

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**Thursday, 5 June, 1986**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. D. Blake**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Harper, Kostyra, Mackling and Storie

Messrs. Blake, Mrs. Carstairs, Messrs. Dolin, Kovnats, Maloway, Manness and Santos

**APPEARING:** Mr. F. H. Jackson, Provincial Auditor

Mr. W. C. Fraser, Comptroller, Department of Finance

Mr. C. E. Curtis, Deputy Minister, Finance

**MATTERS UNDER DISCUSSION:**

Report of the Provincial Auditor, Public Accounts of the Province of Manitoba

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**MR. CHAIRMAN:** Ladies and Gentleman, we have a quorum.

For our meeting, I have been asked to remind the newer members to speak into the mike. It's very difficult for the recorder to pick it up unless you speak directly into the mike, unless you have a loud voice.

**MR. A. KOVNATS:** I can't hear you unless you speak right into the mike.

**MR. CHAIRMAN:** For those who have difficulty, there are some contraptions on the desk. If you plug it into your ear, Abe, and turn the volume up high, I'm sure you'll be able to pick us up.

We were discussing Page 32 of the Auditor's Report. Page 32 — Mr. Manness.

**MR. C. MANNES:** Mr. Chairman, I'd like to move down to the item subheaded "Conflict of Interest." The Auditor wrote that last year he had recommended that the guidelines be expanded to assist officials with their decisions concerning possible conflicts of interest or perceived conflicts of interest. And thereon.

There have been two cases in the last month and a half whereby individuals, I believe within the Department of Education, either stepped down or were given a leave of absence to allow themselves to become engaged in a training program provided by the Federal Government. I would ask the Auditor whether these types of situations were those over which he was concerned about when he made this recommendation. Would they be examples of that type of situation?

**MR. CHAIRMAN:** Mr. Jackson.

**MR. F. JACKSON:** They would have been examples of our earlier concerns, but we felt that the conflict of interest guidelines had been developed to a point that departmental management could address those issues. What we were concerned about latterly was conflict of interest situations more related to spouses and members of the family, and what the situation should be as far as conflicts of interest dealing with spouses and other members of the family. Those areas hadn't been documented or clarified, and that's the area we're looking for further documentation on.

**MR. C. MANNES:** Have you received that further documentation or attempt by the government to put into place proper guidelines to address those situations?

**MR. F. JACKSON:** As I indicated at our last Session, we haven't got the formal communication of these expanded guidelines at this point.

**MR. C. MANNES:** Can the Auditor tell me whether there are guidelines in place today to prevent or maybe just to call to attention the fact that there may be civil servants who wish to continue either working actively within government or take a leave of absence from government to become involved in other endeavours, whether they are purely private in the sense that the revenues they receive come from the private field, or whether they're semi-public in the sense that they receive their revenues from the Government of Manitoba, the Government of Canada or any other level of government.

Are there guidelines in place that address those situations and, if they are, can you share them with me?

**MR. F. JACKSON:** There are guidelines in place. I don't have any details with me, but I would consider that the guidelines in place are appropriate to assist departmental management and the staff involved to conclude whether there is a real conflict of interest, the potential for a conflict of interest or an apparent conflict of interest.

**MR. C. MANNES:** I would ask the Auditor whether or not he can provide to myself and other members who so choose to have a copy of those guidelines. I have never seen them and I would like to see them if possible.

**MR. F. JACKSON:** Yes.

**MR. C. MANNES:** Mr. Chairman, another question within this area to the Auditor. He's been asked by the Premier of the Province to become involved in a Commission of Inquiry into certain dealings with respect to the former Minister of Energy and Mines.

Firstly, I don't know how proper it is that I address the question at this time, and the Auditor may want to make comment about that, but I'm wondering whether or not he has been given printed terms of reference and, if so, whether or not he can share those also with members of the committee.

**HON. E. KOSTYRA:** Before the Auditor answers the question, the information with respect to that was tabled in the House for all members, and that was the request by myself, after discussion with the Premier, for what's referred to as a special audit under the terms of the act governing the Provincial Auditor.

The terms of reference that were given to the Provincial Auditor are those that are contained in that letter which was tabled in the Assembly.

**MR. F. JACKSON:** I take it from that response that the members have been provided. That is what I've been provided with.

**HON. E. KOSTYRA:** Just to clarify the question, because the request was for an audit with respect to the building known as the Brokerage Building, 115 Bannatyne, with respect to any and all transactions, direct or indirect, that the Government of Manitoba may have had with tenants of that building to ascertain whether or not they were proper. That is what was contained in that reference.

**MR. C. MANNES:** Those terms of reference would have not, in any respect, called upon the Auditor to look at the fact that a Crown corporation of government may have made a payment which they did not have authority to make, which apparently came to light over the last two days. I would ask the Minister whether or not the Auditor could give us some idea as to whether he has responsibility to ensure that proper authority has been granted to signing officers of Crown corporations or what the proper procedure is with respect to Treasury Board endorsing departments of government to enter into certain contracts, i.e., consulting contracts.

I would ask the Auditor, officially the spokesperson for the government, to look into the propriety of that type of action.

**MR. F. JACKSON:** As part of our review, we'll be looking at that on our own.

**HON. E. KOSTYRA:** I'm not aware of any contracts that were entered into without the proper authority with respect to the item that the member refers to. Crown corporations, agencies outside of government, have their own authority and their own procedures with respect to entering into consulting contracts that do not require approval by Treasury Board. Any contracts entered into by the Government of Manitoba or any of its departments have to go through the approval process laid out through Treasury Board.

**MR. C. MANNES:** What is not in question here is the authority of the Crown corporation to enter into contract. What is in question is, who pays for that contract? If, indeed, the department of government

ends up paying for it, are they subject to the same Treasury Board approval procedures?

**HON. E. KOSTYRA:** The particular instance that the member's talking about and the apparent contradiction in what has been reported, unfortunately, is that the contract was entered into by the Manitoba Energy Authority. At that point in time, the administration for the Manitoba Energy Authority was being done through the Department of Energy and Mines, so the bill was paid through the Department of Energy and Mines, on behalf of the Manitoba Energy Authority in funds that were set aside for the Manitoba Energy Authority, because as I understand it and have been informed by my staff, for that year the funds were set aside in the Department of Energy and Mines for the Manitoba Energy Authority. It was in the subsequent year that it had its own administration system to deal with its accounts.

**MR. CHAIRMAN:** Mr. Kovnats, you have a different question?

**MR. A. KOVNATS:** Yes, I do, to Mr. Jackson.

What would the Provincial Auditor do when improprieties or irregularities are discovered in contracts or in regulations or in payments? What is the routine? Is it just that the Provincial Auditor, in his next report, makes note of it, or is there a particular action that is taken?

**MR. F. JACKSON:** For the particular item under discussion, my terms of reference here are to advise the Minister of Finance forthwith of any findings related to all the payments to the tenants of this building or in relation to the building itself or any matters arising therefrom. Any irregularities, to my mind, that are determined during the course of this review will be reported, and it's my understanding the Minister has made a commitment to have that report tabled in the House.

**MR. A. KOVNATS:** Is there a time frame in which the Provincial Auditor has been allowed to work on this particular issue?

**MR. F. JACKSON:** The time frame was only the beginning. The day I got the letter was the day that we start. I am under no requirement to complete it with anything but dispatch. I have no time limit at the other end, or I couldn't do what I might consider to be appropriate. We will do it with dispatch.

The other day there was an article in the paper which related to the cooperation between my office and the Commission of Inquiry, and there was an indication there that my report would be completed in a month. That was not completely factual. What that was, that we would make information available to the Commission of Inquiry within a month, not that my report would be completed.

**MR. CHAIRMAN:** Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I note that the Auditor has recommended that guidelines be expanded to assist

officials with decisions with respect to conflict of interest. He refers to having had communication with various government departments now for more than a year and making some progress, but there has been no centralized support from government in terms of establishing these guidelines and making them consistent across the board for departments.

I wonder if the Minister can indicate whether or not they have undertaken anything on this matter, what their proposal is, or will this be a subject of the legislation that is anticipated in this Session.

**HON. E. KOSTYRA:** I am informed that information has been formally communicated with departments, as recommended by the Auditor.

The government is also reviewing at the present time the conflict of interest guidelines as they relate to government employees, and also the present practice — this is in response to an earlier comment or question made by Mr. Manness — with respect to the process that's in place for the granting of leave of absences without pay for government employees to leave the service for a temporary period. That area is under active review at the present time.

**MR. G. FILMON:** Could we be provided with a copy of whatever guidelines, figures and memos that have been sent to the departments with respect to conflict of interest, and the current guidelines and requirements for leave of absence and all of those things, so that we know precisely what is required in all of these circumstances.

Is this something that would take a long time or would it be able to be provided within the next week or so? Thank you.

**MR. CHAIRMAN:** Page 32—pass; Page 33—pass.  
Page 34 — Mr. Manness.

**MR. C. MANNES:** The heading, Mr. Chairman, on this page is "Review of Government Control or Compensation by Crown Agencies." There's a couple of significant lines within the text towards the bottom of the first column where it says, and I quote: "Our review of the compensation levels of senior executives and other managers excluded from the bargaining process, disclosed significant variations among Crown agencies and between the Civil Service and Crown agencies. The reasons for these variations were not readily apparent."

I would ask the Auditor, what specifically is he getting at here? What is the concern and what is he attempting to suggest?

There is a level obviously; there are some major variation at times, and I can think of what Mr. Sweeney, the former Chief Executive Officer at Manfor received, by way of compensation and remuneration.

Is he specifically using these types of major differences in the level of negotiated salary or is there something more that he's trying to draw to the attention of members within his report?

**MR. F. JACKSON:** We're concerned about a couple of things. We're concerned about the compression that's taken place, I guess in recent years, between senior

levels in the Civil Service as opposed to more junior levels in the Civil Service, and we appreciate that there's some onerous responsibilities on the part of Deputy Ministers, at least in our eyes.

We see what's happening certainly in the Crown agency sectors and you mentioned Mr. Sweeney, so we can relate to Mr. Sweeney's salary. That was a multiple of what we pay our most senior Deputy Ministers. Mr. Sweeney's replacement got nowhere near that salary level. We're not sure what the rationale was for the first salary level and we're not sure what the rationale was for the second salary level.

What we would expect to have was the kind of documentation that would substantiate a multiple of the salary for a senior executive in a Crown corporation as compared to a senior Deputy Minister. That's the kind of rationale that we're looking for.

**MR. CHAIRMAN:** Mr. Storie.

**HON. J. STORIE:** I am somewhat concerned by the comments just made about not receiving the rationale for the salary that was paid to the previous Chief Executive Officer of Manfor.

I did in fact meet with the previous Provincial Auditor and we had a lengthy discussion about the circumstances surrounding that contract, and I have put on the record on a number of occasions the backgrounds, the explanations, the rationale for that decision. It was my impression, although, obviously, that would have to be confirmed by Mr. Ziprick, that he appreciated the situation which resulted in the awarding of that management contract.

So it was discussed with the Provincial Auditor, an explanation was provided. Obviously, I guess we could all second-guess the level and the appropriateness of it, but it was the result of a national search done by an independent group of executive head hunters, and it was believed to be an appropriate level for the experience and the qualifications of the individual who was hired.

As you, sir, are aware, the expectations of the chief executive officers vary pretty significantly from Crown agency and Crown corporation to Crown corporation, and that does create a problem in defining an appropriate level of remuneration.

**HON. E. KOSTYRA:** In terms of the specific concern raised here, there is now a system in place jointly through the Department of Crown Investments and the Civil Service Commission to do a case-by-case review of compensation in the major Crowns.

The situation with respect to senior salaries is always a difficult one. It can certainly be argued that the senior staff within the Provincial Government are relatively underpaid in comparison to senior staff in other Provincial Governments in comparable positions in the private sector and comparable positions in the public sector right here in Winnipeg.

As an example, the City of Winnipeg pays salaries considerably higher than senior managers in government by \$10,000, \$20,000 higher. The situation is obviously compounded at the Crown corporations where there is a variety of salary levels, some rationale based on the particular needs of that corporation; but

I guess the more difficult areas, the areas of Crown corporations that are more related to private sector activities where there is a level of compensation or a level of compensation expectation for people who work in that particular industry that may well be beyond what's paid in government.

As members know, the rationale for compensation for senior managers in the private sector has no real rational base to it other than factors related to that particular industry or that particular company or the individual that may be in that position.

But we have put in a system to review those through the two government departments that have the necessary interface and knowledge of those areas, and there is ministerial approval and review for those.

**MR. CHAIRMAN:** Mr. Santos.

**MR. C. SANTOS:** Mr. Chairman, I think there is a distinction to be drawn between the executives of the private sector and executives at the government level. Generally, the executives in the private sector, in industry, will get a nominally higher dollar value in terms of the salary, but the deficiency on the side of the public executives will be more or less compensated for by the measure of security, of tenure, the relative power position and influence they have, and in the long run, they would turn out to be the winners. There are many executives in the corporate world with high dollar nominal value for a limited number of years, but they cannot stay forever in the corporate position they hold. Usually if the management board deems that they will be fired, they will be fired, for any reason.

**MR. C. MANNES:** I can certainly understand the supersensitive feeling of the present Minister of Education with regard to the example that I used.

But I guess I'd like to ask the Auditor, what ultimately his department is searching for when he talks about rationale? Is it something that is to be printed on paper which will alleviate his concerns as to the differences between Civil Service and Crown corporation remunerations? Or is it just the multiple itself, and is there some magic goal which, once that multiple reduces, would be more acceptable? I'm trying to search as to what it is that would make the auditing department not comment on the differences that exist presently.

**MR. F. JACKSON:** Mr. Storie is quite right that there was a discussion with my predecessor and that there was an explanation offered as to the reason for that salary level. There were exceptional circumstances and it was accepted that there were some exceptional circumstances. What we were looking for was the rationale that would take those exceptional circumstances and relate to some heads of our other Crown agencies such as the Manitoba Hydro and Manitoba Telephone System, where their operations are significant in scope and size as well. But the salary levels weren't nearly at that level.

**MR. CHAIRMAN:** The Leader of the Liberal Party, Mrs. Carstairs.

**MRS. S. CARSTAIRS:** Thank you, Mr. Chairman.

I'd like to ask the Auditor if this is the first time that such a system has been recommended, or is this an ongoing recommendation of auditors year after year?

**MR. F. JACKSON:** No, it's not an ongoing observation year after year. I believe this is the second year that it appeared in a report.

**MR. CHAIRMAN:** Page 34 — Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I don't think we explored the area of concern that was mentioned by Mr. Jackson with respect to the narrowing gap between senior levels of administration and the others under them. I wonder if he could just indicate what his recommendations might be with respect to that.

**MR. F. JACKSON:** We appreciate that it's a very difficult area, and we appreciate that in times of restraint, it's even more difficult. But one of the things that is necessary, we think, to attract and retain capable senior individuals are salary levels that recompense those individuals at an appropriate level in comparison to what's happening with people doing similar type work, perhaps not identical, but even in our own Crown agencies. I'm not relating to outside private sector industries where their responsibilities are significantly different, that they are responsible for financing and all kinds of other things that our Crown agency officials don't have to do. I'm relating this to situations where, in some sense, they're extensions of government departments — or they could be — but it's been chosen that they are Crown agencies.

**MR. G. FILMON:** Applying that not just to Crown agencies but to the direct Civil Service, is there a concern on his part that the Deputy Ministers' salaries, for instance, or those at that upper level are really very close to middle management, technical specialists and others? In fact, at the current situation where Deputy Ministers are being paid, I think the Minister has indicated close to 20,000 less than senior officials in the city of Winnipeg. Does that mean we can't attract the kind of people that we should have in those positions?

**MR. F. JACKSON:** Well, I'm not a personnel specialist by any stretch of the imagination, but I would think that if there is a competition held and there is a \$20,000 difference in salary level and the individual had a choice of going two places, there might be a tendency to move toward the higher salary level.

**MR. G. FILMON:** Is that a concern that the Minister shares?

**HON. E. KOSTYRA:** There is ongoing concern about compensation levels with respect to all provincial government employees, because the comparison has been made that, overall, the compensation levels in the government are on the relatively low end of the scale when compared to other governments and other government agencies. It becomes a question in terms of fairness within the overall system and one in terms of overall costs. There has been occasion, that I'm

aware of, where there had to be variances to scales because of the difficulty in getting somebody for a particular position.

One example that is in the back of my mind from my experience in a previous portfolio was getting a legal translation person to deal with legal translation services, because there are a very small number of people who are expert in that area in Canada and a great deal of demand for them. But it's an area that is under ongoing review and the member will recall, because I believe it was he or some other members, criticized the additional step that was placed for Deputy Ministers, I think about a year or a year and a half ago when an additional scale was put in place to recognize in part some of the problems with the senior managers in government.

**MR. CHAIRMAN:** Page 34—pass.  
Page 35 — Mr. Manness.

**MR. C. MANNESS:** Mr. Chairman, we've already covered in fair detail some of the discussion associated with the Auditor's recommendation dealing with a multi-year plan, but there is one comment that the Auditor makes — which by the way I certainly agree with — on Page 35, second column, bottom of the first paragraph where he says, and he's talking about the multi-year plan, "We consider this to be an extremely important aspect of the planning process because, if carried out effectively, it would minimize the necessity for across-the-government percentage decreases in program expenditures."

That statement would indicate that the Auditor or his department either has developed a program whereby you can see the impact of the burgeoning debt portion of expenditures, or else it's a hypothesis based on the common-sense belief that the time will come when, as we direct more funds to debt servicing, we'll have less to direct towards programs.

Which of those two would be a most accurate reflection of the rationale behind the statement made?

**MR. F. JACKSON:** They would both have some impact on the statement that was made. One of the things that's important, in our view, from the management process, is to really have good parameters as to what your planning is going to do for you for the next while.

I don't think there is anything more frustrating to somebody who is trying to be a good administrator to have thought through, as well as he could, the program as he understood it and come up with the best alternative that seemed to be acceptable to all concerned, and then find that something is going to be dropped by 2 percent or something is going to be off by 5 percent. In our view, it works to the disadvantage of the better managers, and it's a frustration. So what we're saying is to the extent that those frustrations can be minimized wherefore.

**MR. C. MANNESS:** Mr. Chairman, I won't belabour that; I'm sure we can move into a far-ranging discussion on the Auditor's response.

But the paragraph just below that, the Auditor indicates that there have been improvements in financial information. Departments are starting to request their

branch directors to report on the results accomplished as compared to the objectives established through the planning process.

Who has access to these reports, and can all members of the Legislature have access to these reports?

**MR. F. JACKSON:** That would be an administrative decision by government. Departmental managers for their own department have access to this, certain reports are required by Treasury Board, but it's really an internal reporting situation, and what it is, is reflecting departmental management coming to grips better with their operation planning and the results of that planning as the year progresses.

**MR. C. MANNESS:** Well, my question still hasn't been answered. Maybe it's only the Minister or a representative of the government who can answer it.

Are these reports totally confidential? Would they be accessible to members of the Opposition, or to any member of the House for that matter, and once we have proclaimed freedom of information on The Freedom on Information Act, will they be available at that time?

**HON. E. KOSTYRA:** I can't answer that last part of the question specifically, but the information that is developed through those processes is available, at least in a significant way, at the present time for members of the Legislative Assembly through departmental annual reports which are tabled, and there is a process to complete that for all departments over the next year or two.

A lot of that information is also available through the supplementary estimates that are being developed again for all departments. A small number table them now, and over the next two to three-year period, touching on a small number, I guess there is about a dozen that provide supplementary estimate information prior to the Committee of Supply review of departmental estimates.

So a lot of that information is contained in there, and that process will continue over the next couple of years so that all departments will be providing the supplementary more detailed estimate information which will contain that kind of information.

**MR. C. MANNESS:** That was the essence of my next question, because under the next heading, Departmental Expenditure Estimates, I think the Auditor draws reference to the fact that there are some departments still not providing supplementary information during the Estimates procedure.

Can the Minister indicate when the the Department of Education, particularly, is providing additional supplementary information? Will that occur during this Estimate's review?

**HON. E. KOSTYRA:** The decision the government has taken is that all the departments have to have that detailed information within a three-year period which would end the year after next; it's including this fiscal year and the next two. Obviously, the larger departments are the ones that have more difficulty getting that

information together. Education will be concluded within that time period.

If I could be a bit more specific, with Education, it's anticipated that will be done for the next Estimate process.

**MR. CHAIRMAN:** Mr. Connery, you had a question? Mr. Connery.

**MR. E. CONNERY:** I want to go back to the previous page where they were talking about the need for a three to five-year plan. I think this is pretty vital. We look at the Jobs Fund spending something like \$75 million to \$80 million in a current year and don't have any plan even for the current year.

Is there any progress being made to a three to five-year plan for government?

**HON. E. KOSTYRA:** That's been answered in the House and I believe at the last committee. Yes, the government has that under very active consideration and will be providing a report later this year in terms of funds to implement a multi-year process for Estimates.

**MR. E. CONNERY:** What you're saying, then, it's still under consideration? It's not in process?

**HON. E. KOSTYRA:** It's more than under consideration. We'll have plans to implement it later this year.

**MR. CHAIRMAN:** Page 35—pass.  
Mr. Connery.

**MR. E. CONNERY:** On page 36, the bottom paragraph on the left hand side, I find some of this reporting very disturbing. The Department of Business Development and Tourism and the Industry, Trade and Technology have not submitted satisfactory expenditure estimate status for two years.

Is this still ongoing, Mr. Jackson?

**MR. F. JACKSON:** My understanding is that there has been some difficulty with aspects of the central administration in these two departments and that the senior executives within the department are in the process of taking steps to correct the situation. There have been some minor improvements. This situation has not yet been satisfactorily resolved.

**MR. E. CONNERY:** Is this not considered an undue period of time for progress to take place, Mr. Jackson?

**MR. F. JACKSON:** Well, one of the things that we're faced with is that as the demands on individuals become more complex and onerous, everybody doesn't adjust at the same rate or at the same level. There are situations where additional training or additional coaching and further staff development need to take place.

As part of the management process, it's only fair that every reasonable opportunity be given to staff to make appropriate adjustments. If at some point in time it's appreciated that the present staff don't seem to be able to make appropriate steps towards what's expected, other actions might have to be considered.

**MR. E. CONNERY:** I think the two previous Ministers of these departments are in this room. Could they give us some explanation why progress is going so slow? It doesn't matter which one replies first.

**HON. E. KOSTYRA:** Well, I guess it's a combination of factors that gave rise to the difficulties that are expressed in the Auditor's Report.

The fact is that those two particular departments over the past number of years were departments of the highest growth in terms of program and development, in terms of activities, with a whole variety of new activities both in the Industry Department and the Business Development Department.

The other factor that the member is probably not aware of is that those departments were only separated two years ago into separate operating departments sharing a common administration base.

So the increased thrusts in programming is one aspect that gave rise to the problems at the same time as the overall staffing level, as I recall, for the administration unit for those two departments was kept constant. The compounding factor was some personnel problems related to one or more individuals in that branch.

**MR. E. CONNERY:** I can see one of the departments having a problem when you split, but surely you shouldn't have both departments having a problem because some of the senior staff would stay with one.

What does the former Minister of Business Development and Tourism say?

**MR. CHAIRMAN:** I think, Mr. Connery, your questions should be directed through the Chair, and if the Minister wishes to answer . . .

**MR. E. CONNERY:** Okay. Would you ask the Minister, Mr. Chairman?

**HON. J. STORIE:** In reply, I think the Minister of Finance has given the answers. The administration was shared. Despite the fact that there remained a set of administration in place who were familiar with the requirements of one department, the other department was totally new and in effect doubled — perhaps not doubled the workload — but created a whole new set of problems for staff throughout the Finance Administration Branch as they struggled with priorities from each department.

Obviously, the Minister of Business Development and Tourism has a set of priorities in terms of what proceeds through the process first as does the other department. Sometimes it created problems in terms of forwarding payment to creditors, etc. It created a lot of problems and we were aware of them. There were some personnel problems and those are being addressed.

**MR. E. CONNERY:** It would appear, just as a final comment on that particular area, that the progress is still going very slow according to the Auditor.

Mr. Jackson, looking at your report, in the next column, in the next paragraph, where it shows \$3.9 million and .5 million, respectively, in excess of spending, I guess we go back to where you were talking the other

day about the accrual and cash method of accounting because you show on 4-31 in the blue book that Culture and Heritage overspent by some \$70,000; but in your report you show them as overexpending by .5 million.

How do we reconcile between the two reports?

**MR. F. JACKSON:** One is an actual cash situation, the other is a situation where funds have been voted in in an appropriation, and then there's a late account situation that gets reflected after the fact. One of the things that we're constantly looking for is whether or not the late accounts exceed the funds that were left in an appropriation at the end of the fiscal year.

If in fact the late accounts exceed the amounts of funds that were left in an appropriation, then administratively there's been a problem. In effect, what's happened is that the commitment system for that particular department has not worked as well as it was expected to work.

So what you're seeing here is commitments that have been made in excess of the funds that have been voted by the Legislature for that particular year.

**MR. E. CONNERY:** How is an MLA, and especially a new MLA that is new to this process, and you know, we couldn't do our business books this way, how are we supposed to sort through all of the information and come up with some appropriate analysis and comments and decisions?

**MR. F. JACKSON:** I'm not sure that I can help you with that specifically. One of the things that we've often considered, as an office, is if there couldn't be a program for new MLAs that would address certain aspects of government, a short course on the finances of government, a short course on the role that each of the central agencies plays and how they interrelate. We have considered that and wondered if there wouldn't be some merit in such a program.

**MR. E. CONNERY:** Thank you. Mr. Jackson, I find it kind of despairing when I look at the report on the Industry, Trade and Technology portfolio and the overexpenditure of .5 million in the Department of Culture, Heritage and Recreation, and, in looking through the books, the same Minister was involved and now has become the Minister of Finance.

It makes me very shaky to think that a Minister who performed very poorly, and his staff, would then be moved up the ladder to then make recommendations back down to what he was doing wrong.

**HON. E. KOSTYRA:** That comment doesn't bear any reply.

**MR. C. SANTOS:** Although I'm really government, Mr. Chairman, I have some concern about excess of spending authority by departments.

Does the Auditor-General consider this a mere technical thing?

**MR. F. JACKSON:** No, this isn't the same type of thing at all that we referred to the other day; at least it's not, to my mind.

This is an ongoing situation where information is available to departments on a regular basis as often

as bi-weekly. Each department is supposed to be maintaining a commitment system as part of the planning and organizing to carry out their business. They're supposed to be able to stay on top of where they are at a particular point in time.

That's not to say that there aren't some difficulties in carrying on government business and making commitments so that you're not out of merchandise, in fact; but we have a Special Warrant procedure that, if things are known in advance and people are using the material that they're provided with, most departments handle this adequately.

**MR. C. MANNES:** It sort of peaks my curiosity, Mr. Chairman. Is the Auditor then saying that in these two expenditures that the courses of action that may have been available to cover off the excess spending were not used at all?

**MR. F. JACKSON:** Sometimes what happens is that the courses of events are brought to bear but they're brought to bear too late. There are also some other considerations here.

One of the more difficult areas to work with are service departments that are, in effect, expending on behalf of other departments such as Government Services for the fleet, or Queen's Printer, where they're supplying merchandise to other departments with the expectation that they'll be paid by that other department on time. So when you get a compounding factor such as that, it does become more difficult to follow the administrative expectations.

**HON. E. KOSTYRA:** It should be pointed out, just in reference to the last comment, that this overexpenditure relates to activities of the Queen's Printer which, as the member is aware, is lodged in the Department of Culture, Heritage and Recreation, but is a Supply Services Division to all areas of government in terms of the printed material and in terms of papers, pens, every conceivable office supply goes through the Queen's Printer. So it responds in terms of providing that material on the requests or demands of all of the departments of government. This particular overexpenditure relates to those operations.

So it is somewhat more difficult to contain but there is no question that the Department of Finance and managers in that particular department and the other that is referenced, are taking steps to deal with that as best as possible, recognizing the unique situation that they find themselves in, in dealing with expenditures that they do not have total control on, as they have to supply those services to others.

**MR. C. SANTOS:** Does the Auditor have any recommendation to prevent this excess of expenditures over spending authority in the future?

**MR. F. JACKSON:** Yes, we've made those recommendations available to the department and, basically, what it consists of is to better monitor the ongoing operations of the department as the year-end approaches.

**MR. C. MANNES:** Mr. Chairman, I would ask the Auditor whether this type of situation occurred in the most recent fiscal year just completed?

**MR. F. JACKSON:** We are aware that there has been a small overexpenditure on the part of Queen's Printer for the year ended March 31, 1986.

**MR. CHAIRMAN:** Page 36—pass; Page 37—Mr. Manness.

**MR. C. MANNESS:** Mr. Chairman, there aren't many questions here, because the Minister has indicated the government's intentions to, I believe, have all departments of government issue annual reports and, if not, certainly all departments of government to issue supplemental information from preceding Estimates review.

I would just ask a general question though to the Auditor. Was it his decision or wish or the government's, that all the annual reports come out in more or less a common cover and a common style? Does the Auditor concern himself at all in the manner in which the detail is released?

**MR. F. JACKSON:** Well, what you're seeing is a reflection on the government's enunciated policy to minimize costs with department annual reports. I think they were previously seen by this committee as well to some extent, a self-serving document that had some communication value, but weren't in themselves awfully helpful to this committee. I think the government, quite wisely, appreciated that there could be some standardization here with a view to minimization of costs.

Further to that, we have worked with the Department of Finance so that there'd be some standardization in content, and that some of the information previously included in Public Accounts be now presented in the departmental annual reports to help highlight departmental responsibility for their operations.

When all the expenditure and revenue variances were presented in the Public Accounts per se, there could well be a loss of a perspective as to administrative responsibility for departmental operations. We, together with the Department of Finance advocated, that to a greater extent the departmental annual reports be made as meaningful as possible and include more significant aspects of their operations.

**MR. C. MANNESS:** Is the Auditor referring to — he indicates here in the second-last paragraph, Column 1, within the Department of Culture, Heritage and Recreation, which he says: ". . . now provide comparison of actual and planned expenditures with explanation for significant variances."

Is that now provided within that annual report, and is that the type of style and standardization that he would like to see occur in all the reports?

**MR. F. JACKSON:** Yes, that's an early step towards what we're looking for.

**MR. E. CONNERY:** I'm a little disturbed here again with the annual reports. They're more of a propaganda piece of material. They are not presented by the Auditor, are they, Mr. Jackson, the annual reports? They're presented by the departments, so they become glossies more than actual factual stuff, and I agree with what you're saying.

Not all of them report annually, and some of them report on the province's fiscal year and others on a calendar year. Now how do you justify them doing that?

**MR. F. JACKSON:** We don't justify them doing that. As a result of our recommendation, the Premier has issued instructions that they all comply with the fiscal year-end of the province.

**HON. E. KOSTYRA:** Unfortunately, it has taken us a few years to correct the system that was in place before with respect to annual reports. We now are attempting to standardize them and not use them as propaganda documents, as was the case in the past and that's precisely what is stated in here.

Rather than have them as glossaries, as was the case when we came into government, we're standardizing them into plain documents that are less costly and provide information and reconciliation with the other books of the province. So that is something that we've been putting in place over the last three or four years, but it's a change from the previous practice when some members opposite were in government.

**MR. E. CONNERY:** I find that interesting when they keep on bragging that they've been in power for the last 12 of 16 years. Surely, things could have been in good shape before the Conservatives took over in 1977. So I find that hard to . . .

**MR. CHAIRMAN:** Is that a preamble to your question, Mr. Connery?

**HON. E. KOSTYRA:** Things can go down in four years pretty quickly.

**MR. E. CONNERY:** Will we have the annual reports on a consistent and proper basis in a short period of time, within a year or two?

**MR. F. JACKSON:** It is my understanding that significant progress has been made in that direction, and all of the recent reports that I've seen coming across my desk are on a fiscal year basis, the same as the government's fiscal year.

**MR. C. MANNESS:** A final question, Mr. Chairman. The Minister did make a commitment to providing supplemental information. He as yet hasn't made a commitment to annual reports for all the departments listed as not having them at this point. Is it the government's intention to do so?

**HON. E. KOSTYRA:** By next year, all departments — there are only, I believe, five that don't at the present time — but they all will be providing it by next year.

**MR. E. CONNERY:** What is the time frame for annual reports being put out? It's a standardized time limit, I'm not just positive what it is, Mr. Chairman, maybe he can tell us.

**MR. F. JACKSON:** Our recommendation is that the departmental annual reports be available within six months after the close of the fiscal year.

Why we've made that recommendation is, that we consider the Public Accounts to be a report on stewardship for the government as a whole but, to appreciate that stewardship report, you also need the departmental annual reports available to appreciate departmental operations.

**MR. E. CONNERY:** What is the process at this point?

**MR. F. JACKSON:** The departments are gearing up to have their annual reports produced on as timely a basis as my expectation. At least, that's my understanding.

**MR. E. CONNERY:** As a new MLA, I find it very difficult to have an opportunity to analyze the reports and to be able, as an MLA, to present questions adequately in the committee hearings, because you just can't go through all these committee reports, especially when you're new. If you've been here three or four years, you've got a pretty good idea of what's going on. It's very difficult for a new person to adequately do the job and I kind of resent that. We're being paid by the members of our constituency in the province and we should have this available in an appropriate time and if the House sits very close, I can appreciate that they're not available; but in this particular case I think we could have had them much sooner and we could have been perusing them for two or three months.

Is the Annual Report — I haven't seen it — for Business Development and Tourism been put out yet?

**MR. F. JACKSON:** I'm awfully sorry I can't comment on that because I don't have the details as to which reports have been received and which haven't.

**HON. E. KOSTYRA:** I'm not aware if that one has been tabled at the present time. There are some departments, by legislation, that have to have an annual report tabled. Unfortunately, that's not the case legislatively with all departments. But the government's intention is that all departments table annual reports, that it all be done by next year and to be done in a timely fashion, so that that information is relevant.

**MR. E. CONNERY:** The previous Minister is here. Mr. Chairman, can he tell me when that report will be out?

**HON. J. STORIE:** Well, obviously, this report will be tabled. I'm not sure what particular problems the current Minister has found, or whether she has wanted to make changes, or as you know and as has been mentioned here, the departmental reports have over a number of years, varied considerably from department to department.

I can't give you a date but I would concur with your comments about the usefulness of departmental reports generally, and I have made similar comments to all of my departments.

I think perhaps the recognition that you've given to the problem that new MLAs have is one that everyone faces; that it's difficult to come to grips with what's going on in each department. I think a more useful practice is something that this government has started — in terms of providing supplemental details to the Estimates themselves — it gives you a much better

understanding of what's going on in the department, where the money is being spent.

The departmental reports, I think contrary to your suggestion, do provide significant amounts of fact, but it's a fact that, in some respects, may be self-serving. Perhaps we should ask a legitimate question of whether departmental reports are an essential part of reporting to the Legislature and to members. Perhaps we should be looking at providing additional detail by way of Estimates.

**MR. E. CONNERY:** Mr. Chairman, I would like to — unless I'm confused — the Minister of Education for the Minister of Business Development and Tourism for the last year until the new Budget was assigned? Am I not right?

**HON. J. STORIE:** That is correct.

**MR. CHAIRMAN:** I don't know if that's subject to this committee though.

**MR. E. CONNERY:** Well, whatever the day, whatever the time, it was just this spring, Mr. Chairman, and having been the Minister since the . . .

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

**MR. C. SANTOS:** Mr. Chairman, although the Minister is responding to questions, I don't think it's the responsibility of the Minister to speak for a department no longer under his control.

**MR. CHAIRMAN:** Well the thing is I think we're getting into a debate, when we should be paying attention to the Auditor's Report.

Mr. Kostyra.

**HON. E. KOSTYRA:** I will provide at a subsequent sitting, if we do sit; if not, I will provide the information to the member when it's anticipated that the Annual Report of the Department of Business Development and Tourism is to be tabled.

**MR. C. MANNESS:** Mr. Chairman, I take it the Minister isn't making a commitment on behalf of the government to have all Annual Reports tabled or released to members within six months of the fiscal year end. However, I would ask the Auditor, whether I take it in his recommendation in wishing to see that occur, that he would also like to see the public accounts and his report can be made public within six months of the fiscal year-end.

I would ask him specifically, if he wouldn't see some merit in the government recalling the Standing Committee towards the public accounts in the fall, whether the House is sitting or not, to consider accounts for the year previous?

**MR. F. JACKSON:** Our annual Audit Report and its timing thereof, is basically related to the timing and issuance of public accounts of the Province of Manitoba. I know that the Department of Finance makes a sincere effort to complete those accounts on a timely basis.

Unfortunately, I am aware of circumstances in each of the last two years that, just from an administrative

point of view, have delayed the timeliness of those financial statements. In regard to our own annual report last year, we were a month behind what we were expecting and it was just strictly a printer problem and that resulted after we were on a word processor that was on an electronic linkage to the printer, who also had a computer. It was a technological situation that should have been done in three or four days and it took a month.

**HON. E. KOSTYRA:** Just to add a couple of comments with respect to the Public Accounts. I think in terms of having that available within six months, it is just not possible. At present, it's I guess about eight months from the year-end. But I think members have to appreciate that the year-end doesn't close as of March 31; the books are kept open in terms of expenditures to reconcile all the invoices and those kind of things for about 30 days, another month.

In the case of revenue it's the end of June before all of the cost-shared revenues, and those kind of things, are concluded. So the process, it's not a drop-dead date as of March 31; it takes some time after that before the information is collected in order to prepare the accounts.

But I'm told that they are made available as soon as they are concluded and printed. As the Provincial Auditor indicates, his report has been tied to the tabling of that.

**MR. C. MANNES:** Well, Mr. Chairman, my concern is, who is going to win the wars? Is it going to be big government and more departments having to provide numbers or is it going to be technology? Because if the increasing size of government wins, then we're going to be discussing a report not a year after the fiscal year closed, but maybe a year-and-a-half, and their usefulness then will be called into question totally.

I sense, over the last 10 years, there's been a gradual delay, for whatever reasons, and that the new technology that we have in place is not winning the war. I'm wondering where we're going to head in this whole consideration process because obviously that's almost the most important function of each and every one of us elected people, and we're not doing our duty.

**MR. F. JACKSON:** In response to your earlier question, it was my understanding that this was a Standing Committee of the House and that it could meet at the call of the committee and that there was no requirement to wait for the Legislature to sit.

**MR. C. MANNES:** That's right. Mr. Chairman, I would ask the Minister then why, in fact, that Standing Committee on Public Accounts cannot meet at that time?

**HON. E. KOSTYRA:** I really don't know. I'll certainly review that with the Government House Leader in terms of past practice and future. Is the suggestion that it ought to meet out of Session — is what the member is suggesting?

**MR. CHAIRMAN:** If I might make an editorial comment from the Chair on the Public Accounts, the council of

Public Accounts chairmen that confer once a year with the auditors, over the last 8, 10 years, I guess, there's been sustained effort — from the federal level right through all provincial levels — in trying to simplify and present the accounts of governments in a more understandable and assessable manner for the members, so there is some progress being made but it's very slow.

Mr. Manness.

**MR. C. MANNES:** Mr. Chairman, there is just one other document. It's a financial reporting document which I would like to ask a question about. I don't know if the Auditor has any responsibility with respect to its release or not, and that's the Quarterly Report. Can the Auditor tell me what role he has to play, what role his department has to play in the preparation and release of that report?

**MR. F. JACKSON:** We have no role in regard to the release of those Quarterly Reports.

**MR. C. MANNES:** Does the Auditor have any recommendation with respect to the time limits and the proper amount of time that should be offered to the members before that report is released?

**MR. F. JACKSON:** Any financial report to be useful, must be timely. Having said that, I am aware of the process of preparing the Quarterly Reports, and certain of those Quarterly Reports could be prepared relatively quickly. Other reports take considerably longer to prepare, and it wouldn't be unreasonable that they take in excess of two months. But certain of the reports probably could be prepared earlier than two months.

**MR. C. MANNES:** Knowing what the Auditor does with respect to the Quarterly Report, could he tell us, could he give us any reason why over the last two years the report has been released in a later fashion than existed since the advent of the Quarterly Report?

**MR. F. JACKSON:** I'm sorry, I've already outlined my role, in that we have no role in the release of those Quarterly Reports, so I'm going to have to defer to the Department of Finance to explain that.

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

**MR. C. CURTIS:** Mr. Chairman, with respect to the Quarterly Reports, we could get them out within a matter of days after the period, but that relates only to the specific information that takes place quarter to quarter. Where we have a severe difficult problem is relating to what we're projecting for the year end because, in order to do that, it's necessary to consult with each department, find out what commitments they have and what their projections of revenue are. Even then, two or three months after the fact, we find major variances take place where items have been missed.

So from our point of view, we can easily put out a quarterly statement, but the projection part of it for the year end causes us considerable difficulty.

**MR. C. MANNES:** I would ask Mr. Curtis or Mr. Kostyra then, whether or not there has been greater

difficulty associated with those year end projections over the last two years than there was years previous, when those reports seemed to come forward in a normal fashion some 45 days or 2 months at the latest, past the end of the quarter. There has obviously, over the last two years, been some major reason why these reports have taken longer. I am asking whether that process, that problem which you've just indicated, has grown in proportion over the last two years.

**MR. C. CURTIS:** I would say it has grown because of the complexity of the circumstances. In addition to that, in the last couple of years, we seem to have had heavier workloads, trying to develop additional reporting mechanisms, working with the departments, training. All of these things take a lot of our time, staff time, and as a result, committing time is difficult for us.

**MR. CHAIRMAN:** Page 37—pass; Page 38 — Mr. Manness.

**MR. C. MANNES:** Just one question here, Mr. Chairman. Starting at the very bottom of Column 1, the Auditor says again: "We recommend that the Public Accounts Committee review annually, on a selective basis," and that's the key phrase, "the departmental administrative operations with senior officials using the departmental annual reports as the basis for the review."

Mr. Chairman, is the Auditor indicating that the procedure we've been going through here on Tuesday and today and probably on Tuesday next should have, as a key element, a very in-depth review of a selected department trying to reconcile expenditures versus ordered commitments within the annual report? What specifically is he suggesting?

**MR. F. JACKSON:** One of the avenues available to the committee to gain an understanding of a department's operations is to have a senior executive from the administrative side explain those operations to the committee. If there was anything in our report that was considered to be worthy of an explanation by the departmental officials involved, that would be an item that the committee might want to pursue.

What's being suggested is not something that would be unique if it was adopted. In fact, it's a fairly common procedure amongst this type of group or this type of committee across Canada. We think that there could well be some merit to it from a better understanding of the administrative practices and procedures that have occurred in government or, for the committee's sake, the best possible understanding of an administrative situation that perhaps has developed in a department.

**MR. C. MANNES:** I would ask the Minister whether or not he sees the potential benefit in bringing forward this type of consideration within this review process.

**HON. E. KOSTYRA:** I don't see any reason why we couldn't look at doing that in future years. We'll certainly review that and see if we can come up with maybe a trial or one department to start off with, and see how it goes.

**MR. C. MANNES:** Mr. Chairman, then I would make a request of the Minister given — although it's an

unlikely given — that he is still the Minister and his party's still in government a year from now, that maybe if they are, they might consider giving it a trial and seeing how that process might work.

**HON. E. KOSTYRA:** Yes.

**MR. CHAIRMAN:** Page 38—pass; Page 39 — Mrs. Carstairs.

**MRS. S. CARSTAIRS:** Mr. Chairman, with regard to the sentence, "However, several of the smaller departments have not yet made progress toward the implementation of an internal audit function." Can we have an indication of when those departments will, in fact, move towards that internal audit?

**MR. F. JACKSON:** My understanding is that, at this point in time, there are still several departments that have not made arrangements to have this function fulfilled.

**MR. CHAIRMAN:** Page 39—pass; Page 40 — Mr. Derkach.

**MR. L. DERKACH:** I have a question with regard to the section under the Department of Education. There is a suggestion by the Auditor that regulations be changed with respect to advances made to the school divisions and the Public Finance Board. What is the time frame now for the advances from the municipalities?

**MR. F. JACKSON:** They're quite extensive and they have many specific dates to them. It's all set out in the regulations. Perhaps the Department of Finance has that available, but I think they go as late as September of the following year for some of the advances to be paid.

**MR. L. DERKACH:** Mr. Chairman, how are the advances set up to the school divisions by the province?

**MR. F. JACKSON:** I'm sorry I didn't hear the question.

**MR. CHAIRMAN:** Could you repeat the question?

**MR. L. DERKACH:** What is the time frame or what is the timing for the advances made by the Public Schools Finance Board to the school division?

**HON. E. KOSTYRA:** We'll have to take that question and your previous question as notice and provide you with the information, the dates. We don't have that here.

**MR. CHAIRMAN:** Mr. Manness, are you on Page 40?

**MR. C. MANNES:** I'll pass.

**MR. CHAIRMAN:** Page 40—pass.  
Mr. Harper.

**HON. E. HARPER:** I just want to ask the Auditor, in terms of family service, and especially the Treaty Indians,

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I believe the province has made some expenditures which are predominantly a federal responsibility. I was just wondering whether he has done any review of that.

**MR. F. JACKSON:** It's my understanding that the Provincial Government has, as an ongoing problem, the collection of all the expenditures that are made in respect of certain aspects of the Native population and that some of those claims are considerably in arrears, but there is a constant effort to bring them up-to-date.

**HON. E. HARPER:** Do you, as Auditor General, get involved in terms of trying to get those dollars back from the Federal Government, or how is that done, just to the individual departments?

**MR. F. JACKSON:** Individual departments prepare claims that are processed through the Department of Finance, which is the coordinating office for all the claims against the Federal Government for the most part. The Department of Finance ensures that the documentation is complete, and forwards the claims to the Government of Canada. Certain of the claims, however, tend to be almost in dispute with the Federal Government and the province. It's those claims that tend to be in arrears and those situations are followed up sometimes at the ministerial or Premier's level.

**MR. CHAIRMAN:** Page 40—pass; Page 41 — Mr. Manness.

**MR. C. MANNESS:** Just a supplementary question to that presented by Mr. Derkach, and again I ask the Auditor why there seems to be such a strong will on behalf of his department on this issue. I know his predecessor has made the recommendation many times too with respect to the timing of remittances in support of public school spending. What is his fundamental concern with respect to the procedures that now exist?

**MR. F. JACKSON:** The fundamental concern is that the school divisions are to be financed through tax levies that are made by municipal corporations and the taxpayer is providing that money specifically for school purposes. If those funds are paid on as timely a basis as possible, school divisions need to borrow less money.

In a similar vein, the province would have to advance less money to the Public Schools Finance Board if those payments were made on as timely a basis as possible. It's my understanding that there are several millions of dollars involved as far as what the potential savings might be, if payments were made, say, within 30 days of the due date, due for tax collections by the municipalities. Those payments are not required to be made on anywhere near that timely a basis, with the consequence that municipal corporations have the opportunity to invest funds, specifically the city of Winnipeg has a portion of its revenues through the investment of funds that are really being collected for school divisions.

So what we're saying is that there seems to be an inappropriate subsidization of municipal corporations at the expense of school divisions here.

**MR. C. MANNESS:** Has any estimate been made by the Auditor's department or any department of

government as to how much money municipal corporations have been able to make as a result of this lag in necessity to pay these funds over to school divisions?

**MR. F. JACKSON:** There are various approaches that one could take as far as when the payments should be made. That's a determining factor as to how much might be involved from a monetary point of view. But we understand that if the payments were made within 30 days after the end of the due date when the municipality is entitled to collect its taxes, as far as the individual school divisions go, approximately \$2.8 million is involved. The figure is greater if you were to consider what the effect would be on the Public Schools Finance Board.

**MR. C. MANNESS:** Mr. Chairman, we'll move down to the column headed, "Communities Economic Development Fund." It seems to me that this recommendation with respect to this fund, has been made before. I would ask the Auditor whether any commitment has been made by the government to improve the monitoring process with respect to the funds that have been invested under the jurisdiction or the authority of this fund.

**MR. F. JACKSON:** Yes, I can say that recently a significant step has been taken in that the Communities Economic Development Fund, which shares a common administration with the Manitoba Development Corporation, has acquired a senior financial officer to assist them with this undertaking. My understanding is that he went on staff about the 1st of June.

**MR. A. KOVNATS:** I would direct this question also to Mr. Jackson, the Provincial Auditor.

During the last provincial election, the Premier of the Province of Manitoba had suggested that in order to force the gas companies to reduce their price of gas that he was going to set up — and this is not flighty; I've got a reason for asking it — a system of distributing gas through government outlets at a reduced price to force the large corporations to sell gas at a reduced price. To this day we don't know whether that was just election talk or whether it was factual. Can the Auditor please tell me whether in fact an auditing system had been set up so that gas could be sold through these provincial outlets, so that an incident such as what happened at the Department of Natural Resources where funds were misappropriated or lost or whatever because I think some action was taken, and this is all on Page 41? Can the Auditor tell me whether a financial auditing system had been set up to allow the Provincial Government to sell gas to the public?

**MR. F. JACKSON:** We set up no such auditing system, but I'll have to defer that question to the Department of Finance from an administrative audit perspective because they would be involved in the regulation of any such systems and perhaps either the Minister or the Deputy might be able to respond to that.

**HON. E. KOSTYRA:** No, there is no such system set up.

**MR. A. KOVNATS:** Then I would also ask the Minister whether in fact it was just election discussion at that time or, in fact, had the Premier or the Minister of Finance made any endeavour to in fact sell gas to the public of the Province of Manitoba to force the reduction of gas prices in Manitoba?

**HON. E. KOSTYRA:** I ask you, Mr. Chairman, whether or not that question is in order in terms of the review of the Auditor's Report. I think that question can and should be answered, but I'm not certain that this is the appropriate forum for that.

**MR. CHAIRMAN:** I've been trying to find something that relates to it on Page 41, Mr. Kovnats, and I don't really — I thought you were leading to the price of gas in the North maybe under Communities Economic Development Fund, but I see that wasn't quite the case.

**MR. A. KOVNATS:** No, actually during Natural Resources, Highways and Transportation or even the Department of Health, because it certainly would have fallen under this particular page. That was the only reason I asked the question. I thought I had explained it properly when I presented my question.

**MR. CHAIRMAN:** You did, and the Auditor gave you a very clear answer.

**MR. A. KOVNATS:** A very clear answer? Thank you very much, Mr. Chairman. The clear answer was, you know, ask the Department of Finance.

**MR. CHAIRMAN:** That's right, and they hadn't set up any system.

**MR. A. KOVNATS:** Yes. You know, I don't care when we find out the answer, but I just thought that this was an appropriate place to ask the question.

**MR. CHAIRMAN:** We don't want to get into a debate, Mr. Kovnats, so if we pass Page 41 now? Page 41—pass.  
Page 42 — Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I recognize that we're going to have extensive opportunity to discuss the Flyer Industries sale. My question doesn't have to do with the sale but rather with the comments in this Auditor's Report on Flyer Industries. There is a reference here to: "A broad-based consulting group was employed as one of the major means by which operations were to be improved."

Can the Auditor indicate how much was spent on consulting reports or studies during the fiscal year for which this report takes place?

**MR. F. JACKSON:** I'm sorry, I don't have that information available. That is something that, I would take it, could be determined, and it might be the Department of Finance that would supply that information.

**MR. G. FILMON:** Could we have a commitment to provide the information?

**HON. E. KOSTYRA:** That information obviously will be available when we review the operations of Flyer as part of MDC when the staff from Flyer are available for that.

**MR. G. FILMON:** I wonder if, just as a preview, it could be relayed to them and whenever it's able to be provided, maybe prior to the committee, I would appreciate it.

**HON. E. KOSTYRA:** Okay, I'll endeavour to do that.

**MR. CHAIRMAN:** Page 42—pass; Page 43—pass; Page 44—pass.  
Page 45 — Mr. Filmon.

**MR. G. FILMON:** On Manfor — oh, this isn't really to do with Manfor; this is the old receivership now. I'll let that one go.

**MR. CHAIRMAN:** Page 45—pass.  
Page 46 — Mr. Manness.

**MR. C. MANNESS:** Under the Manitoba Housing and Renewal Corporation, Mr. Chairman, the Auditor draws note to a budgeting practice and collection policies for the Rural and Northern Housing Program. He says, "Also," and I quote, "we identified a concern over the monitoring of capital projects and the shareability of overexpenditures under Canada Mortgage and Housing Corporation (CMHC) agreements." Then there is a further reference to that under Rural and Northern Housing Program.

Could the Auditor tell me what is being done to ensure that these overexpenditures do not occur — or I guess the Minister should maybe give me the answer to that question — and again, to improve the monitoring of the construction of these projects?

**MR. DEPUTY CHAIRMAN, C. Santos:** Mr. Jackson.

**MR. F. JACKSON:** The corporation is now administered by the Department of Housing, and steps have been taken to significantly improve the control over capital contracts and improve also the ongoing internal monitoring that's taking place so that the event that we refer to here won't be repeated.

**MR. C. MANNESS:** It's a year down the road now since this recommendation was made. Has there been any improvement at all with respect to monitoring but also with respect to overexpenditures?

**MR. F. JACKSON:** Yes, there has been significant improvements and, to our mind, there has been no overexpenditure.

**MR. C. MANNESS:** Mr. Deputy Chairman, under Manitoba Lotteries Foundation, I know there has been a concern for some number of years with respect to the supposed deficiencies in the administrative procedures. Have these improved over the last year since this report was made?

**MR. F. JACKSON:** Yes, there has been a new senior financial officer appointed at the corporation, and he

has made a significant effort to work to all of the recommendations that have been made to improve the situation. We're very pleased with the progress that's being made. All of the issues haven't been fully addressed, but we're satisfied that they're coming to grips with this in a meaningful way.

**MR. C. MANNESS:** This particular foundation has had some notoriety over the last year with a number of people having to resign because of one reason or another. When these procedures are in place, will this identify potential areas of conflict more quickly? Would these types of situations not occur as readily, or maybe not at all, given these new procedures?

**MR. F. JACKSON:** Just to help with the perspective in this regard, the problems I think we're referring to here were not problems of the Manitoba Lotteries Foundation but they arose through one of the predecessor organizations where those individuals were employees of a different organization.

But, yes, the procedures that are intended to be implemented in the Manitoba Lotteries Foundation would address any similar type concerns.

**MR. DEPUTY CHAIRMAN:** Will the Minister make further comments?

**HON. E. KOSTYRA:** The procedures that gave rise to the ultimate laying of criminal charges was as a result of an ongoing internal investigation of the Manitoba Lotteries Foundation which uncovered some areas of concern that related not to the present operations at that point in time, current operations of the Manitoba Lotteries Foundation, but of its predecessor. That point should be recognized, that those were activities prior to the commencement of the Lotteries Foundation, although they were uncovered as a result of the Lotteries Foundation's own internal review and procedures.

**MR. G. FILMON:** Mr. Deputy Chairman, were they not to do with people who were employed during the period of time, for instance this fiscal year, by the corporation?

**HON. E. KOSTYRA:** Yes.

**MR. G. FILMON:** Did they not have ongoing relationships that were the subject of concerns with respect to conflict of interest?

**HON. E. KOSTYRA:** I'm reluctant to get into the details because they are the subject of specific criminal actions, but they related to activities prior to the commencement of the Manitoba Lotteries Foundation, though some of those may have continued over the period of time. But I'm reluctant to get into any kind of detailed response because they are subject to criminal matters before the courts at the present time.

**MR. G. FILMON:** A further question to Mr. Jackson. His statement is that there are still a number of improvements required in order for the foundation to fully address its monitoring and control capabilities and other administrative requirements. Could he identify what those improvements are that are required?

**MR. F. JACKSON:** They're in several areas. What we regarded them to be, where this was a recent organization that had significantly increased in size to take over several new undertakings that weren't government responsibilities before; and some of the concerns had to do with organization of the staff within the organizations so that there'd be a better division of duties.

Other of the recommendations included increased activity on the part of the internal audit group. Other recommendations related to further analysis of certain of the information that was available. Those are things that come readily to mind. We also recommended that the board review certain of the policies that we were recommending be implemented.

That's a general response. I don't have all of the concerns at my fingertips.

**MR. G. FILMON:** Could the concerns be related to the committee? The committee could appreciate what the concerns are and perhaps monitor them with the Auditor next year.

**MR. F. JACKSON:** Our report is made available to both the Minister responsible for the Lotteries Commission and to the Minister of Finance.

**MR. G. FILMON:** Would the Minister of Finance, who is also the former Minister responsible for the Lotteries Commission, provide us with a copy of that report?

**HON. E. KOSTYRA:** I think we can provide information with respect to the ongoing areas of concern that the Auditor mentioned.

**MR. G. FILMON:** Is there some information in the report that the Minister prefers not to share?

**HON. E. KOSTYRA:** I don't know.

**MR. G. FILMON:** I wonder if the Minister could take that question as notice and bring back an answer to the next meeting.

**HON. E. KOSTYRA:** As I indicated, I'll provide information with respect to the areas of concern to the committee.

**MR. G. FILMON:** Could the Minister provide us with a copy of the report? Will he take that as notice?

**HON. E. KOSTYRA:** I don't think it's been the practice at any time to provide that internal information to this committee, unless I'm mistaken, in terms of past practice. It's never been done.

**MR. G. FILMON:** Would the Minister like to break new ground?

**HON. E. KOSTYRA:** As I indicated, I'd be prepared to provide information with respect to those areas that aren't identified, or ask the Auditor to provide information with respect to those areas that aren't specifically identified here.

**MR. G. FILMON:** Mr. Chairman, I object to the Minister of Education making a snide remark as, "muckraking, all I'm interested in." I have not explained any motivation or alleged any wrongdoing or muckraking and I object to that kind of snide comment being made.

**MR. C. MANNESS:** Mr. Chairman, the Auditor had some strong recommendations with respect to the Jobs Fund and to the fact that members of the Assembly did not have proper information at their disposal.

**MR. CHAIRMAN:** Which item are we on?

**MR. C. MANNESS:** We're coming to 46 - did not have proper information at their disposal to consider some of the projects associated, particularly with the Capital building portion of the Jobs Fund.

I'm wondering if whether or not he'd care to make any comment with respect to the revenues derived through the Manitoba Lotteries Foundation and the degree to which members of the Assembly had any input whatsoever into the discussion of how those funds were to be expended by government.

**MR. F. JACKSON:** My understanding is that the lotteries revenues are described in the lotteries financial statements, and transfers that are made to the Provincial Government are highlighted in the financial statements of the government in Public Accounts, where there are specific trust funds showing the increases and decreases in those funds coming from the Lotteries Commission each year.

**HON. E. KOSTYRA:** The transfers that are made to the respective departments, being two, the Department of Health in relation to Sport and Fitness, and the Department of Culture, Heritage and Recreation with respect to those main areas of activity of the department, the information with respect to the spending of those trust funds is tabled when the review is done of those departments in committee. That information has been tabled every year that I can recall.

In terms of the other areas of grants or monies paid through the Manitoba Lotteries Foundation to community organizations, their disbursement process is through umbrella organizations, community-based organizations such as the Manitoba Sports Federation; a Community Services umbrella, which is made up, basically through the United Way; the Manitoba Intercultural Council — I'm trying to remember all of them. But they're all community-based organizations that make their decision on the disbursement of funds that are made available through their portion of lottery revenues, independent of government and independent of the Lotteries Foundation, except that they enter into a formal agreement with the Lotteries Foundation with respect to the disbursement of those funds under some general criteria. But it's not specific, in terms of the allocation of individual grants.

**MR. C. MANNESS:** I understand that, Mr. Chairman, and Mr. Minister. My main concern is with respect to those funds in Culture, that they do arrive in the Department of Culture. I know the Minister does provide a list but I believe that list is after the fact. That's what

occurred the year previous, or does that list refer to areas to which the government have intentions to direct spending for the year coming? If that's the case, obviously my question and concern are satisfied.

**HON. E. KOSTYRA:** Those areas have been covered in the Estimates. I believe the documents that have been tabled have been the actual for the year previous, plus the areas that they are going to be disbursed and the year under consideration, except that many of the programs are grant programs so you don't know the specific organization because they're through a process of application and depend on the processing of applications.

**MR. C. MANNESS:** Just to sum up, I take it that the Auditor, then, has no special concerns with respect to how the projects are selected within that portion of lottery funds that finds its way into the Department of Culture?

**MR. F. JACKSON:** We haven't had any concern to date.

**HON. E. KOSTYRA:** I have a question for the Auditor with respect to the Manitoba Lotteries Foundation.

Recognizing that the Manitoba Lotteries Foundation, through this period under specific review, and just prior to that, and obviously continuing now, is in charge of a very wide variety of activities, including bingos, casinos, some of which are run directly by the Lotteries Foundation, and were taking over a system that was outside of the direct control of the Lotteries Foundation with limited control other than the licensing control, would the Auditor agree with the statement that there has been significant improvement over the period of time from once the Lotteries Foundation took over the direct control to this point in time in terms of ensuring that the funds that are generated under those schemes have been generated to the best benefit of those organizations that are using it in terms of ensuring that there is accountability for funds that are being raised through those means?

**MR. F. JACKSON:** In fairness, I can't comment on the system that was in place when those private organizations were in existence. I am satisfied, from an administrative point of view, that the Foundation has been diligent and conscientious in ensuring that their administrative procedures are as good as they can reasonably be given the time that they have been in operation.

I think that we can all read from time to time in the newspapers where their enforcement staff are bringing people to the courts where there have been situations that have come to their attention, that deviations from the regulations or standards that they expect are taking place.

We, personally, have been involved in some of the audit work of the bingo halls. We have been involved in some of the auditing that is going on at the casinos. Our recommendations, and those of management, to continue to improve the administrative aspects of these things are ongoing. The board has been supportive of all the recommendations that we have made, and the administration is working to implement those

procedures to make it as efficient and as effective an operation as it can be done.

**MR. CHAIRMAN:** Page 46 — pass; Page 47 — pass; Page 48 — pass.

Page 49 — Mr. Manness.

**MR. C. MANNESS:** Under Workers Compensation Board, Mr. Chairman, the Auditor indicates that they have previously reported that the operations of the Workers Compensation Board have resulted in a deterioration of the financial position which, of course, has caused the board to, I guess, break the law of the province where within a particular statute that gives power to the board — I think it was a regulation or a provision that the board not go into deficit.

I would ask the Auditor how is it that the government can continue to break the law in a circumstance such as this? What is the proper procedure to bring the government to task when it continues to do so? What is the mechanism in place to anybody, any citizen of the land, any member in Opposition, indeed, any member of the ruling government, to bring the government to its senses and force it to follow the law of the land?

**MR. F. JACKSON:** I'm sorry, I don't have the answer for the specific question.

I do know, though, what the Provincial Auditor's responsibility is in this regard, and I consider that we have fulfilled that responsibility by bringing it to the attention of the Legislature.

This issue is perhaps one of the issues of highest priority for us. It's that way because of the non-compliance with legislation aspect. We consider it a very serious situation where a government almost appears to be ignoring the existing legislation. This is the third or fourth time that it has appeared in the Provincial Auditor's Report. It goes back to 1981 but I don't believe it appeared in the 1981 Provincial Auditor's Report.

But it is something that is of concern to us. It's a concern to us not just because of the compliance aspect; it's also a concern because of the financial aspects that this could have in relation to the finances of the province on a long-term basis because if the funds aren't gotten on a timely basis from the intended sources, then we have the compounding effect taking place of an interest factor.

One of the other few sources that is available for such a thing is the Consolidated Fund of the Province of Manitoba. So it's a concern from that aspect as well.

I would have to defer options that were available to the wisdom of the members of the Legislature.

**MR. C. MANNESS:** Thank you for the candidness of your answer, Mr. Jackson.

I then would ask the Minister of Finance, a representative of the government at this committee hearing, how he can possibly justify, how the government can possibly justify the non-compliance nature of the activities of the Workers Compensation Board over the last four or five years?

**HON. E. KOSTYRA:** It's the position of the government that a fully funded position has to be arrived at and

maintained in accordance with the past procedures and the legislation. We have asked specifically of the review committee to address this.

The difficulty and the reason for the decision not to allow the Compensation Board to get to a fully funded position would have been the magnitude of the increases in the rates that would have occurred to the businesses of this province in order to get to that fully funded position.

As the member is aware, there was authorized this year increases on average of 20 percent. I believe to get to a fully funded position would have required increases in the magnitude of close to 60 percent. It was the government's view that that would have been very difficult to be absorbed in one adjustment. That certainly has been the case for the last couple of years in terms of adjustments, although the adjustment in rates has been significant in each of the last number of years.

It was a decision of Cabinet that it not be at the level that would have provided an immediate fully funded position, but it's certainly our intention that that has to be achieved very quickly.

**MR. C. MANNESS:** Mr. Chairman, the Minister is giving me the policy rationale behind the decision that the government took. I'm not really asking for that. I'm asking how it is that the government can totally disregard the law of the land?

One of the first bills presented in the House of the Legislature, for consideration in this term, had to deal with rights or non-rights of the air above a building. I've seen the government alter and amend laws on many occasions over the last four years to make proper procedures or activities that are occurring in the real world. Again I ask the Minister, how can his government justify having broken the law for the last four years?

**HON. E. KOSTYRA:** I don't want to be repetitious, but I'll respond in the same way as I did to the previous question.

It was the view that in order to accomplish the fully-funded position immediately would have resulted in an horrendous increase in rates, which we felt would be extremely detrimental to the organizations who have to pay those levies. It was felt that the fully-funded position should be brought back into line over a number of years.

**MR. C. MANNESS:** Is the Minister or the government not at all concerned about the example it sets for all people in society, and the manner in which they should consider the importance and the respect that they should have for laws in general?

Mr. Chairman, I don't particularly like to put a seat belt on and yet the law of the land says I should do so. I have to respect that. Does the government not have to respect its own laws?

**HON. E. KOSTYRA:** The government is very concerned about the situation with respect to the Workers Compensation Board. It's the government's intention to ensure that it gets back to a fully-funded position. The government also has brought up concerns with respect to the overall health of the economy and the

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health of businesses that have to pay those levies and the decision was made on the basis of reviewing all of those factors.

**MR. C. MANNES:** Mr. Chairman, I understand that concern, but there are tools available to the government — there have been tools available to the government — for them to amend or alter that during a period of which they can continue their review to find a policy more in keeping with their general philosophy, whatever that might be.

None of us, as individual people in society, can claim when we break a law, that we expect the law to change in a few years. I'm wondering how the government can have the audacity and feel it's so omnipotent that it can do so.

**HON. E. KOSTYRA:** I have indicated that the government deals with this with a great deal of concern and intends to have the Workers Compensation Board situation back to the point of being fully funded, as was the case in the past and is required under legislation. The government made the decision on the basis of the impact that it would have an immediate one-year or one-term basis.

**MR. G. FILMON:** Mr. Chairman, I wonder if I could ask the Auditor, the picture that he portrays very accurately of the turnaround from a surplus position of \$36.9 million in the Class Fund at December 31, 1980, to an accumulated deficit in the Class Fund of approximately \$34.8 million by December, 31, 1985 — a five-year period of a \$71 million turnaround is obviously of very great concern — and I wonder if the Auditor can tell us what he believes are the reasons for that turnaround? Is it just simply a matter that rates haven't been raised?

**MR. F. JACKSON:** In previous years, I think in the Annual Report of the Workers Compensation, they have dwelt at considerably length as to the factors really that have changed. No, it's not just the rate side of things, it's that new operations have been undertaken.

There have been increases in the length of time that people have been absent from work due to illness. There is, I believe, a broader application of certain of the situations where one can qualify for Workers Compensation.

So it's certainly not just the rate side of things. The rate side of things is what causes the ultimate problem, but it's not just the rate side that has contributed to the problem.

**MR. G. FILMON:** In effect, is the Auditor saying, that the Workers Compensation Board over the past five years has been taking a different view of the criteria, the justification, for paying compensation?

**MR. F. JACKSON:** Well again, I am aware that the Annual Reports of the Workers Compensation have dwelt at some length as to the new programs that have been undertaken to provide different levels of assistance to injured workers in Manitoba. They provide ongoing statistics each year as to the changes in the numbers of people who are making claims and the changes in the numbers of types of illnesses or consequences of accidents at work.

**MR. G. FILMON:** A further question. The Auditor's Report repeats the concern of non-compliance with Section 66(1) of The Workers Compensation Act. Has the Auditor received any formal response from the government as to what it intends to do with respect to bringing itself into compliance?

**MR. F. JACKSON:** We are aware basically, only that the committee has been appointed.

**MR. G. FILMON:** So there's been no commitment given by the government to either change the Act or change the rates or change the procedures of the board, to try and address this problem in any finite period of time?

**MR. F. JACKSON:** The rates are changed on an ongoing basis, on an annual basis, but there has been no finite time frame provided that I know of, to bring the situation to what it was before.

**MR. G. FILMON:** Well, obviously, the changing of the rates has not been done; and, obviously, despite the changing of the rates the board continues to encounter significant deficits. I can see from the report that a further deficit of \$21.1 million is expected for the year ending December 31, 1985.

**MR. F. JACKSON:** In regard to that figure, Sir, I'd like to make a correction.

The information that we used at the time we went to press with our report was the best information that was available to us and to the Workers Compensation Board; and at that time we were using the figure of \$21.1 million. The actual operating results for the year came in with a deficit of \$13.5 million. That revises that \$34.8 million down to \$27 million.

**MR. G. FILMON:** I guess I should ask the question, how could the projection have been so far wrong?

**MR. F. JACKSON:** The information we have is that they were taking a pessimistic view of what their revenue rates would realize in the last quarter of the year in comparison to what actually was realized.

**MR. G. FILMON:** Mr. Chairman, surely would the Auditor not then be concerned that they could be so far out, particularly when revenue rates are fairly easily calculable, based on people employed in the various classifications?

Has the Auditor investigated to find out whether or not there are proper reporting systems within the Workers Compensation Board that would give adequate information to them in terms of projections?

**MR. F. JACKSON:** In the course of our overview audit of this entity for the coming year, that's an area that we'll be looking at.

**MR. G. FILMON:** One final question. The Auditor says, and I quote: "We are concerned that the failure to charge adequate assessment rates will result in an unfair burden being placed on future employers. The effect of this is that future employers will have to pay for the

accidents that happened in previous years for which they had no responsibility."

My question to the Minister is, does he think this is a fair and reasonable way to go on this matter despite his concern about raising fees too sharply?

**HON. E. KOSTYRA:** Unfortunately, there's unfairness whichever way you turn, in terms of dealing with this. There's an unfairness in terms of dealing with it on a current basis because it can be argued, in terms of some of the increases in costs, that some of them relate, not to present day employers but to previous employers and previous claims going back a number of years. So the same argument could be made with respect to raising the rates to the break-even level at this point in time because it would be dealing, in part, with liabilities, if you will, of previous employers that may or may not be the same at the present time.

I guess whichever way you turn, there's some unfairness, but it's certainly the government's intention to bring the Workers Compensation Board position back to break-even, in terms of its revenue and expenditures and the significant increase in fees has been attempting to do that. We intend to have that concluded and commented on by the review.

**MR. G. FILMON:** It would appear that this has taken place, that is, the turnaround from a fairly significant surplus to a rather imposing accumulated deficit has taken place over a period of five years. Why were the rates not adjusted over that period of five years adequately? Why did it all have to arrive at a point where we have this position between a rock and a hard place, where unfairness has to take place on present and future employers?

**HON. E. KOSTYRA:** I've answered that and indicated that the rates have been increased significantly every year, but not to the level that would bring the fund back into an even basis. I explained that the reason was that the government's concern was what that significant one-time boost in rates would do. I have no other explanation for that.

**MR. G. FILMON:** Was the government afraid if they increased the workers compensation rates at the rate they would have required to meet their commitments, it would have called attention immediately to the major changes that the government made with respect to the operations of the WCB and the justification and process for claimants being approved, and all of these things would have been called to attention more quickly had the rates been adjusted upward to meet the requirements, as they should have over the last five years?

**HON. E. KOSTYRA:** No, the rates have been increased significantly and there has been attention drawn to that every time they have been adjusted; there have been concerns raised even with the level of increases that have taken place in each of the years.

The government is not concerned about attention being brought to the fact that there have been significant improvements in benefits payable, and recognition of injuries and illnesses that have taken place because

of a person's employment. The changes were highlighted at the various times when they were made and the government does not apologize for those changes.

**MR. G. FILMON:** The changes were highlighted, Mr. Chairman, but obviously the costs of those changes were not highlighted, because the increases that would have been required were not passed through.

**MRS. S. CARSTAIRS:** My question is to the Finance Minister, Mr. Chairman.

The government has now been out of compliance with the law for five years. Are we going to get exactly the same kind of report from the Auditor next year, or is this government going to meet its responsibilities, in terms of legislation, during this Legislative Session?

**HON. E. KOSTYRA:** I've answered that question in response to questions from other members opposite, when I indicated that it's the government's intention to move to get the Compensation Board back on an even keel.

There have been significant rate increases, less than what the Compensation Board would demand or need in order to get into that break-even position. We've asked the current review committee that is out consulting with the public and special interest groups with regard to compensation, to comment on this matter, but it's our intention to bring it back into a break-even position.

**MRS. S. CARSTAIRS:** That doesn't really answer my question. What I'm really asking is, is in fact the Workers Compensation Board going to be out of compliance also for the year '86-87?

**HON. E. KOSTYRA:** I can't answer that, in terms of the next report of the Provincial Auditor, given that it will be on the basis of the year ending March 31, 1986. Obviously, I can't words in the Auditor's Report, but I'm sure his comments would be similar to what is in this report.

Whether or not that will be the case for the subsequent year report, for the year ending March 31, 1987, is something that we'll have to determine as we again review the Compensation Board and subsequent rate increases.

**MR. A. KOVNATS:** I have a question for the Honourable Minister.

I know that a review committee has been appointed to review The Workers Compensation Act and I know that they've been stymied on a couple of occasions concerning — and I don't want to get into too much detail on this because I know that it comes under the Minister of the Environment, Workplace Safety and Health, which we will be getting to pretty soon — but I know that they've been stymied on a few occasion when it comes to receiving medical reports and they're considered secret and all of that. I've asked some questions in the House concerning that.

Can the Honourable Minister advise at this point whether there's a time criterion as to how long this review committee will be investigating before they bring

a report back, so that we can further discuss the changes in The Workers Compensation Act?

**HON. E. KOSTYRA:** I'm afraid I can't answer that question. I don't know specifically what the terms of reference for that committee are, and if there's a specific reporting date. I just don't have that information. I don't know.

**MR. A. KOVNATS:** To Mr. Jackson, I know that there was a subsidy of, I think it was \$4 million in 1984 that was given to the Workers Compensation Class Fund, which in no way brought it up to a break-even basis, but it helped just a tiny little bit. What is the subsidy that is going to be allowed this year? As the Auditor, I would think that you might be aware of whether there is going to be a subsidy this year to help alleviate the pain of the mismanagement of the Class Fund.

**MR. F. JACKSON:** I am aware of no subsidy for the current year.

**MR. A. KOVNATS:** Okay. I think I've got one last remark that I would like to make to the Minister of Finance. I listened in the Legislature where he keeps pointing to myself and a few other people and saying, you can't have it both ways. I would suggest to the Honourable Minister of Finance that he can't have it both ways either, whether he is willing to maintain the law or whether he is willing to break the law. What is his intention?

**MR. CHAIRMAN:** Is that a question or a comment?

**MR. A. KOVNATS:** I think that's a question. I would like the Minister to comment whether he is going to maintain the law in keeping the Class Fund at a break-even position rather than at a deficit, or whether he is going to break the law and allow the Class Fund to keep running at a deficit.

**HON. E. KOSTYRA:** I've already answered that question. If the member likes, I can repeat the answer.

**MR. A. KOVNATS:** No, not really. I just wanted to get in that you can't have it both ways, which I think I got in.

Thank you.

**MR. E. CONNERY:** What does the Minister think of the legalities down the road when you are in contravention of the law and you set rates in the future? Are you going to be able to force the businesses to pay those rates when you have been breaking the law?

**HON. E. KOSTYRA:** I believe that the Legislative Authority with respect to the setting of rates is clear that there is that authority within the Compensation Board to do that.

**MR. E. CONNERY:** While you are, in effect, breaking the law yourself, the government is? I find that pretty difficult to believe. It could be an interesting long court case, but I have a hard time believing that.

**MR. CHAIRMAN:** If I might just interrupt, you're going to have ample opportunities when we get into the

Workers Compensation Board Report to maybe get into some more detailed answers.

The Auditor has answered his questions in his role of handling the act and I think we could get into a debate that wouldn't serve any useful purpose here. It is not the Minister's responsibility to answer for the Workers Compensation Board.

Page 49—pass; Page 50—Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I wonder if the Auditor could answer me some questions about the first section entitled, Scope of Audit and Reporting Procedures, and specifically I note that they have done overview audits of a variety of agencies, and including four new ones. On the Manitoba Energy Authority, can the Auditor answer any questions with respect to the overview audit that they did of that?

**MR. F. JACKSON:** I could explain that we have conducted an overview audit — and that audit encompassed the same type of procedures that we would use for such audits as any of the other entities that we're conducting an audit on — and that is basically the organization and planning for the entity, its staffing policies, whether or not the . . .

**MR. G. FILMON:** Maybe I could be more specific then and help the Auditor. Does the Energy Authority have its own spending authority with respect to any of its expenditures on staff, consulting contracts or anything else?

**MR. F. JACKSON:** It was my understanding initially that funds were provided in an appropriation for the Manitoba Energy Authority and, from an administrative point of view in the initial stages, the department acted as an administrative agent and paid the bills of the Manitoba Energy Authority.

**MR. G. FILMON:** So that, although it had its own spending authority, the money was being issued or cheques issued, payments issued by the Department of Energy and Mines?

**MR. F. JACKSON:** That's my understanding, yes.

**MR. G. FILMON:** Does that continue today?

**MR. F. JACKSON:** I'm not sure of what the actual situation is today. I'm sorry, I really don't know.

**HON. E. KOSTYRA:** My information was just the first year, and then it had its own administration capability within the authority to do that.

**MR. G. FILMON:** Mr. Chairman, when we talk about the first year, I guess we'd better define what year that is because my recollection is, that The Energy Authority Act was passed in 1980 or 1981, so at what point in time did it have its own ability to write cheques and so on?

**HON. E. KOSTYRA:** We'll have to get the specific date, but I believe it was — well I'd better get the specific date so that there is no confusion — but the one year

in question whether or not that's the first year, I think the member is actually correct, that that was the third or fourth year of the entity.

After that year in question, the administrative ability then was within the Authority itself to process. Initially, it was done through the department appropriation as a means of doing it. After the process was approved, contracts then entered by the Authority that the payment went through the department funds just as an administrative body doing it on behalf of the Authority.

**MR. G. FILMON:** So in the year 1984-85, it was not issuing its own cheques or making its own payments?

**HON. E. KOSTYRA:** Again, we'll have to get that specific date when it changed, but I believe that statement generally to be correct, but I will provide the member with a specific date.

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

**MR. C. CURTIS:** They were being paid out of the appropriation in 1984-85. What has happened subsequently is that they're now being paid out of a separate account. All the expenditures are being made out of a separate account and not through the appropriation of the department.

**MR. G. FILMON:** Okay, so in 1984-85 it was still being paid out of the appropriation of the Department of Energy and Mines?

**MR. C. CURTIS:** That's right.

**MR. CHAIRMAN:** Page 50—Mr. Connery.

**MR. E. CONNERY:** Yes, I would like the Auditor to explain the functions and the makeup of the three other associations, Properties Inc., Properties Leasing and Properties Management Inc. What is their role?

**MR. F. JACKSON:** My understanding is that the Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. are wholly-owned subsidiaries of the Government of the Province of Manitoba, and each in turn owns 50 percent of Manitoba Properties Inc. It's Manitoba Properties Inc. that is the holder of the real property that has been transferred to it from the Province of Manitoba and to whom rental payments are made for property that's been transferred to it.

**MR. CHAIRMAN:** Page 50—Mr. Filmon.

**MR. G. FILMON:** Could I just ask one further question then to whomever, whether it be the Minister or the Auditor? If in that year 1984-85, the expenditures of the Manitoba Energy Authority were being paid out of the Department of Energy and Mines, who had to authorize the payments?

**HON. E. KOSTYRA:** I believe that question is really the same one that I took as notice yesterday during question period and we are researching the specific

answer to that. I will provide that presumably in the House, since the House, I would think, takes precedence over the committee in terms of taking that as notice.

**MR. CHAIRMAN:** Page 50—pass; Page 51—pass; Page 52—pass; Page 53—pass; Page 54 — Mr. Manness.

**MR. C. MANNES:** One question, Mr. Chairman, to the Auditor, under General Comments.

Is the complement of auditors within the department sufficient to do the job effectively? I am wondering if the Auditor could give us some comment on that at this time.

**MR. F. JACKSON:** We consider at this time that our staffing complement is adequate to do the job and carry out the mandate that has been provided to us by legislation.

**MR. CHAIRMAN:** Page 54—pass; Page 55 — Mr. Manness.

**MR. C. MANNES:** Under Internal Reporting on 55 and then the next page, Annual Report to the Legislative Assembly — I guess it is a supplementary question to that offered by my leader.

I would ask again whether any of the internal reports, Mr. Jackson, are ever made public or are they all turned over to the government to be used for whatever purpose they wish?

**MR. F. JACKSON:** We don't view it as being turned over to the government to be used for whatever purpose they wish. We view it as an opportunity for government to ensure that our recommendations are followed up and appropriate action is taken, so that we don't have similar concerns that we've had in the previous year, to the greatest extent possible.

We expect, when we have recommendations, that those recommendations will be acted upon.

**HON. E. KOSTYRA:** Just a further point to that question to Mr. Jackson. If any of those areas that are recognized and referred to the respective departments for action, if there is not significant follow-up to those areas or if they are of such a major consequence, I presume that they would find themselves into this report.

**MR. F. JACKSON:** That is our policy. If we feel that the administration isn't responding appropriately to our concern, then you will be reading about it in our report next year.

**MR. C. MANNES:** That basically, then, pre-empts my next question. I was wondering how that process worked, as to how you decide what comes in here.

Is there ever a circumstance by which some of the material you may have put forward in an internal report and it isn't acted upon, doesn't find its way into your annual Auditor's Report?

**MR. F. JACKSON:** No, if we consider an item to be consequential or such that the members would be interested in, we put it in here.

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There are times when we are dealing with principle, and the amounts don't have to be significantly large, but if a principle is involved, again you will be reading about it because we are concerned about principle.

**MR. CHAIRMAN:** Page 55—pass; Page 56—pass; Page 57—pass; Page 58—pass.  
Mr. Manness.

**MR. C. MANNES:** Just one question to the Auditor. Three of the listings have recurred on numerous pages up to this point: Manitoba Properties, Manitoba Properties Leasing, and Manitoba Properties Management Inc. How is it determined, within the Auditor's Department? Who makes a decision that these should be audited outside the provincial department? Who makes these decisions?

**MR. F. JACKSON:** There was, a couple of years ago, a discussion between the Provincial Auditor's office and the government as to a rationale for determining which audits should be undertaken by the Provincial Auditor's office and which should be carried out by the private sector.

The rationale was, basically, those types of operations that tended to be of a commercial-type nature, that could benefit from the expertise provided by outside private sector auditors, would be in fact audited by those private sector auditors. In the main, agencies that were dependent upon the public purse would be audited by the Provincial Auditor's office.

Those were the general parameters.

**MR. CHAIRMAN:** Page 59—pass; Page 60—pass; Page 61—pass; Page 62 — Mr. Manness.

**MR. C. MANNES:** Maybe this could be discussed in Public Accounts, but under Legislation there is an

amount of \$1.5 million under Executive Council that required some portion of Special Warrants.

**HON. E. KOSTYRA:** I think we answered that yesterday. That was dealing with the Queen's visit and the Papal visit.

**MR. CHAIRMAN:** Page 62—pass; Exhibit 7—pass; Page 64, Exhibit 8—pass; Page 66, Exhibit 9—pass; Page 67, Exhibit 10; Page 68—pass; Page 69—pass; Page 70—pass; Page 71—pass; Page 72—pass; Page 73—pass.

**MR. A. KOVNATS:** Did you call Page 6?

**MR. CHAIRMAN:** It was called at the last Session, Mr. Kovnats.

That completes the Auditor's Report.  
Mr. Kostyra.

**HON. E. KOSTYRA:** There was some information requested at the last sitting dealing with loan and loan guarantees from the province to Canadian Co-operative Implements Ltd. I would like to table that at this time.

**MR. C. MANNES:** Mr. Chairman, before we rise, I should indicate to the committee that it would be our intention to review Volumes 1 and 2 of the Public Accounts in the next sitting, to complete that next Tuesday.

Also, I would like to personally thank Mr. Jackson for his full answers to many of the questions. I think it was a very worthwhile exercise.

**MR. CHAIRMAN:** It is almost 12:30. Is it the wish of the committee to rise? (Agreed  
Committee rise.

**COMMITTEE ROSE AT:** 12:28 p.m.