



**Second Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**

on

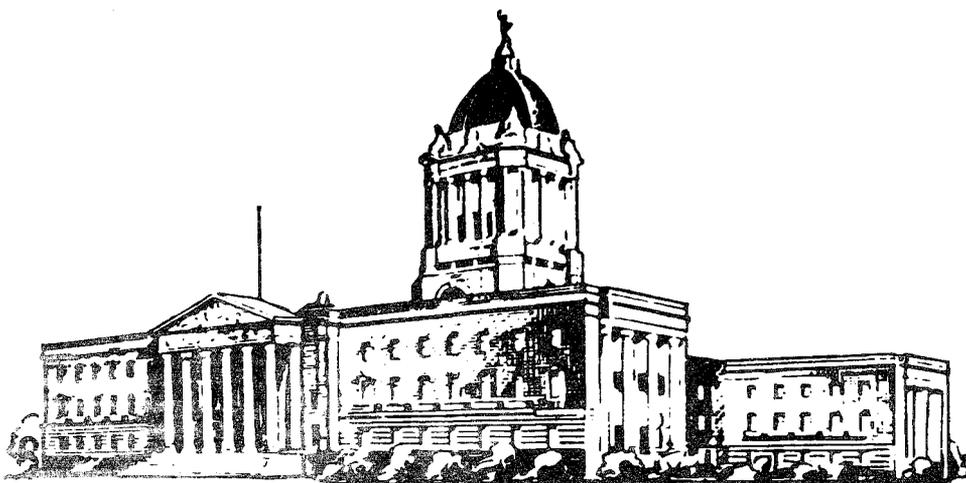
**PUBLIC ACCOUNTS**

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**38 Elizabeth II**

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*Chairman*  
*Mr. Herold Driedger*  
*Constituency of Niakwa*



**VOL. XXXVIII No. 1 - 10 a.m., THURSDAY, SEPTEMBER 28, 1989.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward, Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James, Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry, Hon.</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie E.</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard S.</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen, Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie, Hon.</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>MCCRAE, James, Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte, Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald, Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**Thursday, September 28, 1989**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Herold Driedger (Niakwa)**

**ATTENDANCE - 11 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Downey, Albert Driedger, Enns,  
Manness

Messrs. Burrell, Herold Driedger, Leonard  
Evans, Gaudry, Kozak, Rose, Storie

**APPEARING:** Mr. John Angus (St. Norbert)

Mr. Fred Jackson, Provincial Auditor

Mr. Eric Rosenhek, Comptroller

**MATTERS UNDER DISCUSSION:**

Public Accounts 1987-88

Provincial Auditor's Report 1988

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**Mr. Chairman (Herold Driedger):** Order. I have a first order of business. I would just like to read to the committee a letter that I received from the President of the Public Accounts Committee, Mr. Loyola Hearn, the Public Accounts Committee in Newfoundland and the Chair of the Canadian Association of Public Accounts Committees.

The letter reads: Dear Mr. Driedger, I have enclosed copies of guidelines for Public Accounts Committees in Canada for you to distribute to your committee Members. It would be appreciated if you could have your committee provide their comments on this publication by November 15 of this year so that the executive of the CCPAC may review them at the meeting scheduled for the end of November, 1989. The Page is presently distributing the copies of the guidelines.

So if you would read them and peruse them and pass comments on them back to me, I would be most appreciative and take these on to Mr. Hearn.

**Mr. Richard Kozak (Transcona):** Mr. Chairman, just for our edification, is this document similar to another document entitled Guidelines for Public Accounts Committees that Members of this committee have seen at a previous period in time?

**Mr. Chairman:** Mr. Kozak, it should be identical. It should be the same one, only we did not have enough copies to distribute to every Member of the committee before, so what happened is copies were given to a Member in each of the caucuses.

**Mr. Kozak:** In that case, Mr. Chairman, I would like to say on behalf of myself and my caucus that the material before us is material that we view as highly constructive in developing the role of this committee to the point where it can provide optimum and maximum service to the people of Manitoba.

Most of the points contained therein are points that we are prepared to endorse or at least to treat as appropriate jumping off points for the consideration of this committee.

This committee is an important body of this Legislature. We bear a function that relates very closely to the function of the entire Estimates process which involves every Member of this House. Unlike the Estimates process, we find ourselves looking at the historical record as opposed to future proposals for purposes of evaluating whether past management performance has been adequate and in the best interest of the people of Manitoba.

That role is a function that has not been given as much time in the past as the Estimates process and quite possibly we will never have quite as much time for this process as the Estimates process, but we can learn a great deal from the historical record, from successes, from mistakes, and I endorse the thrust on behalf of my Party of the document before us.

**Mr. Chairman:** Thank you Mr. Kozak. I would like to proceed to the second order of business. On the same thing, Mr. Storie?

**Mr. Jerry Storie (Flin Flon):** I am wondering whether the Chairperson can clear up for me where we are at with respect to the resolution that was presented by the Member for Transcona (Mr. Kozak). We have this tabled, I am wondering how closely it parallels what the Member for Transcona proposed and I have not had time to read all of the records.

\* (1005)

**Mr. Chairman:** Mr. Storie, what you have here is simply a suggestion for guidelines to be considered for adoption by the Public Accounts Committees operating in the different Parliaments of Canada. It is not adopted by any Parliament that I know of, at this moment in time. It has not even been endorsed by the Canadian Council of Public Accounts Committees because it was pointed out at the last convention that these should be perused by the Public Accounts committees of the different Parliaments, and that is all that has been done here. The document has been distributed to the Members for their perusal and their comments and that is the extent of this particular document. And if I—on this particular thing, Mr. Storie?

**Mr. Storie:** Yes, that was my point exactly. Does this supersede the resolution that was presented? Mr. Kozak says that he can answer that. Perhaps he—

## CHAIRMAN'S RULING

**Mr. Chairman:** I am afraid that is what—all I have done here, Mr. Storie, is distribute this for your perusal. I would now like to proceed to the second order of business, which is to consider the outstanding resolution from the last meeting, if I might.

I have before me a ruling from the proposed motion which I took under advisement on March 16, 1989. Mr. Kozak, the Member for Transcona, introduced a complex and lengthy motion, whereby the Minister of Finance (Mr. Manness) would be charged with the responsibility of compliance with accounting standards for employee pension obligations in Government financial statements.

According to Beuchesne Citation 617(l) and 872(1), recommendations coming from a committee and requiring an expenditure of public funds, must include the traditional words, "that the Government consider the advisability of spending money."

I must therefore conclude that this motion is out of order because it contravenes Beuchesne Citation 617(1) and 872(1) and does not follow usual Manitoba practice, and because it contravenes Citation 616, which states, "motions purporting to give the Government a direct order to do a thing which requires an expenditure of money are out of order."

May I suggest to the Honourable Member for Transcona (Mr. Kozak) that he reword his motion to read, "that this committee recommend that the Minister of Finance consider implementation of accounting standards for employee pension obligations in Government financial statements as recommended in November, 1988, by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants, namely," et cetera.

\* (1010)

I would remind all Honourable Members that they may consult with the procedural staff in the Clerk's Office prior to meetings when drafting proposed motions.

**Mr. Kozak:** Mr. Chairman, I would be delighted to reword the motion according to the ruling of the Chair. Would you like the motion presented to you in written form, or might I simply verbalize it, to expedite the process?

**Mr. Chairman:** All motions need to be in written form.

**Hon. Clayton Manness (Minister of Finance):** Firstly, Mr. Chairman, before—I take it you accept a new motion that is coming forward. I wonder if I might, while that is being developed, address the committee with respect to a number of issues.

**Mr. Chairman:** I think we could proceed with the meeting. As in general terms, it is normally accorded an opportunity to the Minister to have an opening statement, and although this committee has sat before, it has been a long time since the last sitting, so an opening statement might be in order.

**Mr. Manness:** Firstly, Mr. Chairman, let me compliment you for your attempts in trying to bring forward a system of Public Accounts review that is more meaningful, that causes all of those of us who are Members of this committee to be more responsible in our tasks, as we try and review the history of financial matters with respect to the province, and try and learn better from it. So I compliment you on your efforts in that regard.

With respect to today's sitting and subsequent meetings, I hope that there will be an attempt to be as productive and even more productive than maybe we have been in the past.

I, as the Minister of Finance, indeed, when I was in the Opposition, called upon the Government of the Day to try and provide for an early opportunity for the consideration of the Auditor's Report, indeed, for the consideration of the Public Accounts. That is why I pushed so hard last January to see an early meeting of this standing committee of the Legislature take place because indeed, if our year-end records are financial in nature, are to be of any value, they have to be given early, early consideration.

That best attempt, in my view, sort of bogged down last winter and indeed into last spring, but nevertheless we have made an effort to have this committee be the first one called again during this Session, and I will pledge myself to try and have answers to questions posed, and to try and have the affairs that this standing committee has been charged to deal with. I will try and do my part to try and have those affairs completed in a orderly fashion.

Those are my only introductory comments, Mr. Chairman, and I look forward to the considerations of the committee.

\* (1015)

**Mr. Storie:** Mr. Chairperson, we appreciate the Minister's remarks. I guess that begs the question: when then can the committee expect the 1989 Public Accounts information to be available to the committee?

**Mr. Manness:** Mr. Chairman, we have a dilemma, and the dilemma is we cannot close off the '89 books until the Legislature ultimately rules on the stabilization fund before it. As one would understand, that is a significant year-end adjustment as to the accounts for the '89 year, and until the Legislature deals with the legislation before it, dealing with the Fiscal Stabilization Fund, it is impossible.

That is one item, and second, the Legislature will also be asked to deal with the Hydro Energy Rate Stabilization Fund, which also was an integral part of the figures as presented in the budget. The Member looks somewhat perplexed.

**Mr. Storie:** Was that it, was that legislation?

**Mr. Manness:** That was the winding down of ERSA, and by our understanding, that requires legislation to do so. Indeed the former Government, when it changed certain aspects of ERSA, brought that forward by way

of legislation. We feel under no less requirement that if we are to wind down ERSA that it will require legislation also. So those two matters of legislation have to be dealt with before the 1988-89 Public Accounts can be finalized.

**Mr. Storie:** Mr. Chairperson, unless my memory fails me, the Government did not introduce any legislation to amend The Energy Rate Stabilization Act.

**Mr. Manness:** Mr. Chairman, that will be coming very, very quickly, in a matter of days.

**Mr. Storie:** Well then, Mr. Chairman, with all due respect, the Minister who talked about wanting us to have access to this information at the earliest possible moment, I think perhaps should have introduced the legislation back in May or June of last year, and perhaps we would be one step closer to having access to the '88-89 accounts.

My follow-up question is, and I do not intend this to sound as if I am doubting the Minister's sincerity, but if the Legislature were to pass The Fiscal Stabilization Act and The ERSA Act, if we were to pass it, would the Public Accounts be available almost immediately? Are they ready at this time, subject to the passage of these pieces of legislation?

**Mr. Chairman:** Just before I recognize the Minister, may I remind all Honourable Members to be recognized by the Chair before they begin speaking. Mr. Minister.

**Mr. Manness:** Mr. Chairman, we would make an undertaking to have Public Accounts out a full month earlier than usual. That would be the middle of November, because we intend Volume I, at least, to be more summary in nature. It is one of the attempts that we have tried to provide, one of the objectives that we have tried to fulfill, and that is, again, a quicker release and review of year-end accounts. I would say that would be the deadline and the target that we would be shooting toward.

**Mr. Chairman:** May we begin considering the '88 report? Mr. Kozak.

**Mr. Kozak:** Mr. Chairman, with regard to the 1988 Report of the Provincial Auditor, I note as I have noted on March 16 of this year and on previous occasions that the Auditor continues to express concerns with regard to the unfunded pension liabilities of this province, which are not reported in full or accurately to the people of Manitoba via the province's financial statements. Therefore, in accordance with your ruling, and at the appropriate point, committee may decide to dispense with my remarks since they relate to my motion of March 16 of this year—I move that this committee recommend that the Minister of Finance consider implementation of the counting standards for employee pension obligations and Government financial statements, as recommended in November 1988 by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants, namely, (a) define benefit pension plans. Is it the will

of the committee to dispense with my completing reading of this motion that is precisely from this point on identical to my motion of March 16?

\* (1020)

**Mr. Chairman:** What is the will of the committee? (Agreed)

**Mr. Kozak:** Thank you, Mr. Chairman, I believe I retain the floor.

**Mr. Chairman:** Yes, Mr. Kozak.

**Mr. Kozak:** I will not belabour remarks that I have made in this committee at great length on January 23 of this year, January 26 of this year, and March 16 of this year. For the convenience of Members and for the purpose of saving the time of this committee, I would refer Honourable Members to my remarks of those dates.

**Mr. Chairman:** Mr. Kozak, are you addressing the motion precisely?

**Mr. Kozak:** Precisely. To obtain a full understanding of my position and my Party's position with regard to the reporting of the provinces unfunded pension liabilities, and in particular—and I emphasize this—the extensive reasoning which underlies our argument of January and March of this year.

The purpose of this motion—and I must say I am not unhappy with the rewording that was very cooperatively suggested by the Chair—is not to cause inconvenience to this Government, or to cause inconvenience to any political Party in this province. The purpose of this motion is to serve the interests of the people of Manitoba and legislators within this province so that we can be better advised as to the true financial position of this province. We feel and the numbers certainly justify it in that we are talking of accumulative liabilities that are well in excess of a billion dollars at this point. The size of this problem is sufficient, more than sufficient to merit our attention as a committee and as a Legislature and I would venture to say that based on comments that have been placed on the record over the years by responsible Members of this committee, there is a certain all-Party agreement as to the need to address the question of unfunded pension liabilities. I feel that agreement existed historically and I feel that agreement persists today.

I would like to say, even though it is unusual to make fairly frank personal comments, that my intent and my Party's intent in putting forward this motion is not, once again, to embarrass the Government. We do not feel that there is any political disadvantage to the Government or any other Party in being realistic about the province's true financial position. We feel, in fact, that if there is all-Party agreement to adopt the particular approach I oppose, there will be plaudits all around for the realism shown by all Members of this House.

\* (1025)

Indeed, I would go further to suggest that if any Member of this House or if any Party within this House, after providing agreement for this particular resolution and after voting for it, attempted to criticize the Government of the Day for any resulting higher deficit in any particular fiscal year, that our present Minister of Finance (Mr. Manness) has, I am confident, the sophistication to demonstrate that argument for the sham it is.

I do not feel that there is any potential disadvantage to the Government of the Day in supporting this resolution, which is, I believe, a call from Members past and present, of all three Parties for realism, and I would suggest that there is a further advantage to all three Parties in terms of our ability to make realistic proposals for expenditure of the public's tax money.

Very often in this House comments are bandied back and forth about the affordability of needs identified by Members of the Legislature. Very often proposals are put forward, in good faith, that the Government expend monies on certain priority projects, which some Members of this House feel are affordable and other Members of this House feel are not affordable.

I suggest that completing this last major accounting reform, with regard to the books of the Province of Manitoba, would in fact bring better clarity to this debate to the benefit of all three Parties presently sitting and any Party that may sit in this House in the future.

My Party is certainly prepared to accept the rigour that accurate financial statements would require from our argumentation. We try to bring that rigour to our arguments at present. I honestly believe that my friends in the third Party attempt to bring rigour to their proposals for reform in Government and for Government spending.

I believe also that the present Government tries to be rigorous, logical and well aware of the province's true financial position in its arguments for spending increases or decreases by the Government of the Province of Manitoba. We are labouring under a handicap, we all know it. We know that without books that reflect a massive liability of this province, and without books that reflect the fact that this liability grows every year at a substantial rate that the public may be confused as to the financial capacity of the province, and occasionally a well-meaning legislator may be confused as to the true financial capacity of the province.

\* (1030)

The motion that has been put forward, I would like to reiterate, is not an attempt to hurry the Minister of Finance or to back his Government into a corner. I believe that if such a dishonourable attempt were made on my part, the present Minister of Finance would be well able to demolish that shabby attempt on my part, which I am certainly not, as an Honourable Member, prepared to make.

I feel, too, and finally, so as not to speak too long and take up too much of the committee's time, that this committee and the Legislature as a whole would

be applauded for the obvious realism of proceeding with the suggestion made to us by the Canadian Institute of Chartered Accountants. The public requires some realism and some argument based on accurate fact on the part of legislators. I feel that any step we take in that direction will not redound to the discredit of any Member of this committee, any Member of this Legislature, or any Party represented within this Legislature.

**Mr. Manness:** Mr. Chairman, let me firstly say, with respect to the former ruling, although I know I am really not supposed to reflect on any ruling, let me say this on a general statement then, that I am very happy that the sanctity and basically the ultimate responsibility and accountability of executive Government is still maintained within the Government, because indeed there is no way under the British Parliamentary system that we can have the will of the Opposition, with respect to the spending of certain amounts of money, overrule the people that are put into executive positions by way of democratic vote. That has been upheld and I am happy to see that.

Mr. Kozak reiterates his views. He certainly expresses them well and he has put them on the record now on several occasions. I will take a few minutes also to do that with respect to my own position, indeed that of the Government of Manitoba.

I am as concerned today with respect to the unfunded pension liability as I was when I was in Opposition. It was an issue with me then. It certainly continues to be as big an issue with me as it did then.

We need to address unfunded pension liabilities. There is no question about it and I can assure Members of the committee, when they see sitting to my left, Mr. Charlie Curtis, Deputy Minister, who has been the former Chairman of the PSAAC Committee and who is very much involved in the considerations and the discussions, indeed as was our Provincial Auditor, Mr. Jackson, that Manitoba's position was well represented as the recommendations came forward by way of that public sector accounting and auditing committee. Nevertheless, we are mindful of this problem.

Let me say, though, to Mr. Kozak and other Members of the committee, that there is no attempt to hide and not reveal the pension liability. It is referenced as a note within Public Accounts, Volume 1, No. 9 in this case. To anybody who wants to be a student of the Public Accounts it is indeed referenced. Our credit rating agencies are very much aware of it. Although it is maybe not included within the Consolidated Account, statement of liabilities, it certainly is very much known to anybody who wants to be a student of the financial affairs of the Province of Manitoba.

I do not accept the fact that it has not been revealed, because it is revealed well. Let me say on a pro-active sense we are certainly surveying all of the other activities in other provinces as to how it is that they are reacting to the recommendation of PSAAC and what it is they are doing with respect to those recommendations.

From our vantage point it appears that although some are doing more than others, at this point nobody is

really falling within the PSAAC recommendation. Yet, I really from my viewpoint consider this whole process evolutionary and that in time Governments will come to not only reflect it in a different fashion but begin to appropriate for it in some fashion which is more responsible. We are no different. Actively right now there is a committee that has been formulated between the province's Comptroller and his representative, Mr. Eric Rosenhek, sitting beside Mr. Curtis, and representatives of the Civil Service Commission trying again to in some way not only quantify the problem, but look at various approaches to try and see how it is that the Government of Manitoba now and in the future can reflect this liability and appropriate for it in the best fashion.

I am mindful also of the commitments that I have made in the past in that all of these efforts will ultimately lead to a point where hopefully sooner than later some action will be taken with respect to the budget that is laid down before the people of Manitoba. In some fashion this liability will be dealt with. Let me say further that with respect to the motion, bearing in mind that it is one requesting us as the Government to do certain things, I have no problem accepting.

**Mr. Chairman:** Are we ready for the question? It is moved by Mr. Kozak that this Committee recommend that the Minister of Finance (Mr. Manness) consider implementing of accounting standards for employee pension obligations and Government financial statements as recommended in November 1988 by the Public Sector Accounting and Auditing Committee, the Canadian Institute of Chartered Accountants, namely, and then the rest of the motion is as originally read. Is it the will of the committee to have this continue to be read? All those in favour, please say aye. Against? I hear no one voting against. The motion is carried.

**Mr. Leonard Evans (Brandon East):** On an matter of procedure, if I might just go back to the first item, the Guidelines for Public Accounts Committee in Canada. It is a question to you. You said this was tabled for the perusal of the Members of the Committee. Where do we go from here? Perhaps I missed it when you were introducing the topic, but what is your proposal? Once the Committee peruses this, are you giving the Committee a month, two months, six months, and then have a meeting perhaps after the Legislature adjourns? Just what is your time frame for discussing this?

**Mr. Chairman:** Mr. Evans, I would like to have committee Members consult with me before November 15 regarding comments that they wish to have me take along to a meeting with Mr. Loyola Hearn to be held later on in November of this year. Is that satisfactory?

**Mr. Leonard Evans:** That is as far as you are suggesting the committee goes at this time. You simply want to discuss this further at a conference, and then you will report back at some subsequent time. Is that the idea?

\* (1040)

**Mr. Manness:** If it is the will of the committee to meet to discuss things internal to Manitoba, I think we need

to do that. We can do that afterwards, as well, and that is something that I would be willing to entertain and to try and shepherd as much as I can within the rules we presently have to work under. It would have to be done if the committee is to be called, as a committee. It would have to be done with the co-operation of Government and called by the Government House Leader. That is something we could consider, but we would have to do this afterwards. We cannot do this now. The procedures are laid down quite clearly as to what we must do. We are to look at the Public Accounts for 1988, and the Auditor's Report for 1988 at this moment.

**Mr. Leonard Evans:** That clarifies it. So you are really in a discussion stage with the other Public Accounts Committees, the other representatives of the other Governments. I was not quite clear as to where you wanted to go. I appreciate you have to operate, or we have to operate, under the rules laid down, but I was not clear as to where you wanted to go subsequently. I mean, ideally, I would gather there are some excellent suggestions here that you think that this committee should adopt at some stage. I believe that is the ideal, so I was just wondering what the time frame was to implement that ideal set of guidelines. I am not trying to rush you. I am just asking you how you see the time frame.

**Mr. Manness:** I appreciate the comments, Mr. Evans. Ideally, I would like to be much further ahead than we are, and I would like to do what we could do now, but we cannot. There is no time frame other than the one I just laid down.

**Mr. Storie:** Mr. Chairperson, the committee can set its own agenda internally. We have a legislative responsibility, I guess. We could certainly agree to meet prior to your meeting in November if the committee wanted to provide input on that kind of format to the suggested guideline. I assume we are working towards some sort of national standards with respect to Public Accounts Committees, and that seems to be an objective that we all agree is worthwhile.

It would seem to me to make sense to have some forum where we can all sit down and say what are we going to recommend with respect to changes or additions, or where do we see strengths and weaknesses in the guidelines that have been put together. I am sure that the Minister would be more than happy to call a meeting of the Public Accounts Committee at some convenient time for us to, as Members, discuss the guidelines. It seems to me to be worthwhile before you attend on our behalf and provide input.

**Mr. Manness:** Mr. Chairman, certainly I am prepared to accommodate quite a degree with respect to this, bearing in mind that Governments tend to be reluctant to do so, because it is always easier to follow the same rules that are in place. It seems to me the essence of a lot of the changes provide for greater opportunity for Opposition to provide for themselves greater insight into the financial and Public Accounts affairs of the Government for a period of time preceding.

I am prepared to explore that. I just hope, though, that that would come after the consideration of certain events, the Public Accounts for '87-88; because, indeed, that is the reason we are called here today. So if the committee wants to move into further consideration of how this committee should deal in the future, I am certainly prepared to do that. But I hope it would be mindful of why we are here today, and that is to consider the Provincial Auditor's Report and indeed the Public Accounts for '87-88.

**Mr. Storie:** Mr. Chairperson, that was anticipated. I certainly was not recommending that we interfere with the business of today, at some point before November 15 or whatever the date Mr. Chairperson is heading to meet with Mr. Hearn.

**Mr. Chairman:** Just before I recognize Mr. Downey, on the comment that you made Mr. Storie, yes, I would very much appreciate that. Mr. Downey.

**Hon. James Downey (Minister of Northern Affairs, and Native Affairs):** Mr. Chairman, I think it is fairly clear what you explained earlier, and I would suggest we do get on with the business of what the committee has been called to deal with.

**Mr. Kozak:** Mr. Chairman, I would like to endorse what appears to be a unanimous feeling in this committee that we recognize the fact that we are still considering the Public Accounts of this province for the year ended March 31, 1988. We have to understand that in the public interest there is an absolute requirement for us to proceed as expeditiously and rapidly as we can ethically with Public Accounts that relate to a period that ended 16 months ago. I feel we should get to the matter at hand.

On the matter that has also been discussed by the previous speakers, the guidelines as proposed for Public Accounts Committees in Canada, I would like to suggest that my colleagues and I are very much interested in proceeding with this on a co-operative basis in this committee and hopefully coming up with a unanimous approach. I suggest strongly that members of the committee all receive copies of this circular and that we be at leisure for a certain period of time to put together our thoughts and then in due course come together hopefully in an amicable and unanimous fashion to upgrade the capacity of this committee.

**Mr. Chairman:** Is it the will of the committee to proceed? Mr. Kozak.

**Mr. Kozak:** I think it is possible, Mr. Chairman, that the comment I am about to make represents the point where we ended off last time on March 16, fully six months ago. At that time the Member for Churchill (Mr. Cowan) and I suggested jointly, without undue resistance from Government Members of this committee, that it would be desirable in areas of weakness identified by the Provincial Auditor if the committee were at leisure and at freedom to have expert opinion brought to it by civil servants within certain departments. The examples cited at the time, which was certainly an

appropriate example at the time, was the Workers Compensation Board. Our priorities today may be different, every day new matters come to our attention. I think, however, that given the review of our structure and function that we are unanimously agreeing to embark upon, we might like to proceed more rapidly at this point with the 1987-88 Public Accounts and rely on the review to produce the detailed questioning of senior civil servants that we might decide we could use as we move on with our review.

**Mr. Manness:** Mr. Chairman, that has not been a tradition of this Legislature and its Public Accounts Committee. I guess I am one who is prepared to consider some greater scope in that area but I think not outside of certain guidelines and rules that have been agreed to by the committee and indeed those of us who are wanting maybe to see that.

So I do not see that as happening during this period of time, but I think that is something that can be addressed when we look at many of the recommendations that are contained within the report that was handed out earlier this morning.

\* (1050)

**Mr. Kozak:** I have no difficulty whatever with the remark that the Minister of Finance has just put on the record.

If the Chairman could advise us as to the precise termination point of our voting process in our last meeting, it would probably be helpful to all members of the committee.

**Mr. Chairman:** For the review of the committee, what has been accomplished by this committee, the Public Accounts Committee, on January 28, 1988, the committee did pass the Public Accounts of 1986-87 and the Auditor's Report for 1987. What we now need to consider is the Public Accounts for 1987-88 and the Auditor's Report for 1988. Mr. Kozak.

**Mr. Kozak:** Mr. Chairman, I would certainly be very agreeable, and I believe all Members would be agreeable, given the fact that we are backlogged, to put it charitably, if we did commence with the required votes on the documents that you have mentioned.

**Mr. Storie:** Well, Mr. Chairman, I had a couple of questions that follow somewhat on the Minister's remarks, but also on comments that are made in the Provincial Auditor's Report, March 31, 1988, particularly the comment about the timely completion of Public Accounts.

On page 13, the Provincial Auditor's Report suggests that we, I guess, review the current format of Public Accounts to eliminate any unnecessary information, and the Minister referenced that as well. He talked about simplifying—I cannot remember his exact phraseology—but the implication was that somehow the Public Accounts should be, or could be, put in a better format. I am wondering what, in particular, the Provincial Auditor is referencing in his comments, unnecessary information raises a specter, unnecessary

for whom and for what purposes? I am wondering if the Provincial Auditor perhaps could give the committee a clearer understanding of what he sees as being a better format than the current format.

**Mr. Fred Jackson (Provincial Auditor):** One of the things that has been advocated by the public sector, auditing and accounting committee of the Institute of Chartered Accountants, is to place considerably more emphasis on the Summary Financial Statements which tend to give you an overview of the financial condition of the Government, perhaps more in keeping with what Members may be used to from the private sector where there are fairly brief statements that present, as best it can, the bottom line established for Government accounting, i.e., the extent of liabilities that have been incurred to date, that need to be funded from future revenues, as opposed to the private sector where concentration on the bottom line might be the profit for the last fiscal year.

So we have been advocating more emphasis on the Summary Financial Statements and more emphasis on bringing them to include the same kind of information that is being recommended by the PSAAC Committee, and that would include, again, the pension information. It would include also a move toward including information as to expenditures that have been made and assets that are available to provide future services to the citizens of Manitoba. There are two aspects of accounting that are not in the Summary Financial Statements. But we have been supportive of some of the recommendations that the Department of Finance have been working on and advocating, and perhaps I will ask the Comptroller to elucidate on that at this point as to information that might be considered in only one spot as opposed to more than one spot at present.

**Mr. Eric Rosenhek (Comptroller):** In 1987-88, we introduced a new volume, Volume 3, to the Public Accounts, which was intended to develop our summary financial statements in a certain direction. I think that is what Mr. Jackson is referring to, that what encompass the greater Government reporting entity as recommended by a PSAAC accounting statement. We made our first steps in '87-88 by consolidating three Government corporations, and that is MPI and its related corporations. In '88-89, we are looking at doing further consolidations. But because this is a new process for us, it is going to take us more time than it will once we have the process in place. So we will be doing some further consolidation in '87-88 and then further in '88-89, so that we can ultimately be at the reporting entity that is recommended by PSAAC.

**Mr. Storie:** Just following up on that particular point, what further consolidations can we expect in the reporting '88-89? They are not identified in the Auditors Report?

**Mr. Rosenhek:** No, they are not. We have a study underway at this time as to what we best can accomplish. For '88-89, we are contemplating consolidating certain corporations that meet a standard that we have proposed. That would be those entities

that receive 50 percent or more of their revenues from the the Government and that have revenues in excess of \$10 million. So we are looking at certain entities that are really an extension of the Government's operation that would be well served to be part of our reporting entity.

**Mr. Storie:** Mr. Chairperson, those would be MPIC, Manitoba Hydro, Manitoba Telephone—

**Mr. Rosenhek:** No, not at this point. We are looking at things such as the Public Schools Finance Board, Universities Grants Commission, Health Services Commission, entities such as those.

**Mr. Storie:** I am just wondering, the Provincial Auditor—and I appreciate the fact that this is the first volume of the Financial Summary—referenced the fact in his report that we would be—I guess he used the words—eliminating unnecessary information. I am still wanting to know what unnecessary information he sees as being provided in the other two volumes. What can be eliminated without limiting the Public Accounts Committee's access to information?

**Mr. Jackson:** I think we attempted to use the words, "eliminate redundant information." What we were recommending there was that there is a wealth of information that finds its way both into Public Accounts and into departmental annual reports. We felt that where the purpose could best be served, including that information in departmental annual reports, that was the vehicle that it should appear in. So that the information provided in Public Accounts was that that went beyond that and was necessary to help Members have as immediate a grasp as they could of the essentials and not be bogged down with information that could be found elsewhere; and that was really just supportive information and caused the books to be thicker than necessary, and it could be referenced to other sources without duplication.

**Mr. Chairman:** Mr. Storie, on the same line?

**Mr. Storie:** Yes, Mr. Chairperson. I appreciate what the Provincial Auditor is saying. One only has to look at the Statement of Cash Payments to Corporations, Firms and Individuals to know that sometimes the information is not presented in the most useful way. It seems to me that there may be better ways of categorizing the expenditures, but it seems to me we need to be provided with more information, or more concise and precise information, perhaps with additional explanations in keeping with what the Provincial Auditor's Report consists of rather than Public Accounts.

\* (1100)

Is that possible as well? That is not providing less information but it is organizing it.

**Mr. Jackson:** Mr. Chairman, yes, it is organizing it. Reference was made earlier of the advantages of possibly getting the members of the committee together for purposes of reviewing its mandate, its organizational

structure, its objectives, its scheduling, et cetera, all in keeping with some of the recommendations that have been put forward this morning. Part of that exercise may be individual Members input as to whether or not there could be, from their individual perspectives, a better organization of the material that they are now getting so that it is as complete as they, the working Members, need it to be.

**Mr. Kozak:** It had been my understanding from the March 16 meeting that we had gotten past the section of the Auditor's Report on the Government Central Management System and were in fact talking about individual departments and agencies. However, the Member for Flin Flon (Mr. Storie) inspires me to ask a question regarding the Government Central Management System, and I thank him for providing me with the opportunity of harking back to an earlier discussion.

The Provincial Auditor over the years has frequently referenced a problem well known in this committee, known as fragmentation of operating results. I am delighted to see that in the Auditor's Report for the fiscal year ended March 31, 1988, there is not the same degree of need to highlight this as the problem area to the same extent as had been done in the past.

I know it would be very inappropriate to ask the Auditor to comment on next year's Public Accounts, by venturing an opinion as to the impact on the fragmentation situation of an item such as The Fiscal Stabilization Fund Act.

I wonder if the Auditor, Mr. Jackson, might perhaps have some thoughts as to whether the proposed Act would contribute to the elimination of fragmentation difficulties, or whether it would exacerbate the difficulties that he found it necessary to highlight in previous years.

If he finds it inappropriate to answer this question at all, I would certainly understand.

**Mr. Jackson:** Mr. Chairman, as I understand it, proposed legislation is before the House. Each of the Members has had an opportunity to comment on it but it is still draft legislation. I have no idea and cannot use any kind of a crystal ball to guess how that might come out. So I think it could be considered to be presumptuous of me to comment on something that is not real at this point.

**Mr. Kozak:** I certainly wanted to provide the Provincial Auditor, Mr. Jackson, with the opportunity to share some of his generally recognized wisdom with us. However, I feel that it is entirely possible that part of his wisdom implies not wanting to comment on legislation presently before the House.

**Mr. John Angus (St. Norbert):** I am not as liberal as my friend from Transcona. I do not agree, Mr. Jackson, with the potential impropriety of you commenting on a cause and effect. I think, as a matter of fact, sir, that it is your responsibility to comment and to advise the Legislature as to the potential cause and effect based on the question that was asked.

We are looking at passing a Bill that may or may not have major impact on the economy of Manitoba or on the budgeting process or indeed the fragmentation. I respect, sir, and with respect suggest to you that your fiduciary obligation is to counsel this legislative committee and this legislative body on the wisdom of such a move if it was passed, if it was not passed, et cetera. I would invite your comments on that, sir.

**Mr. Jackson:** Where my expertise tends to be is in the accounting and auditing area. One of the things that is expected of legislative auditors is to stay strictly beyond the policy issues. I think what you are relating to is the policy issue. By unanimous vote of the Legislature, the Provincial Auditor was specifically requested in previous times not to enter into the policy area. The individual MLAs have felt very strongly that that is the purpose of the MLA, that is why he is elected. That is the specific role of Opposition Parties.

**Mr. Manness:** Mr. Chairman, I find Mr. Angus' questions and the direct aspect of them very unfortunate. As I indicated to the people of Manitoba when I brought forward the concept of the Fiscal Stabilization Fund, I indicated at that time that I had presented, and officials had presented to the Provincial Auditor, what it was we were intending to do. At no time did I ask Mr. Jackson to give us support, candid or otherwise or, indeed, to give us some input as the Government as to whether or not we were embarking on the right way, because in my view that would have been compromising his position as a servant, not of the Government but of all of us as MLAs, indeed the Legislature of Manitoba. I find it highly inappropriate that Mr. Angus now would be seeking to do something that the Government chose not to, recognizing the role of the Provincial Auditor.

The role of the Provincial Auditor is to pass judgment after the fact and to hopefully leading to recommendations as to change. I will allow Mr. Jackson to do that once, and if this Fiscal Stabilization is passed, and we will then, as Government, react accordingly. But I think it is highly improper that any Member of this committee be pushing for response, as Mr. Angus is doing from the Provincial Auditor.

**Mr. Jackson:** May I just draw the attention to the committee also to the fact that what we have been charged to do, which is to discuss the Public Accounts of '88 and the Auditor's Report of '87-88, and what we are embarking on here to my mind seems to be forward looking and is something that this committee is not charged to do.

**Mr. Angus:** I thank the Minister for his comments and for his guidance. It was raised by the Member for Transcona and I simply wanted to pursue it. I did not expect any Member of the administration to comment on the politics of the situation. I do not want to put them in that position, Mr. Chairperson, through you to the Minister. But, in order for legislators to make informed decisions, I do not believe that it is inappropriate to ask the cause- and effect-type questions.

Being that the Auditor took such exceptions to what was commonly referred to as the Jobs Fund which was

sums of money that were without our control, and things of that nature, I felt that he might want to, at least, put on the record some comments in relation to, although it is a different fund, Mr. Chairman, and it is a different intention of the Government, he might want to comment on it. Having said that, I do agree with your observation that it is in the future and perhaps inappropriate at this time to raise it. If Mr. Jackson wants to comment on it from a general accounting procedure and practice, then I would be more interested in hearing what his comments are.

**Mr. Jackson:** Just for the record, our office never took exception to the Jobs Fund. We took exception to some of the administrative practices surrounding the Jobs Fund.

**Mr. Storie:** Yes, Mr. Chairperson, I recognize we are getting into some uncharted waters here, in some respects, but certainly the Provincial Auditor and Public Accounts Committee in the past have dealt with issues of policy. The Minister made reference to the fact that the 1988/89 Public Accounts could not be finalized because it awaited the passage, if that is to be, of The Fiscal Stabilization Act. We have already acknowledged the fact that the passage of this Act is going to retroactively affect the Public Accounts reporting of 1988/89.

\* (1110)

The question that we have to ask then is, it seems to me legitimate, from a policy point of view is The Stabilization Act going to, obviously it is going to impact, can the Provincial Auditor explain to this committee what those impacts are likely to be, how they are to be reported and whether there are alternatives available to the Government that would not have required the implementation of a Fiscal Stabilization Act? Does the Government's intention have to be implemented in this way?

**Mr. Chairman:** When the committee first sat in January a similar situation arose with respect to policy, future policy, and basically considering an account or a consideration that was not before the committee. Based upon House practice Rule No. 30, speeches shall be direct to the question and under consideration or to the motion or amendment that the Member speaking intends to move or to a point of order, I am going to have to rule this line is essentially not within the purview of this committee.

**Mr. Storie:** Mr. Chairman, the Government is already—we are passed the 1988/89 fiscal year. We have not received the report, we are led to believe that report is virtually complete, it has been prepared, it simply awaits some final last minute adjustments based on the potential passage of The Fiscal Stabilization Act. I cannot understand why the Minister or any Member of the committee would object to having the Provincial Auditor give us some account, some explanation of how this new Act will impact upon the public accounting in the province. It may be technically out of order but the fact is that the committee has, in virtually every instance in other standing committees, dealt with the

current year. When we dealt with the Manfor Report we did not stick to the 1987/88 year, we dealt with other issues that were current. The 1989 year is finished as far as the Provincial Auditor is concerned and certainly he should be allowed, in my opinion, to comment on the potential impact of The Fiscal Stabilization Act on that report.

**Mr. Chairman:** Before I recognize the Minister may I suggest a way around this procedural quandary. I am charged that the committee is to look at the 1988 books. Maybe we should pass them first and then move on. Is that the will of the committee?

**Mr. Manness:** Mr. Chairman, I endorse your ruling completely. Let me say to Members of this committee that is probably one of the reasons why our standing committees at times come a little undone. This committee is charged with a certain responsibility. It is not given, it is not within its own power to direct itself as to what it wants to do. It has been given a responsibility from the Legislature, that is to consider the Public Accounts and the Provincial Auditor's Report for 1987/88. I suggest that we do what we have been directed to do by the Legislature.

**Mr. Storie:** Mr. Chairman, it is humorous that the Minister has some new-found confidence in the rules of committee. I can recall questions that related to the current fiscal situation with respect to Manfor, Manitoba Hydro, coming from the Minister of Finance (Mr. Manness), so the Minister of Finance has one set of rules when he is in the chair as Minister and another when he is in Opposition. The fact of the matter is that on every occasion when I was in the Minister's Chair we dealt with questions that were of immediacy in the current fiscal year.

Precedent and practice in these committees has been to allow those kinds of questions to go forward. I do not know what the Minister of Finance (Mr. Manness) has to hide. Is the Provincial Auditor going to say that the stabilization Act is a fraud? Is that what he is going to say? Is he going to say that there are alternatives that the Minister ignored in coming up with those alternatives?

**An Honourable Member:** Nobody is listening, nobody is watching so you can hold it down.

**Mr. Storie:** You are listening.

**An Honourable Member:** No, I am not.

**Mr. Storie:** What is he hiding? Why cannot the Provincial Auditor answer a simple question?

What would prevent the Provincial Auditor for commenting on the appropriateness, the impact, perhaps not the appropriateness, that would be an unfair obligation, but what would be the impact of the Fiscal Stabilization Act on the public accounting system 1988-89? Can he give us some detail? What is wrong with asking that question?

**Mr. Manness:** When the Member says what am I hiding, he in essence is saying to the Provincial Auditor, what

are you hiding? I think he should reflect upon his comments.

I do not and I will not speak for the Provincial Auditor. The Member knows fully well the Provincial Auditor is here and the questions do not come through me. They go directly to the Provincial Auditor.

But for the Member here to badger the Provincial Auditor, who is a servant of all of us, on a matter which has not even been dealt with yet by the Legislature is totally out of the bounds of common decency.

**Mr. Chairman:** On the same line, Mr. Storie.

**Mr. Storie:** The badgering was certainly not intended to fall upon the shoulders of the Provincial Auditor. I was simply asking the Minister to follow precedent, to follow practice in these committees and allow or consent to allow the Provincial Auditor to ask additional questions. I recognize that the Stabilization Act is not passed. The fact of the matter is that if it passes, and certainly it is the Government's intention to pursue that, it will have an impact. The impact will be retroactive. This committee could very well, according to the Minister, be looking at the '89 accounts.

If the Minister says under no circumstances can we allow this question to be asked, then that leaves me to raise some questions about the Minister's intention.

**Mr. Manness:** Mr. Chairman, seeing that the Member is reflecting on my intentions, my intentions are part of the public record. It is called the budget. They were all laid out as to my intentions as to how we would account one year to the next. That is part of the public record. The Member has had an opportunity to reflect on that budget by way of his vote in the Legislature. I am hiding that?

**Mr. Chairman:** Mr. Storie, one moment. I think we are embarking here on something that we are talking about precedent, we are talking about things that have happened perhaps in committee. I just want to remind Honourable Members that what has happened in committee and is recorded in the Minutes does not necessarily create a precedent. I wish to call Members' attention again to the fact that what we have in front of us is the '88 books, the 1987 and '88 Auditor's Report. I would like if on this particular line, Mr. Storie.

**Mr. Storie:** Can the Minister indicate whether any other province has established a Fiscal Stabilization Fund or its equivalent?

**Mr. Manness:** I am aware that there is a stabilization account or fund in place in British Columbia. How closely it mirrors the one we have in place, I can not give that detail.

**Mr. Chairman:** May we proceed? Mr. Kozak.

**Mr. Kozak:** Would it be in order to make one comment related to the conversation that has just taken place, given the fact that somewhat to my regret now, I am the one who instigated the recent conversation?

**Mr. Chairman:** I would suggest that it would not be in order. I would like to proceed.

**Mr. Kozak:** Mr. Chairman, in that case, and in view particularly of the fact that previous meetings of this committee disposed, to the satisfaction of Members at that time, of the Provincial Auditor's comments regarding the Government's Central Management System, my comment now will be directed to certain of the Auditor's comments with regard to departmental operations.

\* (1120)

I refer specifically to one point that was not addressed on March 16 by this committee, a point made on page 33 of the Report of the Provincial Auditor for the fiscal year ended March 31, 1988, in which he recommends that steps be taken to minimize department overexpenditures.

The situation that we face at present to make this debate of interest to present reality, the situation we face at present is the absolute reverse of the situation referred to by the Provincial Auditor in the previous fiscal year. We face the situation where in fiscal year 1989, and again in the first quarter of fiscal year 1990, the Opposition has identified, and the Government has reported, significant and, to the Opposition, disturbing underexpenditures in certain departments.

I wonder if the Auditor would express an opinion as to whether a hallmark of good management is not only avoiding overexpenditures but also avoiding underexpenditures, in other words making accurate predictions at the beginning of the year and actually spending the money on what it is presumably requested for.

**Mr. Jackson:** One of the things that we take very seriously is the budget and Estimates process that the Government goes through to arrive at its operational plan for the year, but I think we all have had experience with the budgeting process. What it is intended to be is an operational game plan. Like many things in life, circumstances change and the fact that you have actually expended money may not have much relationship to the accomplishments that you are intending to do.

That is why in our reports we have indicated for a number of years that we do not think strictly financial reporting does it for the Members of the Legislative Assembly, and that considerable work needs to be done so that the objectives of what is intended to be accomplished with that expenditure of funds should be clear in the budget process, and that the Public Accounts, at the end, or at the departmental annual reports, come back and comment on what was accomplished with that level of funding. Were the objectives met? If they were, and they were met with less dollars being expended, that is to the good. If they were not met, and the money was spent, I think there are some serious questions that should be raised, but with the level of reporting that we have so far, I think the MLAs are left sometimes out in the wind wondering if the game was just to spend the money that was voted.

So we have been encouraging considerably more in the way of operational reporting to the Members of the Legislative Assembly.

**Mr. Chairman:** Mr. Minister, on the question.

**Mr. Manness:** On this same point, Mr. Chairman, I fancy that Mr. Kozak, who I did not suspect had ever had this problem, is beginning to believe the rhetoric of his own Party. I ask him to put into perspective what we are talking about. This Government budgeted in the first quarter a cash flow of—and I am bringing this from memory—\$1.2 billion. We reported in the first quarter that we missed that target by \$10 million or \$15 million. We missed it by 1 percent. I defy any person around this table to find a corporation, find a business, find a household, that misses their cash flow projection by a number of that meagre magnitude.

Mr. Chairman, I apologize for being a little exercised on this, but I say to the Member for Transcona, do not be believing your own Party's rhetoric on this because you will end up to be looking foolish.

**Mr. Chairman:** Mr. Kozak, just a minute. Mr. Kozak, are you deferring to Mr. Angus? Mr. Angus.

**Mr. Angus:** The clarification, Mr. Chairperson, is either from the Auditor or the Minister on the requirement for or the effectiveness of operational audits. It is not whether or not you have been able to spend all of the money. It is whether you have spent it effectively in the best interest of the taxpayers. Whether you have gone over by one percent is certainly an indicator of management or lack of same. I heard the Auditor say that what he would like to be able to do, and I am not sure that he has been given the authority or has the proper tools to be able to do it, that is to effectively evaluate the investment of those dollars in relation to some specific goals you want to reach.

**Mr. Manness:** I could not agree more with what Mr. Angus is saying, but all he has to do is reflect on the questions that have come from his Members in the Legislature because never was included in the preamble were the effectiveness of the money spent. It was strictly the quantification and the missing of the mark, so to speak, with the projected forecast.

**Mr. Kozak:** The objective of my question earlier to Mr. Jackson was indeed to ascertain whether he felt that it was absolutely necessary to meet the mark that was projected to be met, regardless of changing circumstances in the intervening period, and I believe that Mr. Jackson satisfied me totally by saying that overexpenditures or underexpenditures themselves need not necessarily be of prime concern to this committee; but rather whether the overexpenditures or underexpenditures are due to changing circumstances that absolutely require a change in course on the part of the Government. I would have expected Mr. Jackson to make precisely the answer that he did. I was simply eliciting that answer from him because of the rather strong wording on page 33 of his report. I quote, "We again recommend that steps be taken to minimize departmental overexpenditures."

With regard to the Minister's comment that the department has not departed in the first quarter substantially from its estimated expenditures, I do have to reiterate comments that I was reported making on Saturday of last week to the effect that I am concerned about an \$18 million underspending in Health, when we have a large and growing backlog for cardiac surgery in this province. I am concerned about a \$19 million underexpenditure in Family Services, when almost daily we are treated to suggestions that that particular department is underserving certain segments of the community.

Although, in general, I certainly would agree with both the Provincial Auditor and the Minister that one should not be unduly exercised by a small departure from projections, I do have a certain concern related to the first quarter of this year, a concern that I expressed at the same time last year, and that by the end of the year had not worked its way into balance. As of the end of the year there was still a \$28 million or \$29 million under expenditure in Health which concerned me and continues to concern me.

**Mr. Manness:** I am not making fun of the Member's argument, if it were to be focussed in on third quarter and fourth quarter reality as per forecast. I am on first quarter. I am saying to him, that if he wants me a year from now, or if had wanted me when we were projecting our forecasts of cash flow needs for first quarter, to get away from this argument completely, all I had to do was drop the forecasts of the amount of cash needed so that in Health and in Community Services we surpass the forecasted need. Indeed I do not believe then there would have been a question from Members Opposite. I can another year prevent this argument and discussion completely just by playing with that number. So I am saying to him, his argument may hold water as we move into the third quarter and to the fourth quarter. It certainly does not in the first.

**Mr. Kozak:** It is precisely, Mr. Chairman, for the reason the Minister has stated that my comments in the first quarter of each year are worded in moderate language and my comments toward the end of the year become more and more vitriolic, shall we say. I do have a certain concern regarding the first quarter of this year. I hope that concern is entirely eliminated by the fourth quarter of this year. With regard to the Minister's assertion that he could very simply eliminate the problem entirely by simply juggling the numbers and making different expenditure Estimates for the first quarter, second quarter, for cash flow for first quarter, second quarter, I believe the Minister is too honourable to do that. I do not expect him to do it in future.

\* (1130)

**Mr. Angus:** If I may, the question beyond the politics is to the auditor. Are you, sir, provided the measurable goals on a department-by-department basis? Do you, sir, have the tools to measure the effectiveness, do you in fact have the tools to carry out your mandate? Would you like to comment on that?

**Mr. Jackson:** One of the comments that we have been making for a number of years in our reports to the

Legislature concerns the management processes of Government. We have commented specifically on planning. We have also commented on reporting. We have also commented in a supportive mode on the policies and management practices guide that has been established, I think in 1987, to enhance the administrative practices in Government generally.

We have the ability and we have the legislative mandate to look at any of the aspects of operations that we deem appropriate. We carry out what we call broader scope auditing. That means to us, beyond compliance and it would be a test function. There are other terms that are used in auditing across Canada. There is operational auditing, there is management auditing, there is value-for-money auditing, there is comprehensive auditing, or the term we choose to use, broader scope auditing. Each of those has connotations of looking beyond both the test and compliance aspect. What we found and why we have reported so extensively on the planning aspect is that we find the planning aspect for the Government as a whole has not yet been put in place at an appropriate level. With the planning aspect goes the objectives that you are setting out to accomplish, the goals that you are going to be attempting to meet, the measurement techniques that you are going to use to know that you have got there and in fact have met your objectives and met your goals.

Pretty well as a general comment, I think there is a lot of work to be done yet before the auditing community is really going to produce value for money from an audit perspective. There is a lot that needs to be done administratively. We could go out or we could bring in outside experts. We were supportive of the project that was undertaken where there was an external group of management consultants brought in, and they did seven major projects. We have done a number of major projects ourselves and we all come to the same conclusion. Mandates are not clear; the planning that should be there is not in place; there is not the right kind of communication. There is a number of things to be addressed. We could go out and do a state of the art comprehensive audit and waste a lot of the taxpayers' money. We are already telling the Legislature that the administrative practices that need to be put in place are not there. They need to be worked on.

**Mr. Angus:** Mr. Chairperson, when you do operational audits now on departments in what might be determined a scattergun approach, that is you have been alerted to a potential ineffectiveness in a specific department, and I will cite from your own report MPIC that you went in and did some reviews of their circumstances. You are finding, and I am suggesting, these are my words, I do not want to give any impression that I am putting these words in his mouth, but I am paraphrasing more or less for clarification that sometimes when you go in to do these operational audits, you are doing them from an arm's length review of management techniques, not being able to relate them to specific objectives of the department and specific goals and specific measurable results, so that you are, perhaps, measuring to standards from either your professional background or the knowledge from the industry and things of that nature as opposed to the specific goals.

Further, sir, just before I relinquish the floor to you, if you would comment on it, and are you proposing or suggesting that we, as legislators, require the Government in the Estimates to clearly identify for each department what the objectives are, what the goals are, and how the performance will be measured? Is that a method of approaching the type of effectiveness measurement that you are proposing?

**Mr. Jackson:** Just to clarify another point, we do not use the scattergun approach. What we try and do is what is enunciated by again our Canadian Comprehensive Audit, or Accounting and Audit Foundation, in that there is an awful lot of planning that goes on in our office. There are risk assessments. There are reviews of what has been publicized. There are reviews of what Members have indicated to be sensitive issues. There are things that have come to our attention, but we do an evaluation process, always attempting to consider where the Legislature will get the best value from our spending time.

One of the things that we do as well is that we point out in our reports to the Legislature that we think departmental reports historically have been pretty self-serving publicity documents. We have suggested that a great deal more could be done to enhance those documents along the lines of some of the comments of yourself, in that the mandates should be set out, the role and mission statement should be there. The objectives should be there. The department should be working towards measurement capabilities.

But having said that, we all must appreciate that we are in a complex, large-scale world, and it would be folly for me not to acknowledge that Canada had been attempting to come to grips with this for about a 15-year period. I think they are only having some moderate success in about the last three to four years. Measurement criteria and techniques for difficult social programs are extremely difficult to come up with. Canada has spent a lot of time on this and I think they are starting to feel that their Part threes of their Public Accounts are starting to be meaningful, but that is after 15 years of concentrated effort. My understanding is that basically we are in about year 2 to 3 as far as our attempting to come to grips with measurement techniques.

**Mr. Manness:** Mr. Chairman, I commend this discussion at this point to all Members of the committee because I must indicate that the Government, the new Government, has become aware through its audits, its outside audits, which of course, have drawn some criticisms from certain Members of the Legislature as to what we were attempting to do.

Particularly, I refer to Phase 3 which, of course, was an attempt to summarize what we had done before, and lay before the Government a plan of action as to how we could develop greater effectiveness reporting within a new framework, how it is that we could try in some specific areas develop objectives and formulate goals that could be measured in an effectiveness sense. To that end, the Premier has set into place a Management Reform Committee of Cabinet, which will not be able to go into all the departments of

Government and provide the necessary objectives as to what the performance can be measured. But, indeed, we are starting, and we are looking at some specific areas and we are going to try our best to try and implement some of the recommendations, not only of the Phase 3 Audit, but many of the things that Mr. Jackson and his predecessor were saying over a number of years in their reports to the Legislature.

**Mr. Kozak:** Mr. Chairman, we have today taken a constructive first step to closing the 10-year gap between the public sector and the private sector on the matter of unfunded pension liabilities. The private sector certainly has a 10-year head start on us. I hope we catch up. Based on the progress that has been made today, specifically to the point raised by the Member for St. Norbert (Mr. Angus), I wonder if the Provincial Auditor can suggest to us how much of a time gap there is between improvements in financial reporting by the private sector, and less dramatic and slower improvements in financial reporting by Government. How far behind are we? We know it is 10 years in the case of unfunded pension liabilities. How many years experience from the private sector do we have to catch up with?

**Mr. Jackson:** That is a terribly difficult question to even attempt to answer, but I will try. One of the things that needs to be appreciated is that magnitude and scale of operations themselves create impetus for change and improvement. I think if my memory serves me right, we can all remember reading about, many years ago, one of the whiz kids coming out of General Motors, a Mr. McNamara, who had instituted significant improvements then in accounting and financial controls and GM. He went, I believe, to the Department of Defence in the United States Government, and worked to implement significant improvements in that area of operations. I would hate to put a time frame on that, but I believe that is in excess of 20 years ago.

One of the things that we are all faced with is change. Recently we have, through technology, increasing abilities to have informational systems available that do things on a more timely basis once they are in place, and I will stress the "once they are in place," because it is awfully difficult in a restraint environment to be cutting back on certain very sensitive public programs, and at the same time be providing all the funds that are required for administrative improvement practices. Hard to justify, almost internally harder to justify, perhaps, politically, because what we are constantly fighting the short term versus the long term.

Speaking of industry operations, I think one of the things that we all read about currently as well is North America seems to be falling behind some of the rest of the world because the emphasis is on the short term where it is vital to make that next quarterly report attract shareholder interest. Short term and long term do not seem to mesh too well.

So one of the things that we are faced with is being prepared and having sufficient will to put in place some of the measures that need to work to the advantage of the long term in an environment that favours the short term.

**Mr. Kozak:** Mr. Chairman, my friend, the Honourable Member for St. Norbert (Mr. Angus), indicates that he is required to perform other duties. I would like to pass the floor to him with your permission.

\* (1140)

**Mr. Angus:** I just have a final couple of questions on the line that we are pursuing in relation to Operational Audits and I am bound to ask about the risk assessments and how far into the future you assess risk, and whether or not that does not include policies that may eventually get the Government into trouble. But I do that facetiously, Mr. Chairperson, I will not ask that question. I will not ask him to comment, but I will ask a serious question. The Auditor has—and correct me if I am wrong—suggested that he sees his role as examining the investment of tax dollars in an accountable fashion in relation to the goals and objectives of the policy setups of the Government, and whether or not that money was invested wisely, and whether we got value for our investments. Those are my words, again, Mr. Chairperson, and not necessarily his words, maybe a layman's term. But my question, very seriously, is what, sir, can we do to help you achieve that end objective which we all must agree is a worthwhile objective? Surely nobody is going to be fearful of a credible individual coming back and saying: You did not do as well in this area as you could have because of this and this and this. Then Governments have to be responsive I am sure at this point.

What can we do to help you, sir?

**Mr. Jackson:** One of the things that can be done to help, not just myself, but I would regard the citizens of Manitoba, is take that study that is going to be available to you seriously. There are opportunities to significantly enhance the role of the committee. Not at the risk of being facetious, but I got a call the day before yesterday that this committee was meeting. Scheduling is an area that could be significantly improved. If there is any long-term goal of having senior officials appear before the committee and serve both the committee and the taxpayers well. There has to be a fair bit of scheduling. People have to be given a time frame. We understand that the committee's process works considerably better in other jurisdictions. There is ample room for improvement.

One of the things that we have said is we think that there needs to be a more comprehensive plan for the Government as a whole. We have addressed something in the area of training the times past. We are not sure today that there is a training plan in place for civil servants in the Government of the Province of Manitoba. We would like that training aspect to be seen to mesh with the priorities generally. So there is a lot to be done, but it starts with an effective plan.

**Mr. Angus:** Mr. Chairperson, I would just like to comment, if I may, sir, through you and I have a great deal of respect for Auditors in general, and for their ability to advise independent boards and/or policymakers, and that Mr. Jackson, particularly, and his department do it in an extremely credible fashion.

It is a very fine line they have to walk when they are dealing with politicians as to policy and implementation of policy and philosophical beliefs and differences that they have always served very valuable assistance to all of the boards that I have participated in. I have a great deal of respect and hope that the committee and the Legislature, in fact, will rise to support them to the best of their ability.

Thank you, Mr. Chairperson.

\* (1150)

**Mr. Storie:** I have a different line of questioning, if Mr. Kozak wants to proceed.

**Mr. Kozak:** Just to pursue the point that Mr. Jackson and I were discussing a few minutes ago, Mr. Jackson, himself, and Charlie Curtis, whom I am pleased to acknowledge today, have been leading lights of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants. This committee has already been of significant assistance to the Public Accounts Committee in this province in assisting it to draft a motion accepted by all three Parties with regard to the unfunded pension liabilities of the province. The Provincial Auditor has done us the favour today of indicating that we have something to learn as we did in the case of unfunded pension liabilities from the private sector with regard to financial reports in general. I wonder if he anticipates that the Canadian Institute of Chartered Accountants will be directing its attention to this question and as helpful a manner as they did in the case of the unfunded pension liabilities.

**Mr. Jackson:** It is my understanding that the Public Sector Accounting and Auditing Committee of Canada has been well served by many individuals across the country, and they come from a wide spectrum. They come from senior deputies; they come from the Legislative Auditors; they come from consultants in the private sector; they come from actuaries; they come from professional engineers. They have been able to concentrate at a level that sets aside what might be of a concern in their own individual jurisdiction to what seems to be necessary for Government in Canada generally to move ahead. They have a number of things that are important on their plate. They have started to address effectiveness or value-for-money auditing. They have a general statement—Statement 4—out on that. They have been moving ahead to provide guidance for people in the audit field, not just Legislative Auditors, but in the audit field for how to interpret those standards and again move ahead. Their interest is in priority matters and there is significant input coming from across the country as to those areas that need to be addressed on a priority basis.

As with everything, their resources have limits. They are only able to address those things that have the greatest priority in some kind of reasonable time frame. Their goal is certainly to do that.

**Mr. Kozak:** With the greatest respect for the third Party, I intend to ask only one further question before turning

the floor over to my friend, the Honourable Member for Flin Flon (Mr. Storie), who I would not like to restrict unduly in terms of the time available for his comments.

One final question with regard to departmental and agency operations, the Provincial Auditor, page 41 is the reference, predicted in his report for fiscal year ended March 31, 1988, that final dissolution of MTX Telecom Services Incorporated is expected to occur in the latter part of 1989. After having been so polite to the Honourable Member for Flin Flon (Mr. Storie) he perhaps realizes I am now bringing up a matter that he would rather I had not brought up. I try to be even-handed, Mr. Chairman.

I wonder if Mr. Jackson or if the Minister of Finance (Mr. Manness) could alert us to the status of MTX Telecom Services Incorporated, whether it is approaching final dissolution or whether, in fact, substantial amounts of taxpayers' money continue to be tied up in this, somewhat ill-conceived corporation.

**Mr. Jackson:** I would defer to Mr. Curtis in his role as operating officer for MTX.

**Mr. Charlie Curtis (Operating Officer for MTX):** Mr. Chairman, if I may? The activities of MTX are virtually wound down. There are several remaining items, primarily collection of accounts and one or two employee claims that have to be settled. Apart from that, there are no activities at all.

**Mr. Chairman:** Thank you, Mr. Curtis. Mr. Storie.

**Mr. Storie:** Mr. Chairman, I was very interested in the Provincial Auditor's comments about, I guess, the ongoing necessity for putting in place improved accountability procedures, and I noticed that the Provincial Auditor made an oblique reference to the planning with respect to the Minister's calling of Public Accounts.

We all recall that the Minister, in a rather unfortunate move to call the Public Accounts when the Provincial Auditor was not available back in January, now we understand that the Minister has again not given sufficient notice and that is unfortunate because I would expect, given the breadth of these reports, the Provincial Auditor and his staff would want to be prepared for these meetings, and I think we all respect the need for staff to do that.

I wanted to pursue the issue of planning in a non-partisan way. I know that the Provincial Auditor, over the period of years when the NDP were in Government, made many good suggestions, many of which were acted upon, including the beginning of the addressing of the question of unfunded pension liabilities, a very important question, and one that I guess has always amazed me that Governments in the past have not dealt with. How do those kinds of things happen?

I gather by the Provincial Auditor's comments that he feels there are still activities of Government which are not being monitored carefully enough in which situations like this are going to arise again.

It is difficult, I guess, because the Provincial Auditor always has to balance the whole question of

accountability of public dollars with policy objectives and they are not always the same.

My question to the Provincial Auditor though is: does the Provincial Auditor have criteria or accountability objectives which would, for example, take into account the kind of twin objectives, for example, the Community Economic Development Fund? How can a Government agency lend money, based on a set of accounting principles, when the decision to lend money is often based on rather insecure commitments of people, of individuals?

I am just wondering whether the Provincial Auditor has in his possession guidelines which can meet all of the needs of Government policy. How does he reconcile the lending of money that sometimes based on policy objectives of the Government—

**An Honourable Member:** Like you ran the Economic Development Fund.

**Mr. Storie:** The Minister of Northern Affairs (Mr. Downey) says, like we ran the Community Economic Development Fund, like he presented a gift to one of his friends by way of a contract to prepare a report that is redundant, that is never sat on -(Interjection)-well, Mr. Chairperson, the Minister cannot have it both ways. It is an imperfect world and he is one of the most imperfect -(interjection)-

To the Provincial Auditor, I am wondering whether there is a single set of accounting policies which the Provincial Auditor feels will satisfy all of the needs of Government agencies, Government departments. I am finished. That was the question. You missed the question.

\* (1200)

**Mr. Jackson:** Mr. Chairman, that sounds like a good question to answer. However, as I have indicated previously, what we expect I think are reasonable administrative procedures and practices. If we wanted to relate to a lending organization, for us we would start with what we would consider might be appropriate in the private sector in a credit union or a banking environment. If a loan is to be made, there should be a reasonable basis for that loan to be made. There should be a business plan. There should be some projections. There should be perhaps some expectation of related or business background experience so that the operation has a chance to succeed. So those are things that we would look to before a loan was made. We do not expect perfection; we expect something reasonable.

We then go into the loan monitoring procedures, if that was what we would be considering, and we would be saying that we think this loan has been made, based on the information we have seen, and that there is an expectation for repayment. We try and differentiate very clearly whether we are into a loan program as opposed to a grant program. The two are quite separate in our minds. If we are into a loan program, then that means that there is an expectation of repayment, and that means to us that there should be an expectation of

ongoing monitoring, reporting, and evaluation. If circumstances seem to dictate that the loan is not working out as well as it might have been, or that expectations were there, we would then wonder if the monitoring is causing some administrative action to be taken to protect the assets that were there in the way of the loan.

So the simple answer is, there is no one set of accounting for the Government as a whole. Each operation has to be reviewed individually, and there are often distinct and complex issues in a single operation that are unique and cannot be considered in the same way as another type of operation is. But what we do take seriously is that public funds are in a trust-like environment. Taxpayers have not been requested, they have been demanded to pay funds into Government. We think that they have a reasonable expectation that prudent practices be surrounding them and good administrative practices be applied. If we find that is not the case, we report.

We only have a role to play as far as making recommendations. We are not a Comptroller General. We are an audit vehicle, so we report our findings, and if our logic fails or if our recommendations are considered to be unsound, it is reasonable that no action be taken. However, if our logic and recommendations seem reasonable, we would expect that action be taken. Generally speaking, we have found that whatever administration has been in place, our recommendations stand up well enough that in the main, our recommendations are acted upon.

**Mr. Chairman:** With your indulgence, Mr. Storie, the Minister wishes to make a comment on something that was referenced in an answer here.

**Mr. Manness:** Mr. Chairman, as part of the preamble of the question just put by Mr. Storie, he hit a sensitive point with me, and that was dealing with scheduling. Let me say that I have tried all methods, and I am becoming horribly exasperated, and I have tried to schedule myself with Finance Critics from various Parties. I have tried to turn this task over to our House Leader who has tried to make it part of a bundle of negotiations. I guess I have come to the point where probably the best way of doing it, to assure that certainly the Provincial Auditor has better notice than I have provided him in the past is that I will unilaterally set a date and expect everybody to appear, which will provide sufficient notice.

**Mr. Storie:** Well, Mr. Chairperson, I guess an autocratic method is better than no method, perhaps it will cause some problems. I appreciate the comments of the Provincial Auditor and I agree with him wholeheartedly. I think the Provincial Auditor's office has assisted Governments of all stripes in improving accountability, and I hope that all of us here believe that is an important goal to get to close to 100 percent of accountability as you can.

I think in the Provincial Auditor's statement, however, there is I guess the seeds of the continuing difficulty of some departments to satisfy the objectives, the

ultimate objectives of the Provincial Auditor, and talked about—and I refer again to the Community Economic Development Fund and similar programs of Government, agencies of Government, when the objectives, while clear conceptually, rely on sometimes instinct, sometimes a knowledge that we are not going to be able to achieve 100 percent accountability. Has the Provincial Auditor met with or did they meet with the CEDF board, the current board, and has that board established policies now that allow flexibility but yet satisfy the Provincial Auditor's office?

**Mr. Jackson:** I would ask Mr. Mayer to comment on that.

**Mr. Rick Mayer:** We have met a number of times in a number of our audits of CEDF, including our special audits, with members of the board, including the chairperson and Chairman of the Finance Committee or Audit Committee that looks after the work that we do. We have made recommendations as to what we feel would enhance the board to make the decisions or the documentation that is required for the decisions that they make. They have taken that under advisement and are in the process now of, I believe, putting that in place.

**Mr. Storie:** I appreciate that. I know that the Provincial Auditor's office had been involved with CEDF boards going back over many, many years. I guess I have a special concern over the operations of agencies like CEDF because of their mandate to support business growth and development in rural Manitoba.

Mr. Jackson referenced in his comments the fact that, well, you know you look at the same criteria that a private institution would make. Of course, private institutions will not do what CEDF is doing. The fact is that one of the criteria, as you know, for application to CEDF is having been turned down by a regular financial institution. I am just concerned that we not try to be so stringent in the question of accountability that other objectives cannot be met. Maybe the Provincial Auditor can comment on what kinds of flexibilities can be left in for agencies like CEDF. They are not private institutions.

**Mr. Jackson:** Mr. Chairman, one of the things that we try and do is study, understand and appreciate the mandate of the organization that we are attempting to audit. We well appreciate that CEDF is basically a lender of last resort. Having said that, we also expect, however, that that lending of last resort be appreciated by the organization itself, and that if it is the lender of last resort, there are specific reasons for that. That to us probably would bring about us to expect at least what was reasonable if it was not a lender of last resort. We do not expect something to be vastly superior when it is operating as a lender of last resort, but what we do expect that at least the reasonable practices and procedures for an operation that is not the lender of last resort to be in place for the lender of last resort.

**Mr. Storie:** Mr. Chairperson, yes, that is easy for the Provincial Auditor to say. I think I understood what was said. My question is: does the Provincial Auditor or

would he provide the board, for example, with a target. My understanding is CEDF has a success rate in terms of business operations established and maintained approaching 70 or 80 percent. I am wondering whether those kinds of targets are realistic, if they are acceptable given the mandate. My understanding is that private institutions, banks, small business lending divisions do not have a much better success rate than that, if as good. How do you establish it other than giving them some general guidelines like that?

\* (1210)

**Mr. Jackson:** My understanding is that our staff has worked extremely closely with the finance or audit committee of the board and we have taken some considerable time at their request to make as specific as we possibly could what our expectations would be so that they could meet them if they thought they were reasonable. My understanding is further that they have appreciated that approach, we have complied with their request and that they are working to meet those expectations and do not consider them to be unreasonable. My understanding for a viable commercial loan organization that their loss ratio varies between 3 percent and 6 percent.

**Mr. Storie:** Then I guess my question is to the Provincial Auditor. Are we to assume that would be the goal of CEDF to move to that kind of loss ratio but practically we know that is impossible? They have already been turned down. Do they have now a target that they can say if we achieve this the Provincial Auditor will be satisfied in terms of the overall accountability of this agency?

**Mr. Jackson:** Mr. Chairman, it would be completely unrealistic for us to ever set a percentage goal. We appreciate as I have indicated before that they are lenders of last resort. All we expect is that they have reasonable administrative practices in their environment that are appropriate for the type of operations that they are in. We think they are making real progress to get there.

**Mr. Downey:** Mr. Chairman, not to interrupt with the Auditor's comments and questioning and answering that is going back and forth, I think as Minister responsible it is only fair to put on the record that it has been—the former administration virtually a mess, that the work that the auditors have done with the new board and with management has been very positive. There have been some targets set by the board, and I am sure that the objective of the management and the board are to carry out those objectives as far as delinquent loans are concerned. They have been running over the past something like 20 percent, and they have now by board policy developed a policy to target at 15 percent, without inhibiting their activities of loaning to remote and isolated communities. Positive steps have been taken and I think that the committee should be informed of that.

**Mr. Storie:** Well, I appreciate the comments. I would assume, that like any agency, progress is made. The

Provincial Auditor in his report comments on the improvements that have been made in the recording pension fund liability.

I am assuming that the new board will also attempt to improve the situation with respect to recoverments. The Minister raises an interesting point and that is that while they have targeted 15 percent as opposed to 20, we will have to watch and see what the result is in terms of the loans that are provided and the jobs that are created. The Minister says that we do not want to try and inhibit its mandate. Well, its mandate is to loan money and provide opportunity in areas where others will not. The Minister's new criteria may be a failure in terms of meeting that objective. We will obviously want to watch that. I see the Member for Ste. Rose (Mr. Cummings) who has not had the opportunity to be responsible for an agency like CDF or anything else makes the glib comment that it was like the Brinks truck. Well, the 20 percent failure rate in terms of the kinds of operations that were supported is respectable, I think, and most private institutions would accept that a 20 percent failure rate in those kinds of situations was not unrealistic. Certainly it could be improved.

One final comment, the Provincial Auditor referenced whether there was a Government-wide planning effort, a consolidation of the reporting of loans, and forgivable loans, the whole range of monies that are provided by Government that are either grants or are going to be turned into grants one way or another.

Is there any improvement being made on the treatment of forgivable loans? Should we have such a thing as forgivable loans? Should we call them grants?

**Mr. Jackson:** It is my understanding that we do have something that we have termed forgivable loans, and that the Department of Finance has been recommending

a different approach to the recording of those on their books than what had been the case previously. Perhaps the Department of Finance would like to comment on that.

**Mr. Rosenhek:** We did make a change in 1987-88 in our accounting policies regarding forgivable loans that required that those loans would be recorded as an expenditure in the year that the loans were made. If there was no anticipation that there would be recovery on the loan, then the loan would be recorded as part of our expenditures and would not be carried as an asset of the Government.

**Mr. Storie:** Am I to interpret then that as of today the terminology that was used has changed? Are we still using the term forgivable loan? We are simply recording it differently, accounting for it differently.

**Mr. Rosenhek:** We are still using the term forgivable loan to indicate that there are conditions attached to the forgiveness of that loan, but we would be recording it as an expenditure at the time that the payment is made.

**Mr. Chairman:** There being no further questions, shall the Report of the Auditor for 1987-88 and the Public Accounts of 1988 pass?

**Some Honourable Members:** Pass.

**Mr. Chairman:** Just before the committee rises, the Report of the Provincial Auditor for March 31, 1988, and the Public Accounts for 1987-88 have passed.

Committee rise.

**COMMITTEE ROSE AT:** 12:18 p.m.