between the Government and this committee in terms of what would be useful to them.

**Mr. Loewen:** Just back to the dialogue on page 27. The first paragraph indicates that a surplus of \$20 million in expenses occurred. Just again for clarification, is the minister indicating that that is \$20 million less spent than was budgeted?

**Mr. Selinger:** The short answer is yes, and, for greater certainty, if the member would look to page 109 in the same volume, the Budget estimate was 6757; the actual expenditures were 6737, which accounts for the \$20-million difference.

**Mr. Loewen:** Would that 6757 number that the minister has just quoted have included the \$40 million that was in the Budget for the floodway improvement?

**Mr. Selinger:** That paragraph on the top of page 27 in the fourth last line, in what looks like a rather long sentence—no, yes, it is a long sentence no matter how you slice it—indicates the \$40 million for floodway expansion was in there, yes.

**Mr. Loewen:** It is my understanding that none of the \$40 million was spent. Is that correct?

**Mr. Selinger:** That particular amount was lapsed, but there had been expenditure on the floodway, yes.

**Mr. Loewen:** Again, just for clarification, and I realize that there had been expenditure on the floodway, but virtually none of the \$40 million had been spent.

**Mr. Selinger:** For further clarification, that was part of the ongoing negotiation process with the federal government at that time.

**Mr. Loewen:** I appreciate that. Again, just as a non-accountant reading these statements and looking at the numbers, basically what that indicates to me is a capital expenditure of \$40 million was not made, and the Government is claiming that, through expense management, it was \$20 million under budget. If you had just stuck to your budget in the other departments, you would have been \$40 million under budget because none of the \$40 million was spent. Maybe the minister could explain if there is something my logic is not anticipating there.

**Mr. Selinger:** It was a current expense budgeted for. It was not capitalized, so I just want to be clear on that. When you call it a capital expense, sure, clearly it is a capital project, for which there was current cash put into the Budget for it, and it was lapsed. If you read that whole paragraph, it tells you where the additional pressures were as well, health care being the operative word.

**Mr. Chairperson:** Just as a matter of house-keeping before we proceed, there was a discussion regarding 3:30. What is the will of the committee? Is it the will of the committee to sit till four?

**An Honourable Member:** Committee rise.

**Mr. Chairperson:** Is it the will of the committee to rise at this time? *[Agreed]*

Before we rise, I would point out to the members that, if you are not going to use the reports, leave them here because they can be used again.

Committee rise.

**COMMITTEE ROSE AT: 3:36 p.m.**