



Third Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

40 Elizabeth II

*Chairman
Mr. Laurie Evans
Constituency of Brandon East*



VOL. XLI No. 1 - 10:00 a.m., TUESDAY, DECEMBER 10, 1991



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

LIB - Liberal; ND - New Democrat; PC - Progressive Conservative

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

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

Tuesday, December 10, 1991

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRPERSON — Mr. Leonard Evans (Brandon East)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Enns, Manness

Messrs. Edwards, Evans (Brandon East),
Helwer, Laurendeau, Maloway, McAlpine,
Reimer, Rose, Santos.

APPEARING:

Fred Jackson, Provincial Auditor

Carol Bellringer, Assistant Provincial Auditor

MATTERS UNDER DISCUSSION:

1988-89 Public Accounts for the fiscal year ending March 31, 1989, Volumes 1, 2 and 3.

1989-90 Public Accounts for the fiscal year ending March 31, 1990, Volumes 1, 2 and 3.

Provincial Auditor's Report for the fiscal year ending March 31, 1989, and the Supplement for the 1989 year.

Provincial Auditor's Report for the fiscal year ending March 31, 1990, and the Supplement for the 1990 year.

* * *

Mr. Chairperson: Good morning, fellow members. The committee on Public Accounts has before it to consider Volumes 1, 2 and 3 of the Public Accounts for the year ending March 31, 1989, and also for the year ending March 31, 1990. That is the Volumes 1, 2 and 3 in each case. Also, we have before us the Provincial Auditor's Report and Supplement for the year ending March 31, 1989, and the Provincial Auditor's Report and Supplement for the year ending March 31, 1990.

As you might recall, there has been some discussion by this committee of those reports in past meetings, specifically those held on January 29 and 30 of 1991 and April 4 of 1991.

In addition, members may recall that I circulated a letter to the committee dated November 12, 1991, indicating my desire as the Chairperson to have committee members consider and evaluate recommendations of the Provincial Auditor regarding the Public Accounts Committee, that is the ways and methods of proceeding with this committee. The recommendations of the Auditor can be found on pages 34 and 35 of the Auditor's 1990 report, and indeed that would provide the basis for some discussion, although, in order to facilitate discussion, I have also taken the liberty of preparing a draft motion which, of course, can be changed in any way, shape or form, or not proceeded with, depending on what the committee desires.

* (1005)

The motion, which I have made some copies of and prepared to distribute for the members' information, simply incorporates the recommendations of the Provincial Auditor, namely, very briefly,

1. That the committee, to be most effective, carry out its responsibilities on a more timely basis;
2. That the committee consider calling ministers and their officials to respond to questions concerning issues raised in the Provincial Auditor's Report, or other matters that the committee may direct;
3. That the committee consider adopting a working agenda; and
4. That notice of questions to be raised at committee meetings should be provided in advance of the meeting whenever possible.

I reiterate, I have simply done this to facilitate some discussion. -(interjection)- I am being reminded, and I should have stated, I am certainly not moving this motion. I am just providing this as a basis for consideration, and if members wish to proceed with it, some member of the committee will have to move this particular motion.

So, as I have indicated, the reports we are considering today are not new, and certainly we can consider them in detail as we wish. It has been procedure in the past to have opening statements, especially with a new session.

Again, I am not sure whether this is absolutely necessary or whether the committee wishes this, but if there is any desire, we can begin as usual with the minister introducing his staff and also with the minister making appropriate opening remarks and also with response from the two opposition parties.

Hon. Clayton Manness (Minister of Finance): I would like to introduce somebody who needs no introduction, Mr. Charlie Curtis, and of course various members of our senior staff, Department of Finance, who are to the side.

Mr. Chairperson, I do not propose to make a long opening statement. I hope though that this committee will see fit to expeditiously pass some of the unfinished business from years previous. I say that because I think there is some other maybe more pressing information or reports that should be considered.

I am planning to table two items at this point in time. Firstly, there was a request of me to answer certain questions with respect to a whole host of items, most of them coming from Mr. Maloway. I have a response to those questions written, and I have four or five copies that I would like to table at this point in time. Mr. Chairperson, they are presented to you.

Secondly, I would like to serve notice that it is my intention to table in the House, either Friday this week or Monday next week, the Public Accounts for the year 1990-91. As we are—meaning this committee—scheduled to meet again a week from today, I would hope that at that time a greater focus would be provided or directed toward the 1990-1991 Public Accounts.

I say that because I am hoping therefore at today's meeting we might complete the unfinished business dealing with '88-89 and '89-90 business. It is also my intention to table at this meeting today, and also in the House later on, the report of the Office of the Provincial Auditor on the special audit of the Taxation Division, Department of Finance. I would like to table that at this time also. Again, I will also be officially tabling that in the House later on this afternoon.

Mr. Chairperson, I also know that you had given me notice that there would be a motion coming forward dealing with certain of the Provincial Auditor's recommendation as to how this Public Accounts Committee should conduct its own affairs. I will save my remarks for those recommendations at the time that the motion is more formally presented. Thank you.

Mr. Jim Maloway (Elmwood): I would like to dispense with the opening remarks and go right into the resolution.

I move, seconded by the member for Broadway (Mr. Santos):

THAT the Public Accounts Committee adopt in principle the following recommendations of the Provincial Auditor for use in the operations of the Public Accounts Committee:

1. That the committee, to be most effective, carry out its responsibilities on a more timely basis;
2. That the committee consider calling ministers and their officials to respond to questions concerning issues raised in the Provincial Auditor's Report, or other matters that the committee may direct.

* (1010)

Mr. Chairperson: Excuse me, Mr. Maloway. I have been reminded that if you do not wish to have opening remarks we should allow the representative of the second opposition party to make any statements if he so desires, and then we can perhaps get into the motion. I am sorry. So if I could just ask you to hold this for a minute or two or whatever. Okay.

Mr. Paul Edwards (St. James): Mr. Chairperson, I do not intend to make lengthy opening statements. I also, as the minister, have had a chance to review the motion which my friend the member for Elmwood is in the process of putting forward.

I note, of course, that it has come up in almost identical form in a report from the Auditor, that it has been recommended. It seems sensible to me. In fact, the motion that I have been provided with is slightly different but essentially covers the same ground.

I think the Public Accounts Committee is underused, underutilized, and these recommendations, I think, can only enhance the effectiveness of this committee. I feel it is incumbent

to point out that, of course, it serves the process, not just the work of the opposition parties but, quite clearly, the work of the government who, of course, will want to take seriously all of the recommendations of the Auditor, given the role and the responsibilities of that position.

I do not have any specific opening comments. I certainly will have many questions on the specific reports, but at this point let me say that after my friend completes the motion, it is our intention to support this motion.

Mr. Chairperson: Thank you, Mr. Edwards. Mr. Maloway?

Mr. Maloway: Mr. Chairperson, do you wish the motion read again?

Mr. Chairperson: Yes, please.

Mr. Maloway: We cannot accept it as read, can we?

Mr. Chairperson: No.

Mr. Maloway: I move, seconded by the member for Broadway (Mr. Santos):

THAT the Public Accounts Committee adopt in principle the following recommendations of the Provincial Auditor for use in the operations of the Public Accounts Committee:

1. That the committee, to be most effective, carry out its responsibilities on a more timely basis;
2. That the committee consider calling ministers and their officials to respond to questions concerning issues raised in the Provincial Auditor's Report, or other matters that the committee may direct;
3. That the committee consider adopting a working agenda;
4. That the notice of questions to be raised at committee meetings should be provided in advance of the meeting whenever possible.

Motion presented.

Mr. Chairperson: That is the motion that has been proposed by Mr. Maloway. I do not believe we need a seconder in the committee, so is there any discussion by any members? Mr. Manness, and then Mr. Santos.

* (1015)

Mr. Manness: Mr. Chairperson, the government supports, in part, the resolution. First of all, on a

general basis, we believe that there should be a broadened mandate of the Public Accounts Committee. We have no difficulty with that, specific to the four items mentioned.

First of all: "That the committee, to be most effective, carry out its responsibility on a more timely basis." I have no difficulty with that. As a matter of fact, as a minister, I can think of two occasions when I have called this meeting in January to deal as quickly as possible with the Provincial Auditor's Report to the Legislature. Mr. Chairperson, that in itself, the more timely calling of this meeting, though, is not going to get around, ultimately, how the members of this committee want to conduct their responsibilities as being part of it.

Indeed, if what members are wanting is an opportunity beginning in early January or, indeed, some time in December as soon as the Provincial Auditor has reported to the Legislature and/or as soon as Public Accounts have been tabled or released publicly, want to then begin in an unstructured forum on a daily or weekly basis, just pore through the past, I say we have got a problem because it will lead nowhere other than, of course, what politicians from time to time tend to do, and that is waste time. I think there has to be some greater definition given to this resolution.

I can tell you on the surface the government has no difficulty in calling forward this committee to deal on a more timely basis with Public Accounts or the Provincial Auditor's Report to the Legislature. To us, that only makes good sense and, indeed, if it is to have any value in the passed documents.

Secondly: "That the committee consider calling ministers and their officials to respond to questions concerning issues raised in the Provincial Auditor's Report . . ." I believe that this is the one question that I think is a little premature to discuss at this time. I say that because I think most members are aware that there are informal discussions going on at this particular point in time with respect to the Rules of the House. I would have to think that it would probably be better if this item were dealt with in that whole dialogue. I say that because, in no other jurisdiction in Canada is 240 hours devoted to Estimates of Expenditure before the fact, indeed before those monies are spent.

If what we are asking now is that on top of those 240 hours, yet an unlimited amount of time be provided to legislators to review what has happened

after the fact, then I say we, quite frankly, do not have that much time in our working schedules to accommodate both those ends. As at this point in time we are informally discussing rule changes which may or may not impact on the 240 hours that we presently devote to Estimates review, I would have to think that this item should be considered in the totality of that discussion.

Thirdly: "That the committee consider adopting a working agenda." Mr. Chairperson, the government has no difficulty in supporting that point.

Fourthly: "That notice of questions to be raised at committee meetings should be provided in advance of the meeting whenever possible." Again, Mr. Chairperson, the government has no difficulty in supporting that point. Indeed, in the past, I know when we were in opposition, we were invited by the minister of the day to provide questions, particularly dealing with the Public Accounts. We did so in large measure. Indeed, I have invited members to also provide early indications of items that were of interest to them so that we could provide response and use best the time of this committee, and I can think that we can more formalize that process if we so chose.

So, Mr. Chairperson, three of those four points are acceptable to the government at this point in time. The fourth point, being No. 2, I think has to be dealt with in a broader discussion of all changes that we may want to consider with respect to the timetable of the Legislature.

Mr. Chairperson: Just for clarification, Mr. Manness, did you want to move an amendment at this point or at some subsequent point?

Mr. Manness: Well, I will listen to the discussion at this point.

Mr. Chairperson: Thank you. I believe, Mr. Santos and then Mr. Edwards.

* (1020)

Mr. Conrad Santos (Broadway): Yes, Mr. Chairperson, with respect to the fourth point. It is very impractical to conceivably think of all the questions that will be asked. Therefore, not all the questions can be provided notice of. Moreover, if that is the intention of every question—unless notice is given, it cannot be raised—that will be some form of censorship. I think these requirements should be limited to factual questions that call for reasonably detailed answers and requiring research.

I therefore would like to move an amendment by inserting the word "factual" before the word "question", and in place of "to", the phrase, "which require reasonably detailed answers."

Mr. Chairperson: Thank you, Mr. Santos. The rules that we are operating under require that you make that in writing, so could you please quickly draft that? Just a moment. Thank you.

Mr. Santos, as I understand your amendment, it is regarding Clause 4, and I believe it is to be amended as follows:

4. That notice of factual questions which require reasonably detailed answers to be raised at committee meetings should be provided in advance of the meeting whenever possible.

Is that correct?

Mr. Santos: That is right.

Mr. Chairperson: Okay, that is the amendment, so I guess now we are discussing the motion as amended. -(interjection)-

Pardon me, I stand to be corrected. We have not agreed to the motion as amended. We are discussing the amendment as such first. I believe Mr. Edwards had his hand up.

Mr. Edwards: Are we discussing Mr. Santos' amendment at this point, Mr. Chairperson?

Mr. Chairperson: Yes, I understand we have to discuss the amendment before we move the motion.

Mr. Edwards: I have no comment on the amendment. I am just wanting to speak to the minister's comments.

Mr. Chairperson: Mr. Laurendeau?

An Honourable Member: Nothing.

Mr. Chairperson: Nothing on that. Okay, anyone else to the amendment itself?

Mr. Manness: Mr. Chairperson, I think the amendment is not an awful lot different than the original clause because it said "whenever possible." "Whenever possible" meant to me exactly what it says, that nobody was going to be censored; indeed, these committees are open. I mean members have rights, and their rights are to pose questions, written or unwritten, and that is the meaning I took out of "whenever possible." The member may be skeptical of the wording; I would think that is well covered with the present wording, but I have no difficulty with the amendment.

Mr. Chairperson: Any further discussion on this proposed amendment of Mr. Santos? I think copies are being passed around now in case any member—is there any other discussion of the amendment?

Mr. Manness: We are dealing now specifically with the amendment on Clause 4? I may want to bring other amendments.

Mr. Chairperson: It is just the amendment on Clause 4.

Mr. Manness: Okay.

Mr. Chairperson: Those in favour of the amendment of Mr. Santos, please indicate, or say aye perhaps.

Some Honourable Members: Aye.

Mr. Chairperson: Those opposed, please say nay. -(interjection)- Are you calling for Yeas and Nays? No.

The amendment as moved by Mr. Santos has passed, so we get back to the motion as amended. Is there any further discussion on that motion?

* (1025)

Mr. Manness: Mr. Chairperson, I then will formally move

THAT the motion delete Clause 2, and that Clause 3 become Clause 2, and Clause 4 become Clause 3.

Mr. Chairperson: We will have the Clerk write the amendment of Mr. Manness out, make copies quickly and pass it around. I think the intent is pretty clear, as I understand the minister, and that is simply to delete Clause 2 at this point. While we are waiting for this to be written up, perhaps we could go ahead and discuss it, regardless, to save time.

Mr. Maloway: For clarification, I would like to ask the minister whether this Clause 2 would be referred to the Rules Committee then. If that is the intention I think that would be acceptable.

Mr. Manness: Mr. Chairperson, yes. I would, of course, as the member also in his own caucus will be, I am sure, discussing rules. I would expect him also to address that within his own caucus too.

Mr. Chairperson: Any further discussion on this particular amendment? Copies are being made presently, but I do not know whether—I think everyone pretty well understands the amendment. We are simply deleting Clause 2.

Formally, then, the amendment is, as I understand it:

Moved by Mr. Manness:

That Section 2 be deleted and Section 3 become Section 2 and Section 4 become Section 3.

Is there any further discussion of this? Will you please indicate verbally or orally. Those in favour, say yea, please. Any opposed?

I declare the amendment carried.

Any further discussion on the motion as amended? No further discussion on the motion as amended—okay, so I will present the motion. I do not think I will reread it; I think everyone understands it. So shall the motion as amended be carried? Agreed? Any opposed? Carried unanimously. Thank you.

Mr. Maloway: I have a second motion to bring forward at this time.

I move, seconded by the member for Broadway (Mr. Santos):

THAT the Public Accounts Committee recommends to the Legislative Assembly that the Chairperson of the Public Accounts Committee be authorized to call committee meetings as deemed necessary.

Mr. Chairperson: Mr. Maloway has moved a motion. Have you got copies? Copies are being passed around but, nevertheless, I as Chair will for the record repeat the motion by Mr. Maloway:

THAT the Public Accounts Committee recommends to the Legislative Assembly that the Chairperson of the Public Accounts Committee be authorized to call committee meetings as deemed necessary.

We have a motion before us. Do you have any explanation or do you wish to debate the motion?

Mr. Maloway: It seems to me that this committee is supposed to be an independent public watchdog. I believe that this particular measure would strengthen the independence of the committee by having the Chairperson call the meetings.

I believe that this is the case in other provinces in this country, and I also believe that it would certainly lead to more timely meetings than we have had in the past couple of years.

* (1030)

Mr. Manness: Mr. Chairperson, under the present rules of our House, the member could not be more wrong. This is not, as he says, a committee to be an independent public watchdog; this is a committee to

consider reports referred to it by the House, indeed as all our standing committees are.

Our standing committees have no powers within themselves other than that which they have been asked to do by the House. So the member confuses our rules as to what may be in existence in other jurisdictions. Now, it may be the member's wish that in time we adopt the practice in the other provinces and, indeed, maybe even the federal government, but I would have to say that what I said with respect to Clause 2 in the former motion, the former Clause 2, that this should also be then an issue for broader discussion and how it is we want our Legislature to work and, secondly, how we want the standing committees to work.

I happen to agree with the member that Public Accounts Committee should be doing more in the future than it has done in the past, but to accede to this resolution, to me, without definition as to what the responsibilities of this Public Accounts Committee would be, is putting, in my view very definitely, the cart before the horse.

Mr. Chairperson, right now, under the present practice of this committee, you, in my view, would be put in an intolerable position. You would be pressured, I am sure, by certain people, maybe some close to you, to call this committee very frequently, but yet this committee would not have definition of its responsibilities other than to consider the annual accounts of the Province of Manitoba and/or the Provincial Auditor's Report. I would have to think that before you were put into that position the legislators of this province would want to much more formally structure what it is this committee is to do. In that sense, Mr. Chairperson, I cannot support the resolution.

Mr. Santos: Mr. Chairperson, of all the committees of the Legislature the Public Accounts Committee is the only committee that is chaired by a member of the opposition. Obviously, there has been some kind of institutional intention or arrangement on the part of the Legislative Assembly to make this committee unique.

It will be inconceivable to think of a chairman of a committee without the power to even call a meeting of some committee. How can such a committee be considered a committee with credibility if the chairman cannot even call a meeting of his own committee? Indeed, the committee should be authorized by the Legislature whenever a majority

of its members or its chairman deem it wise to carry on their responsibilities.

Mr. Chairperson: Is there any further discussion of this particular item?

Mr. Manness, did you wish to move an amendment to this, or how do you wish to proceed?

An Honourable Member: Question.

Mr. Chairperson: Any further discussion of this particular motion? Okay, we will call the question. The question before you is the motion of Mr. Maloway as we have recently read. Those in favour of the motion, please indicate by saying yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those opposed, please indicate by saying nay.

Some Honourable Members: Nay.

Mr. Maloway: May I have a recorded vote, Mr. Chairperson?

Mr. Chairperson: I declare that the motion was defeated on a voice vote. Did you wish to have a recorded vote, Mr. Maloway? Okay, so we will ask you to indicate by the show of hands whether you support the motion or not.

A COUNTED VOTE was taken, the result being as follows:

Yeas 3, Nays 6.

Mr. Chairperson: I declare the motion lost. Thank you.

I remind members that we do have before us the Public Accounts for the two years that we have mentioned, 1989-90 and 1988-89, and the Provincial Auditor's Report for those same periods plus Supplements. What is the wish of the committee? Are we prepared to pass these reports now? Yes? Agreed.

Mr. Maloway: Mr. Chairperson, I have several questions for the Provincial Auditor. I wonder when I might have an opportunity to ask those?

Mr. Chairperson: If we are agreed to do as we have done in the past, and that is just have general discussion, we can proceed that way unless we want to go volume by volume, year by year, but if it is agreed that we just have a general discussion and hopefully pass all the reports subsequently, I guess we can at this time entertain your questions. So, unless anyone objects, I recognize Mr. Maloway.

Pardon me, I have been reminded by the Clerk that we should, prior to the member asking

questions, introduce the Auditor and his staff. Would the minister like to do this?

Mr. Manness: Of course, everyone knows the Provincial Auditor, Mr. Fred Jackson, and with Fred today is Mr. Warren Johnson and Ms. Carol Bellringer. Anybody else, Fred, that you would like to introduce at this time, feel free to do so.

Mr. Fred Jackson (Provincial Auditor): Our audit manager for our Department of Finance, which is one of the jobs that we do an awful lot of work with over the year, is Mr. Al Martin, and one of our directors who is with us this morning is Mr. Tom Patterson. Thank you.

Point of Order

Mr. Edwards: Mr. Chairperson, it has just come to my attention, having reviewed the Public Accounts before us this morning in some detail, that I will have a conflict of interest with respect to the Public Accounts for the year ending March 31, 1990. None of the other documents or votes before us do I detect any such conflict, but on that one I will, and I want to put on the record at this point that during debate I will not be asking questions on that particular report, nor will I be voting, nor will I be in the room at the time that particular vote is taken.

Mr. Chairperson: Thank you, Mr. Edwards, for that statement.

* * *

Mr. Maloway: Mr. Chairperson, I would like to ask Mr. Jackson several questions. The first one has to do with the video lotteries question and his efforts to look into or do some sort of an audit in that area, and I am wondering if he could report back to us at this time and let us know how it has gone.

Point of Order

Mr. Manness: Mr. Chairperson, I am going to ask you to rule very quickly as to the acceptability of that question. I do so not because I should interfere necessarily with any questions put to Mr. Jackson, but I do know that Mr. Jackson will be no doubt in the next few days or weeks making yet another report to the Legislature at which that particular point may or may not be raised. I know that with respect to all of the reports before us that we have been asked to deal with today, to the best of my knowledge video lotteries terminal is not referenced in any of the '88-89 or '89-90 reports. Now subject

to correction, I question then whether or not the question is in order at this time.

Mr. Chairperson: My understanding is that questions should relate to the reports before us but, as the minister has indicated, there may be an opportunity soon because there may be reference in a future report which is to be tabled shortly in the Legislature, so I would rule that it is out of order if I heard the member correctly. I would rule it out of order; if the member does not agree, he can challenge my ruling.

Mr. Maloway: Mr. Chairperson, with respect, I do challenge that, because I thought we had agreed that we could ask a wide-ranging group of questions and at the end pass these reports. I thought that it was the intention and desire of the government members on the committee to get these reports passed, seeing as how they are two years overdue. To facilitate that, I thought that the minister was prepared to grant us as much leeway as possible in asking questions, current and past.

* (1040)

Mr. Manness: Mr. Chairperson, they are two years overdue because questions like this have been asked meeting after meeting after meeting. If I do not ask the Chair to at least deal with issues covered by the reports, which are volume in nature, then what is the use of referring these reports at all? What the member wants is for the Provincial Auditor to come here and have a free day of putting any question he wants to the Provincial Auditor. That may be fine after we restructure our rules, but we have to have—and we have been asked to come here by the Legislature to review the annual reports of certain years, and in a sense that those annual reports or, indeed, the Provincial Auditor's Report to the Legislature deals with the subject brought up in the question, I would have to think the question is out of order.

Mr. Edwards: Mr. Chairperson, am I to understand that I am now free to ask questions based on the Auditor's reports and that we are lumping them together for the purpose of questioning?

Mr. Chairperson: Yes.

Mr. Edwards: Thank you, Mr. Chairperson.

* * *

Mr. Edwards: Mr. Chairperson, I want to turn to the Auditor's report, the summary in particular, and it refers back to page 12, the Fiscal Stabilization Fund.

The Auditor repeatedly has made comments about the reporting of that. In particular, I draw the minister's attention to the statement: We recommend that further consideration be given to working towards greater clarification of the availability of funds in the Fiscal Stabilization Fund.

Of course, that all results from the insecure nature of those assets as had previously been reported. Can the minister explain—Mr. Chairperson, did you want to—

Mr. Chairperson: Yes. Just excuse me, Mr. Edwards. I was just asking, could you clarify which year?

Mr. Edwards: I am sorry. I am looking at the March 31, 1990, report, and can the minister give an update on what changes he has made and will continue to make in order to properly reflect that? He might at the same indicate, if he would, what the value of those shares is and what he is basing the present valuation on.

Mr. Manness: Mr. Chairperson, determining the present value of Repap shares was a difficult exercise. We did basically, as I recall, straight net present value of the shares, given that Repap engage in the development as they had contracted to do, and that the stream and the flow of dividends plus redemption of shares over the period of time and the schedules would provide ultimately to the government, in a net present value form, \$77.6 million.

We recognize that it would be highly improper to spend that money as if it were already received. That is why I have said on several occasions, taking into account not only the Provincial Auditor's comments on this but indeed realizing that this is not cash, that we will not in any way spend the \$77.6 million. Our problem was, and it will be a problem to any government, how do you deal with extraordinary income? I know traditionally it is dealt with in the year you receive it as an extraordinary income item.

Our government felt, though, that it would probably be better in not following what would be considered general accounting practices, but to commit it to savings and to flow the benefit of that, when realized, possibly over a longer period or more than just one year. That is the government's approach. Obviously, Mr. Jackson will speak for himself on it.

Mr. Jackson: Our perspective on it is that the notes to the financial statements tend to provide sufficient

clarification from a note perspective. We would think that it would be a preferred position if the allowance that is provided for the future collectability of the account be shown netted against the account so that there is as an asset the \$77 million and then, immediately following that, the valuation allowance is placed on it so that the net value that is available to the fund at this point of time is shown.

Mr. Edwards: I wonder if the minister could respond specifically to that, and maybe I phrased it improperly in my first question. What is the present net value of those shares, taking into account the valuation allowance that Mr. Jackson has indicated?

Mr. Manness: Mr. Chairperson, there are two different views on this. Mr. Jackson has expressed the view that we should provide an allowance, at this point an allowance I would have to think, and I will let Mr. Jackson speak for himself, that would be equivalent to the value that we show.

We have chosen to show it as an unrealized recovery from future redemption of preferred shares of Repap Enterprises, and we expect that in one fashion or another and today that the contract will be lived up to and, indeed, the redemption of those shares will provide that amount of money. It was where we lodged it, and so it becomes a debating point obviously, but I think that as long as we hold good to our promise not to spend the money that it is more of an academic point, although others obviously would disagree.

Mr. Edwards: Mr. Chairperson, finally then, if I might, and I am not familiar with the workings of this committee, put a question to Mr. Jackson, if I am entitled to. Has he been provided sufficient information to give us what his view of the present value is, the net value?

I gather from the minister's indication that it might, for the purposes of coming up with a net value, be reduced by 100 percent. Now, I do not know that that is what he said, but that is what I took him to say. Can the Auditor give any indication as to what the net value is, having taken account of the valuation allowance?

Mr. Jackson: Mr. Chairperson, this evaluation of the shares has been an extremely difficult area to come to a definitive answer on in that the shares are not publicly traded. There is no market value to them in that they are not publicly traded. The shares are such that they cannot be sold to any other party without further agreement by one of the parties. The

value that is being shown is the ultimate realizable value if everything goes well with the arrangements that have been made, but going well involves successful operations well into the future.

I would not be able to comment as to what the current market value is any more than I would be able to comment back in 1989 when this fund was established and the shares were transferred there. We were unsuccessful in being able to place a dollar value on them from a current position at that time.

Mr. Edwards: Finally, then, I understand that these are not traded publicly; however, for the purposes of the government, they clearly are purported to have or hopefully have some value. Do I take it that you are saying it is impossible at this time to assess what value to this government, not necessarily publicly in the marketplace, but to this government those shares have? Is it impossible to assess that? Or, with further information, might you be able to do that assessment?

Mr. Jackson: Mr. Chairperson, the information to establish a net realizable value either at 1989 or 1990 or even at this point in time was not available. At this point in time, it may be possible for somebody with expertise in the pulp and paper industry, in the marketability of shares in relation to other stocks, in relation to the current viability of the plant, and Repap generally might be able to establish a market value. We did not have access to that information and to my knowledge it is not available today.

* (1050)

Mr. Edwards: Do I take it from the minister's comments that that type of analysis—looking to experts in the field who might be able to give an estimate of the net realizable values as of today's date—has not been done so far and is not contemplated to be done?

Mr. Manness: Mr. Chairperson, I do not disagree at all with what Mr. Jackson has just said. I do not think, if we went to the market and tried to buy the expertise to evaluate, I imagine we would find evaluations that would cover a wide range, a wide spectrum, and it is on that basis that the government tried to put on, I thought, using our methodology at the time, a pretty honest estimate of the unrealized value at this point in time.

Mr. Edwards: I am just confused, because I thought I heard the Auditor say that it would be preferable to report it in a different way. It would be preferable to report it showing the net value after deducting

contingencies, and whether or not these assets would ever be realized. Now I seem to be hearing, and maybe I am wrong, that it is impossible to do that assessment. If it is impossible to do that assessment, then are we being asked to spend that kind of money and come up with perhaps a number of different assessments? How are we supposed to come up with the evaluation deduction off the \$77.6 million to report it correctly, at least as recommended by the Auditor?

Mr. Jackson: Mr. Chairperson, we think that the Department of Finance has done a reasonable job with the inclusion of both figures in that they have an asset shown there that is at recorded amount and the notes reasonably explain what the recorded amount is, but they end up with a total of \$302 million worth of assets. My understanding of this fund is that it is purported to show the assets that are available to help the government carry out its programs when it decides to use these funds.

There is an item shown as "Fund Balanced and Unrealized Recovery," which clearly indicates that this recovery is unrealized at this point in time. From an auditor's perspective, what we seem to feel is that there is an overstatement of assets and an overstatement of liabilities. Our preference would be that there would be this netting so that it would be more readily apparent exactly how much money was available today to help the government with its programs.

Mr. Edwards: Do you suggest then, Mr. Jackson, that we embark upon that effort to assess whether it be going to the experts to try and determine, albeit perhaps with some wide-ranging opinions, but is that your recommendation, that we make that effort to try and get a net value?

Mr. Jackson: Mr. Chairperson, no. At this point in time, I think it would be money ill spent to attempt to get an appraisal value of what these shares are worth. My preference would be just the full netting so that the unrealized recovery is shown as a reduction to the asset value.

Mr. Edwards: I also wanted to ask on the same report: What efforts have been made to correct the indication that we were not sufficiently keeping track of overtime, in that most departments were not preparing departmental reports on overtime to enable the senior management to monitor and evaluate the total overtime worked? As I think anyone who—and I see many members here who

have been involved in businesses themselves, if you are unsure of the overtime you are paying, you are going probably to be out of business fairly quickly. It is a very quick way to throw out your cost projections. Have those recommendations been followed and things put in place?

Mr. Manness: In response to the Provincial Auditor's reference, pages 17 to 20, dealing with overtime, Mr. Chairperson, a five-year enhancement project of the current personnel system has been initiated. The feasibility of adding overtime to the scope of the project has been reviewed. A steering committee is now overseeing development of a microcomputer system based on an application being developed by the Department of Natural Resources. Of course, this system is intended to interface with the current system and the central payroll system and, once operational, overtime information will be available within each department.

I should point out, Mr. Chairperson, the Treasury Board exerts control over the acquisition of computer systems by means of annual systems plans. I mean, we do have an annual systems plan review. So we are trying to monitor and record at this time the scope of our overtime costs.

Mr. Edwards: Are those efforts the committee that the minister has mentioned? Are they expected to come to fruition with a final plan in the near future? What is the time frame in which the government is working?

Mr. Manness: Mr. Chairperson, I am reminded that this is a five-year development plan, and we are hoping to have some information in the next year or two.

Mr. Edwards: I certainly look forward to that information at future meetings.

One of the other very important indications in the Auditor's report, the same one, is that the Public Trustee's office needed to strengthen its comptrollership function, and there was a recommendation that urgent attention—now, having read this report, the word "urgent" was not used very often. It was used here. I take that to mean that there was a crisis of sorts that needed rectifying, and the recommendation was that the Public Trustee, in conjunction with the Department of Justice, undertake a thorough review of these operations and develop an action plan to strengthen its practices and controls.

We now have a new Public Trustee, very recently appointed. I do not know if the minister can indicate whether or not those controls have been put in place in the Public Trustee's office, which, of course, is a revenue earner for this government as an office and, as well, handles very large sums of money for private citizens involved in estate matters and otherwise, which come under the control of the Public Trustee's office. It is very, very important, I would suggest, to maintain very strict controls. Have those measures been taken?

Mr. Manness: Mr. Chairperson, I will make a small comment, and then the member may wish to put the same question to Mr. Jackson, but I am led to believe that the Provincial Trustee's office and officials therein have indicated that several of the required control improvements are being implemented and that the remaining issues up till—and I do not know what point in time I am talking about now specifically, that maybe had not been dealt with are receiving very high priority from the present and the current new Public Trustee. Maybe it is a fair question to put to the Provincial Auditor.

Mr. Jackson: Mr. Chairperson, I will ask the Assistant Provincial Auditor to respond to that, please.

Ms. Carol Bellringer (Assistant Provincial Auditor): We have outlined the current status in our upcoming report to the Legislative Assembly. We have certainly noticed a number of improvements over the last year. The planning process has certainly taken a—it is being developed. I would not say that all of the recommendations that we made or the issues that we raised have all been resolved, but there certainly has been significant improvement.

Mr. Edwards: I wonder if the Auditor can indicate whether or not he is satisfied with the changes to Crown agency accountability in the Legislature which were highlighted in the 1990 report.

Mr. Jackson: Mr. Chairperson, the subject that you have just related to is also a subject that the conference of Public Accounts chairmen dealt with in their last meeting in Winnipeg in August of this year. They felt that it would be appropriate to establish a task force of the chairmen of Public Accounts Committee of Canada to review this, as to the practices that exist across the country, all with the view to strengthen accountability for Crown agencies within their own jurisdictions.

As far as Manitoba is concerned, we would acknowledge that significant progress has been made by the Crown Corporations Council in the monitoring and review of direction and strategic plans, et cetera, taken by the Crowns that they monitor. However, they do not monitor all the Crown agencies in the Province of Manitoba, and we still feel that either that agency's mandate should be expanded or some other vehicle should be put in place so that there is a better overall accountability for Crown agency operations to the Legislative Assembly of Manitoba.

* (1100)

Mr. Manness: Mr. Chairperson, we acknowledge the recommendations of the Provincial Auditor. We are actually very proud of the model that exists now in Manitoba; indeed, there are other jurisdictions outside of Manitoba who are wanting to know more about it as to how we have set up the Crown Corporations Council.

Over the past year, we have added to the list of the Crowns that are monitored by it. We have added the Manitoba Lotteries Foundation, and we will continue to examine other Crowns to determine whether or not they should be included under the mandate of that act.

We have some difficulty, and maybe I should engage in discussion with the Provincial Auditor at another time, with respect to Crowns or agencies such as, I use for an example the Manitoba Crop Insurance Corporation. It does receive a fair amount of attention during the Estimates review as far as the legislative side, but as far as its day-to-day operations, I guess I do not know whether in the mind of the Provincial Auditor it, for example, may be a candidate to be considered for closer monitoring by the Crown Corporations Council or not. No doubt, Mr. Jackson and I should have that discussion.

Mr. Chairperson: Are there any further questions of the minister or of the Provincial Auditor? If there are no further questions, can we proceed now to pass the various reports? I do not want to cut off any discussion or any questions. Mr. Maloway, Mr. Santos, anyone? Okay.

Volume 1 of the 1989 Public Accounts—pass;
Volume 2 of the 1989 Public Accounts—pass;
Volume 3 of the 1989 Public Accounts—pass;
Provincial Auditor's 1989 report—pass;
Supplement to the Provincial Auditor's 1989 report—pass.

I note that Mr. Edwards has left because of his earlier statement that he had a conflict of interest, so Mr. Edwards has left the room.

We are dealing now with 1990 reports.

Volume 1 of the 1990 Public Accounts—pass;
Volume 2 of the 1990 Public Accounts—pass;
Volume 3 of the 1990 Public Accounts—pass;
Provincial Auditor's 1990 report—pass;
Supplement to the Provincial Auditor's 1990 report—pass.

That concludes the business before the committee today, but as the Minister of Finance (Mr. Manness) indicated earlier, my understanding is that he would be tabling before the House the special audit of the Taxation Division of the Department of Finance prepared by the Office of the Provincial Auditor.

I understand that the Minister of Finance intends to table the Public Accounts for the years 1990-91, March 31, 1991. Therefore, I would assume, since the committee has been given notice of a meeting for next Tuesday, that these items would be before the committee for discussion, but this will, of course, be formalized in the House.

Also, in keeping with our previously passed motion, I will be sending a memo shortly to members of the committee asking if they had any specific agenda items and also to prepare any questions for detail that may require detailed answers, to submit them if possible in advance.

Unless there is any further discussion, I suggest that the committee rise and that we meet again Tuesday, December 17, at 10 a.m. in this room.

Shall the committee rise?

COMMITTEE ROSE AT: 11:06 p.m.