



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

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

41 Elizabeth II

Chairman
Mr. Leonard Evans
Constituency of Brandon East



VOL. XLII No. 2 - 10 a.m., THURSDAY, MARCH 18, 1993

**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature**

Members, Constituencies and Political Affiliation

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

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

Thursday, March 18, 1993

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Leonard Evans (Brandon East)

ATTENDANCE - 9 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Manness

Messrs. Alcock, Evans (Brandon East),
Helwer, Laurendeau, Pallister, Penner, Santos

APPEARING:

Jim Maloway, MLA for Elmwood

Carol Bellringer, Provincial Auditor

Mr. Eric Rosenhek, Provincial Comptroller

MATTERS UNDER DISCUSSION:

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

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

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

* * *

Mr. Chairperson: The committee will now come to order.

When we last met on March 4, we began consideration of but did not pass the following reports: Public Accounts, Volume 3, for the year ended March 31, 1991; Public Accounts, Volumes 1, 2 and 3 for the year ended March 31, 1992; and the Annual Report of the Provincial Auditor for the year ended March 31, 1992.

As I indicated, we do have some spare copies of these reports. If any committee members wish to have a copy there are some available behind me on the table.

We had the last time a general discussion on the Public Accounts reports and the Provincial Auditor's Report. I presume we would like to proceed on the same basis. If that is the case, then I would invite

members of the committee at this time to proceed with asking any questions that they may have of the minister and his staff or the Provincial Auditor.

Mr. Reg Alcock (Osborne): I would like just to start by asking the minister a few process questions. We had some discussion of this the last time I was on this committee just about the apparent length of time it takes to produce the Public Accounts.

Can the minister just clarify for me why they are continuing to come out so far into the next fiscal year?

Hon. Clayton Manness (Minister of Finance): Particularly Volume 3, the reason it takes us so long to do Volume 3 is because of all the outside entities and commissions that have to report for their year-ends. By the time we bring, the total number is 70, once they report, that is the reason it takes us so long to produce Volume 3. As far as Volumes 1 and 2, if the question is more directed to those, we are more or less in keeping with a process that has been in place for a long period of time, certainly since I have been in the Legislature.

I do not know whether that is in keeping with decades before or not as far as calling this Public Accounts committee to try and deal expeditiously with the report. Once the Provincial Auditor reports or at least makes it public, her report and Public Accounts are ready. I tried in January to arrange a meeting of this committee and was unsuccessful.

Mr. Alcock: I am not certain whether I should direct this next question to the minister or to the Provincial Auditor. In discussions with the previous Provincial Auditor I had understood that there was an initiative underway to try to produce the Public Accounts and the Auditor's Report in a more timely fashion. I am wondering whether we have given up on that attempt or whether we are going to continue to try to bring this information out a little earlier.

Mr. Manness: Well, certainly, computerization would help an awful lot to have these reports out more quickly. I can tell you the government is now beginning to and will in this coming budget direct some funds to what we call the IFIS system,

Integrated Financial Information System. It will be the beginning of building, hopefully, a system that will allow us to report much more quickly.

Mr. Alcock: Let us start with Volume 1 just for a second here. What information are you lacking? I mean, what information are you waiting for that takes you six months to produce this thing?

Mr. Manness: Mr. Rosenhek, the Comptroller of the province, tells me the main area that we are waiting for is public debt information.

Mr. Alcock: That information as to the previous fiscal year is not available six months after the end of the fiscal year?

Mr. Manness: Well, what we find is that when we go through our heavy borrowing schedules within the Treasury Division, usually right up into summer this reporting is sort of pushed back. It is of lower priority, so then the Treasury Division allocates more summer time and early fall time to the preparation for the information necessary to complete this report.

Mr. Alcock: So it is not an availability-of-information issue then? It is really the priority that is being placed on the production of the Public Accounts.

Mr. Manness: Yes, Mr. Chairperson, that is a fair statement, within one division, the Treasury Division.

Mr. Alcock: I am not asking this question with any attempt to criticize. I mean, it may be well that that is a legitimate decision given the various pressures that are on and the restraints that we are under right now, but I would just be interested in the mechanics of this. If it was a priority, how quickly after the end of the fiscal year could these accounts be produced?

Mr. Manness: Mr. Chairperson, we could probably bring forward the accounts by as much as a month and a half, two months from December. So that is late October, early November.

Mr. Alcock: That would be the earliest?

Mr. Manness: Well, I would not want to say September because maybe there is some other area, but I guess under the best of circumstances, yes, we could probably bring it by the end of September.

Mr. Alcock: Perhaps I can then direct a question to the new Provincial Auditor. In speaking with the previous Provincial Auditor he had expressed some

concern about the timeliness of these reports, feeling that the more distant they were from the end of the fiscal year the more difficult it was to use the information relative to the next year's budget and planning.

At that time he was of the opinion that it would improve the accountability process if the Public Accounts were produced in a more timely fashion. Is this a position that you share?

* (1010)

Ms. Carol Bellringer (Provincial Auditor): Yes, it is a position I share. It is a position that is on record in our report and continues to be on record in our report. On the specific mechanics, particularly with the Summary Financial Statements, we have to date already sat down with the Department of Finance staff members and we have a schedule now that identifies the exact dates of each of the various entities where information is required in order to accumulate that and consolidate it into the Summary Financial Statements. We are looking at it as using a very detailed plan to try to use that as one of the mechanisms, at least something we can quickly do to expedite the process and see where the snags are and where the timing differences are causing delays at the end of the year. We are looking at that in fact tomorrow.

Mr. Alcock: Is there some problem in the way in which information moves between you and the department that slows the process down?

Ms. Bellringer: No, there has never been any problem in that respect. We generally require two to three weeks following receipt of the final information, and we are working with the information over several months prior to that.

Mr. Alcock: Whatever time it is produced is another two to three weeks post that for you to produce your report?

Ms. Bellringer: Traditionally, that has been about the time frame required for the finalization of just auditing the last pieces of information that we receive, and that is a generalization, but that is the time frame we have in the past agreed on with the Department of Finance.

Mr. Alcock: What do you think would be an acceptable time frame for the production of these reports.

Ms. Bellringer: We would like to see the end of September. This year, we would even like to see

the end of October. It would be an improvement over last year, and I think after, if we were to be able to meet an October deadline this year, then next year we could try to bring it forward even more. Realistically, I do not think it is practical to look for the ideal all in one year. Phasing it in over a few years would be acceptable and a good compromise.

Mr. Alcock: Does the moving of some of the audits from your office facilitate the process? Will it make things move more quickly?

Ms. Bellringer: That really should not change that aspect of the process at all.

Mr. Alcock: Mr. Chairperson, to the minister then, do you think the department can meet an October deadline this year?

Mr. Manness: Again, we will attempt to bring it forward. I can make no commitment towards that. We are in a situation, certainly where we are not adding staff. I have to say in all honesty, the borrowing needs of the province, upwards of \$2 billion dollars, that will have to take top priority.

Mr. Alcock: The minister mentions borrowing, and we will leave the timeliness of the production of these reports for the moment.

There have been some improvements actually, if I am reading the accounts right, in the amount of money we are spending to service our debt, and I suspect the minister is to be congratulated, as is the department, on the way in which they have managed some of that.

Can the minister account for what has caused that improvement?

Mr. Manness: A combination of several factors. Firstly, refinancings at a lower level; that is obvious, and, of course, at this time you wish all your debt was coming due, so you could refinance.

I can tell members of this committee that for the first time in, I suppose, 15 years, the government has been able to borrow in Canada under 8 percent for 10-year money. We did that about three weeks ago, the first time. I think we did an issue at 8 and 7/8 percent. So if we could come out of more of our 9.5 percent, 10 percent—we even have a loan on the book of 12 percent—if we could come out of all those loans and come to an 8 percent rate in Canadian dollars, obviously there would be a good saving.

A second factor—through the period which is reported here, we had a Canadian dollar which was remaining relatively strong, in the 85-cent range

area. Our estimates at times were that this was unrealistic, and the Canadian dollar would fall. It did not happen in the time period being reported. It has happened since.

Thirdly, we have done a lot of swapping. When we first came in, we moved almost everything that was off-continent into either U.S. and ultimately, in some cases, into Canadian dollars. A lot of financial institutions representing their own clientele wanted our liability in either Japanese yen or deutschmarks.

So a combination of all those factors, plus the fact that our level of deficit structure, although large, was not as large because of what we took out against the savings account. We still though did have a debt.

Mr. Alcock: I am sorry, I misunderstood that last, just that final—

Mr. Manness: We are acknowledging, though, that we still had a deficit which was adding to the debt.

Mr. Alcock: I do not know if the minister is prepared to entertain a related question to this fiscal year, but is there more to be swapped? Are there more opportunities in this year? Is there more coming free?

Mr. Manness: We have done some private placements in Japanese yen. They are private placements with insurance companies. We have done four of them, smaller loans all in the area of around \$80 million, \$90 million, \$100 million. We would not do them unless we could swap them into U.S. dollars.

We have not been successful in the last six months in swapping those U.S. floating dollars into Canadian. We just cannot find the market. That is unfortunate because from what I know today, I would like to get into Canadian dollars as quickly as possible.

That is why the focus for the remainder of the borrowing program of this year and certainly all of 1993 and '94 will be directed towards Canadian, certainly if we can attain loans for anything under 8 percent.

Mr. Alcock: The minister has often suggested in the House that our credit rating is under some pressure, and there were some stories about that just recently. Is that having an impact on the ability to place debt in Canada?

Mr. Manness: No. Our own rating is not under pressure right now, as a matter of fact, just the reverse. A year ago, had we been able to bring in the deficit somewhere around \$300 million net and had the forecast for income or revenue generation going into this next fiscal year, the one I am going to bring a budget down for in a couple of weeks, it looked like there would be regular growth in income, and I am almost sure we would have had a credit upgrade.

But there is now such a focus, particularly in New York, with respect to all provinces. The last issue we did in New York, I question whether it would have been done unless we had been prepared to, first of all, indicate what our third quarter was going to say. For the first time ever, we were asked when it was coming down by our lead underwriter and also asked what it contained.

I guess there is such a focus right now on Canadian provinces that if this next budget does not address the deficit in a significant way, then I believe that we and any other province will very quickly find itself in a credit-watch position.

Mr. Chairperson: Are there any further questions?
* (1020)

Mr. Conrad Santos (Broadway): I am referring to the report of the Auditor General ending fiscal year, March 31, 1992, on the pensions.

If this is the 14th year that the Provincial Auditor's Office reported concerns with the government's increasing unrecorded pension liabilities and unrecorded costs of annual increases in pension, when will this government start doing something about this unfunded pension liability?

Mr. Chairperson: Are you directing the question to the minister or to the Auditor?

Mr. Santos: The government.

Mr. Manness: Mr. Chairperson, let us not use the word "unreported." That is not a right word. It is reported. It is reported as notes.

An Honourable Member: Unrecorded.

Mr. Manness: "Unrecorded" is a fair word. Our response for the past few years, of course, has been that we continue to struggle with the recommendations for recording pension costs. But I say again, our desire to record, of course, is constrained by the limits imposed by the province's current fiscal situation. I guess there is a reluctance on my part and the government's part to have a

deficit number, which a lot of people focus on, jump I think upwards of \$142 million.

Now it is well known by our rating agencies, and indeed by everybody else who is familiar with these accounts, that we have a liability. It is unrecorded, unfunded. I am led to believe that only the Government of Canada, both territories and Newfoundland have recorded their pension liabilities. Most provinces have made changes in the way they fund employer contributions to their pension plans. Four other provinces have also received qualified audit opinions on their financial statements, including British Columbia, Saskatchewan, Quebec and New Brunswick.

I hope to be in office long enough, or see our government in office long enough, that we can address this. I do not know whether some of the other provinces are going to begin to record or not. I do know that this is an albatross around the necks of all of us.

We are matching as required. As a matter of fact, if one wants to look at the Estimates that will come out in due course, there are two areas of government where there are explosions. Of course, those areas are in the Department of Finance, the public debt number. It will be increasing significantly. Secondly, the line where the pensions, the matching portion, are included.

Mr. Santos: According to the report, as of March 31, 1991, these unfunded pension liabilities were estimated to be \$1.4 billion. What is the amount now?

Mr. Manness: I cannot say with any certainty at all, but I am sure the number has increased now by, let us say, \$100 million, to round the number off.

Mr. Santos: The Public Sector Accounting and Auditing Committee has been recommending that this be recorded, and they are clearly distinguishing between the mere recording of this liability, separating such issues from the issue of the substantive financial obligation of when or how such liabilities shall be paid.

Why can the government not just comply with the recommendations so that there will be no understatement of the financial statements?

Mr. Manness: Again, the government's public policy issue has chosen not to do it, like many other provinces. I take full responsibility for that.

Mr. Santos: This understates the government's expenditure and accumulated liabilities. Any understatement of government expenditure and accumulated liability, of course, is a key indicator of the government's financial position and the result, by not recording such pension liabilities means that the government is not presenting a full and complete financial position. Is that the way the government should look at its own accountability and responsibility?

Mr. Manness: Well, I guess the member is right on both counts. I notice he says, 14 years. I brought down five budgets, but we will not dwell on the first seven or eight before that.

This is a sensitive issue. When I was sitting in opposition, I called for the same thing. I cannot expunge that from the record. That is part of the record of the province. We are choosing to, at this point, not record the deficit liability.

Mr. Santos: We do not want to recall the sins of the past, we want to face the present and the future.

I want to go under the valuation of preferred shares of Repap Enterprises. What is the government's justification for the inclusion of the preferred shares of Repap Enterprises as assets transferred to the Fiscal Stabilization Fund when the value of such preferred shares of Repap Enterprises is simply a future value, no better than mere hope or expectation in the form of, let us say, a contingent asset for the future?

Mr. Manness: Mr. Chairperson, I will answer this question for at least the 50th time. I guess the member for Broadway is the new Finance or de facto Finance critic of the NDP party, sir, with respect to you in the Chair. I will say again why it is we lodged these shares in the Fiscal Stabilization Fund.

Firstly, I did not know where else to lodge them. Secondly, in my mind, I will not—and I do not expect Repap to go broke and therefore the value of these shares will be meaningless. [interjection]

Mr. Chairperson: Order, please. We cannot hear the minister's statement.

Mr. Manness: Thirdly, I promise that we will not spend a dollar of whatever number we have here until a dollar comes in in their redemption.

For those reasons, we have lodged shares within the account. The main reason at this point I am not willing to write them down is that you can imagine

how we would weaken our hands if indeed something was to go awry with Repap.

There is a member that chuckles. The share value is \$1.85 here four months ago, and now they—at least they were three weeks ago I understand, three dollars and something. So who knows? We are into a period of time where there is tremendous fluctuation, certainly no certainty at all as to what is going to happen to the forest product industry.

We have a document that says that we have preferred shares. We have gone through a very complex method of trying to evaluate the shares. At a point in time, they were \$77 million, by our best estimate. Are they worth that today? No, they are not. [interjection] A member asks, what are they worth? Well, I guess you would never really know until Repap Enterprises wound up and ultimately we saw what was left.

The Provincial Auditor probably has called for an allowance against the value of these shares. That is fair. We will have to seriously consider that.

* (1030)

Mr. Santos: If this is a future contingent asset, and we can define a future contingent asset as one that has a reason as a result of a transaction that has already been negotiated for the sale of Manfor, but it is contingent upon one or more future events or transactions, and right now it seems to be adverse to the evaluation going up.

Mr. Manness: I am sorry, the member has it wrong. The value of these shares were payable if the project did not go forward. If the jobs were not created, that is when the value of these shares were realizable, at least the process of trying to realize them, where our power was under the contract if we wanted to go to court.

The value of these shares would have been forgiven had the billion dollar project come into being. So the member has it kind of reversed.

Mr. Santos: Thank you, Mr. Minister. It says at the bottom of page 8 that these pension liabilities, other employee benefits and associated costs cannot be dealt with by the government because of some limits imposed by the province's current fiscal situation.

What does that phrase mean: limits imposed by the province's current fiscal situation?

Mr. Manness: Mr. Chairperson, I am led to believe that it is the same issue we just discussed previously

with respect to the unrecording of the pension liabilities.

Mr. Santos: On page 9—has the Department of Finance started the determination of the estimated cost of the government's liabilities under the agreement with Hudson Bay Mining and Smelting Company, and has the government made a record providing for this liability in the Consolidated Fund financial statements?

Mr. Manness: Mr. Chairperson and members of the committee, as a matter of fact, the Minister of Energy and Mines (Mr. Downey) is here, and certainly the government is studying alternatives with respect to the contingent liability dealing with the Ruttan Mine.

This is a big dollar bill, so we are looking at options, and there is an option that would call upon the taxpayers of the province probably over the course of the next—is it 30, 40 or 50—50 years to begin to prepare for cleaning up this environmental problem. We are close to selecting an option which we think the province will be able to afford over that period of time.

Mr. Santos: Now I want to jump and go to page 31. How would the Regional Strategic Plan be co-ordinated? This is under the working arrangement with the Department of Environment Management Information System.

How would the development of the Regional Strategic Plan mentioned at the bottom of No. 4 there be co-ordinated in order to avoid inconsistencies in standards and approaches of the various Regional Strategic Plans?

Mr. Manness: If the member wants a full, comprehensive answer I cannot give it to him. I do know that part of this will be dealt with in legislation that I think has already received second reading. It has been brought into the House by the Minister of Rural Development (Mr. Derkach), and it deals with enabling legislation that allows for the setting up of regional, I do not want to call them municipal dumps, I want to call them regional landfills. That is certainly a component of this, and the member will have an opportunity to debate that legislation in the House.

Mr. Santos: The bottom of No. 1, it says that the SAFER program as it is currently delivered is not in compliance with certain requirements of the regulation, and that has been explained because the department has implemented a change to the SAFER's eligibility requirements but did not amend

the SAFER regulation accordingly. What was this change?

Mr. Manness: Mr. Chairperson, from memory I cannot recall, and we will strive to give that information. We will attempt to do that.

Mr. Santos: On page 34, in the second paragraph under No. 2 on monthly reconciliation of the cheque files, does this practice in which the Provincial Auditor had observed that SAFER's cheque run request form is authorized and submitted for processing by the clerk who prepares the monthly reconciliation of the cheque file satisfy the internal control principle that the responsibility should be clearly established and that one person should be made responsible for his task and that separation of function should as far as possible be considered in order to assure security?

Mr. Manness: Mr. Chairperson, the department agrees that there is merit in having the co-ordinator review and sign off on the monthly reconciliation report and the cheque run. I am reading on page 34. That is the department's response.

Mr. Santos: What is meant by authorize the cheque run request? What does that mean?

Mr. Manness: Well, I will ask the Comptroller of the province to answer your question.

Mr. Eric Rosenhek (Provincial Comptroller): I would think that means that when the organization is in a position to run their cheques, which would happen frequently during the course of a month, that they would look for the right authorization to have that cheque run proceed, you know, that everything is in order and the cheques can be run. So that is what I would take as the meaning of this.

Mr. Santos: Does this dual function of the clerk who himself has physical custody of the cheques that need the monthly reconciliation and who is also the same person who authorized the SAFER cheque run request, does this violate the normal internal control principle, that the person who has physical access to and has to be custodian of the assets be different from the person who keeps records of such physical assets in order to preclude fraud or misappropriation or error. The cost of the function in other words should be separated from the asset recording and keeping function.

Mr. Rosenhek: Well, having that kind of duty separated is a basic type of internal control. The Auditors are basically commenting that that should

be in place and essentially the department has agreed to do that.

Mr. Santos: Have they done it? I mean, they can agree and then not implement what they agreed to.

Mr. Rosenhek: I think the answer to that is on the top of page 35, where it indicates that the co-ordinator's signature is required before the cheque run can be initiated?

Mr. Santos: I want to go to page 39, under Conclusions. The Auditor had observed on the first two lines there that the government has not documented the objective for the participation in the Vision Capital Fund. What does that mean exactly, has not documented objectives?

Mr. Chairperson: Is this addressed to the Auditor?

* (1040)

Ms. Bellringer: What we found when we did this audit was that there were a number of participants within the government at the department level through MDC and that there was difficulty distinguishing between what each of the specific individuals was to do and what objectives the individuals sitting on the board should be looking for specifically when they were reviewing the activities that were taking place at the board of advisory level. It was that level of detail that we were looking for for documentation.

Mr. Santos: The report also stated that the board followed appropriate process to ensure the reasonableness of the manager's remuneration. Could the Auditor please enlighten us as to what this phrase means, to ensure the reasonableness of the manager's remuneration? What is that appropriate process?

Ms. Bellringer: The process that we observed the documentation of was a survey of similar funds in Canada. I believe it extended outside of Canada and it looked at the rates that were being used, the basis of applying the rates. We looked at the manager's remuneration and ascertained that it was in line with the other information that was provided in the survey. We verified certain aspects of the information in the survey.

Mr. Santos: At the bottom of page 39—if the policies and procedures on conflict of interest have not yet been developed to guide the board of advisors, was there enough to affect any conflict-of-interest situation there or not that you have discovered?

Ms. Bellringer: The conflict-of-interest policy is expanded on page 41, and we did not note any specific conflict-of-interest situations. We noted some circumstances that illustrated the need for policies, and those are specifically identified in the report.

Mr. Santos: On page 40, Comments of the Acting Deputy Minister. If there are no documented specific objectives for government participation in the Vision Capital Fund Limited Partnership, how could any so-called independent evaluation be able to measure the performance of Vision Capital Fund against its undocumented, undefined, nonspecified objectives?

Mr. Chairperson: Is that addressed to the minister or the Auditor?

Mr. Santos: Maybe the government should answer that.

Mr. Manness: Would the member repeat the question, please?

Mr. Santos: If there is no documented objectives for the government's participation in the Vision Capital Fund Limited Partnership, how could then any so-called independent evaluation be able to measure the performance of the Vision Capital Fund when such objectives are undocumented, undefined, not even specified?

Mr. Manness: Mr. Chairperson, the accountability relationship between the fund and the government has been reviewed, and there are documented objectives in place for the province's participation in the fund. Furthermore, I say to the member, specific monitoring and reporting responsibilities have been set out for the provincial representative on the board incorporating the Auditor's suggestions. So we have made the changes necessary in that area.

Mr. Santos: If there can be no meaningful evaluation of the performance against nonspecified, nondocumented objectives, how could any monitoring responsibility be effectively discharged?

Mr. Manness: Mr. Chairperson, we have got a member on the board. That member attends all board meetings. So, knowing the objectives in place, the government's representative is put on that board to watch carefully what is happening to protect the public interest.

Mr. Santos: On page 41, would the Auditor please explain and describe what she calls appropriate management practices that had been followed by

the fund? I am referring to the third paragraph from the top.

Ms. Bellringer: The reference to management practices, is this within the context of the comments of the Acting Deputy Minister? Okay. What we consider appropriate management practices would be using the guidelines of the province's Management Practices Guide which parallel standard, theoretical management practices in terms of planning and organizing and reporting and evaluating and monitoring of any activity.

Mr. Santos: On page 41, No. 3, to the honourable minister, the first sentence states: "Policies and procedures on conflict of interest have not been developed to guard the Board of Advisors." Could the honourable minister in charge of the Vision Capital Fund Limited explain to this committee and the Assembly and the people of Manitoba why this has not been done?

Mr. Manness: Mr. Chairperson, it has been done. It was done in November. A disclosure of interests director's contract was adopted by the fund in November of '92. Hopefully this will alleviate the Provincial Auditor's concern.

Mr. Santos: In the bottom paragraph there, it was noted in the minutes of the Board of Advisors, one board member with a conflict participated in the discussion portion of the meeting, and although he refrained from voting, why did the Board of Advisors not appropriately remedy this disregard of propriety under the conflict-of-interest convention?

Mr. Manness: Sorry, I did not catch the question.

Mr. Chairperson: Mr. Santos, will you repeat the question?

Mr. Santos: It has been stated in the report that one board member participated in the discussion. He refrained from voting, but his participation in the meeting itself may have influenced the decision that was made. Why did they not do something about it, stop him from participating in the discussion, knowing that he has a conflict of interest?

Mr. Manness: Well, Mr. Chairperson, the error has been found, it has been reported, and a new methodology is in place. I do not know what the member wants to do now. Does he want to conduct a public quartering and drawing? I mean, where do you want to take this? An error was made, the process has been corrected. Does the member want to overturn the decision, want to see the board overturn the decision that was made? I do not know

where he wants to take the discussion. An error was made, and hopefully it will never be made again.

Mr. Santos: We cannot do anything about what has already happened now.

On page 43, at the top, Partnership Agreement, it says there that there were 12 limited partners in the Vision Capital Fund Limited Partnership. Could we hear some of the names of these 12 limited partners and their respective partnership units, and the dollar value of their interests?

* (1050)

Mr. Manness: I cannot answer that question, Mr. Chairperson. I certainly do not have that with me, and if I did, I would have to check as to the propriety of releasing that information, but I do not have that detail. I think I know several, but I will not speculate on any—

Mr. Santos: I am confused by the figures presented here on page 43 under Partnership Agreement. It says there are 271 partnership units, each unit is worth \$10,000, so I made a computation. It amounted to \$2,710,000. Then it says the Manitoba Development Corporation holds 125 units. This equates to 48 percent of the owners of the fund. I did some computation. I computed 10,000 and 1,250,000, and then I only came up with—I divided 1,250,000 by 2,710,000 and I came up only with 46 percent. Where did they get the 48 percent?

Mr. Manness: It is not my number.

Mr. Chairperson: Ms. Bellringer, did you wish to comment?

Ms. Bellringer: That is our number. It is an internally generated number that we put into the report, and we can recalculate it to see if we have made an error or not.

Mr. Manness: I think you got us all, Conrad. Do you want us to resign?

Mr. Chairperson: Get a new calculator.

Mr. Santos: Mr. Chairperson, I have a question on page 45. If you look at the other limited partners there: "Other Limited Partners include the Civil Service Superannuation Fund and the Teachers Retirement Allowances Fund." I computed this. There were at least 100 partners of units there. How are the 100 partners of units allocated among the 11 other limited partners, excluding the Civil Service

Superannuation Fund and the Teachers Retirement Allowances Fund?

Mr. Manness: As many shares as they want to buy. If you wanted to buy units and become an investor in the Vision Capital Fund, Mr. Santos, you could put your millions to work right within the province of Manitoba. There is no limit.

Mr. Santos: I bought some shares in the Crocus Fund. I want to invest in the province.

Why is the board composed only of one representative from the province when the province has 46 to 48 percent interest?

Mr. Manness: Let us look at the system we used to have. The government used to have a situation where they would set up a program in the Department of Industry, Trade and Tourism, or whatever it was called in the past, and they would take ownership positions of a lot of companies and, ultimately, the money would be lost—and I only have to refer to \$100 million loss in Flyer, \$250 million lost in Repap.

So what we said was, no, let us look at a different way. Let us take our best business minds and heads within our community, and rather than entrust somebody within the Civil Service, and rather than entrust the political interference that sometimes can swirl around decisions made, let us have some trust in our community leaders, business leaders, to make the right decisions. They are people who are skilled, and from a day-to-day way should be able to try to, at least, read cash-flow statements and financial statements and inventory controls, people who I sense would do a lot better job in monitoring. I mean, they must, because they have been successful; they have a track record—in the sense that they are going to invest some of their money. No businessman that I know of likes to lose a dollar. Maybe government funding and support of promoting economic activity probably is better entrusted to this type of system. That is the process that has been put to work in the Vision Capital Fund.

Mr. Santos: This seems to me lopsided, because if the province had 48 percent interest and the private sector had 36 or 37 percent interest, and they had five and the province had one, the private sector will always make the decision, whereas the money that is being risked is owned by the people of Manitoba.

In other words, the control of decision making has passed from the province to a handful of traders and businessmen with a self-interest of their own.

Mr. Manness: Well, the member, as far as process, is right, but his connotation is completely wrong.

That is what we want. We want the self-interest of these businessmen who are out to make profit. We want that at work, and we are a shareholder. In other words, we have a percentage of the shares and, to the extent that they profit, the government's investment in the shares profits.

Beyond that, we provide a significant amount of working capital. In other words, we put up the money that is lent out and, through various means of security, of course, we hope to minimize the risk.

I say to the member, the reason that we do not feel that we need to have 50 percent representation on the board is, what are we going to offer at the board? I mean, we want to have a representative on the board to monitor what it is the community business people, the rationale around the decisions they make with respect to who it is they are prepared for the Vision Capital Fund to invest money in, into what company.

The fact that they profit is wonderful. If they profit, indeed, the province profits, and that is why it was set up.

Mr. Santos: Thank you, Mr. Minister. I would like to point out a new theory that was developed by one Jane Jacobs. This appeared in Maclean's. She wrote a book called Systems of Survival—A Dialogue on the Moral Foundation of Commerce and Politics.

The main theme is that throughout history and the development of history, there are two basic roles in society that are better separate rather than merged. This is the guardian role and the trader's role. The trader's role is important for our economic material prosperity, but the guardian's role is important in order to secure the structure and framework in stability and order in society. The basic premise is, whenever we confuse and merge the two, the role of government and the role of commerce, there will be mutual corruption in the system and dislocation because of conflicting interests.

This is precisely what is happening. They have a interest of their own, and the community, of course, has a vested interest in their success and prosperity, but not at the expense of the interests of the public represented by the government.

What we are saying here is that businessmen should not have any say in the rule-making process of society that provides a stability and dependability on transactions because, by being part of the decision makers on that board, they can change the very rules of the game by the power of decision making, of which they have the dominant majority but, in the interests that they represent, they have a minority interest.

Is it not logical and more reasonable that those that have the majority interest at stake should have the majority in the decision-making body that makes all the rules.

Mr. Manness: Mr. Chairperson, the member makes a number of salient points but he forgets, firstly, the Vision Capital Fund was originally the Small Business Growth Fund set up by his government. Secondly, when the member says that the traders and government should not be mixed, what then would he say about Crown corporations or that governments should not be in the traders business? I mean, to me Crown corporations is public policy where the government has decided to get into economic activity.

Now, this is a philosophical issue, and I can tell him, long before we came into power and in other places in Canada, I dare say in the world, represented by socialist governments, they have recognized that the government and the state has just an abysmal record of investing money in private concern, just an abysmal record.

Mr. Jim Maloway (Elmwood): Grant Devine, Saskatchewan.

* (1100)

Mr. Manness: Well, there are good examples there, but let us not begin there and certainly let us not end there.

So the reality is, we looked around and society has looked around for a different method and they have fallen upon, seized upon the opportunity to take the best business heads in the community and say, look, we know you do not want to lose a dollar. You will do everything you can to escape losing a dollar. If we are going to risk the people's money at all, let us then marry it with the private sector money, and let us go out and invest it in the best way. Through that will come jobs. The member said that he himself invested in the Crocus Fund. Well, he should know that the government also put, I believe, \$2 million in to start that. I would say to him, is that

any different than the Vision Capital? If it is, how could he invest in either?

Mr. Santos: Mr. Chairperson, I invested in it out of a desire to help in any little way in the development of the growth of the economy in Manitoba, although I know that the risk is tremendous given the current climate. What I am saying is that under this new thesis, and this has been documented. She had studied history—I mean Jacobs—and she is saying, even in the medieval time the medieval knights in order to serve their king must show that there is no trader among their limits.

In another culture, the Japanese samurai warrior class, the samurai, they were forbidden to engage in trade. Why? Because there would be conflict of interest when they are the rule makers themselves and, at the same time, have a vested material interest in the outcome. They can betray secrets of this day in order to promote their private interest.

Mr. Chairperson: I believe Mr. Alcock wants to interject with a comment or question of the minister. I am not sure we are discussing medieval history here, but it is interesting, I suppose.

Mr. Alcock: If I might, Mr. Chairperson, and as interesting as the medieval history lessons are becoming, I think given the—in fact, the committee met last week, and in the discussions earlier today, I am satisfied that this can pass. I am assuming we are going to try and pass this today. While I would love to stay for the medieval history lesson, I think I will take off and you guys can have some fun.

Mr. Santos: Mr. Chairperson, I have some more questions. I want to go to Public Trustee's office, starting page 76. Unusual and unique, the office of the Public Trustee is the only agency apparently who were told by Treasury Board, by a mandate, that the total cost of their operation should be fully recovered as revenue. Is that correct?

Mr. Manness: I do not know if it is the only one. Certainly, the special operating agencies that we are putting into place at this time, we are demanding that they fully cost recover. That includes at this point the fleet vehicle operation, and we have just also set up a second one in Materials Management. So at the time the Auditor's Report was written that probably was the case, but subsequently there are other entities of government now that we are expecting to practise full-cost recovery.

Mr. Santos: Is this pattern on the upswing? I mean, are there more and more governmental units

that will be told that they should recoup in terms of revenue whatever the costs of their operations are, in other words, making them behave like bottom-line business units?

Mr. Manness: Mr. Chairperson, as long as the government has to also make its whole global operation behave like a bottom-line operation, there will be continuing pressure for entities within the government, particularly those that are charging fees for service, there will continue to be pressure on them to at least maintain the revenue as their percentage of cost. In some cases, we will be pushing others to reach a point of full-cost recovery, yes.

Mr. Santos: If we push that to the extreme, to the limit, in all units, to its absurd limit, and all units of government are mandated to recoup all the costs of their operation in terms of the revenue earned, there will be no more justification for general taxation, would there be?

Mr. Manness: Correct.

Mr. Santos: There will be no more distinction between the idea of goal of public service and the idea of making a profit?

Mr. Manness: Well, it depends whether or not there is a profit margin built in, but I would say if he is going to push his model far enough, he is probably right. Is he recommending this model?

Mr. Santos: I am asking the honourable minister because they seem to be following this line of development.

Mr. Manness: I am not following any line, but we have got a general purpose debt in this province of around \$5.5 billion and growing, and if we do not arrest the growth of that we are going to go broke.

Mr. Santos: Certainly, the financial accountability realm of government is tightening and tightening and we have to live accordingly.

I have a question on page 78, at the bottom, on the Position Descriptions: Excluding the Manager position—the report says—there are three remaining levels in the Estates Officer classification category. A review of the Position Descriptions identified that they were almost identical.

Now, what is the distinction at all then between all these levels of position in the Public Trustee's office? Is the distinction based on seniority? Is it based on salary differential or what?

Mr. Manness: Sorry, Mr. Chairperson, I cannot answer the question. Maybe the Provincial Auditor wants to—

Ms. Bellringer: If you turn to page 81, the Comments of Officials on Point A position descriptions, they have now clarified the distinctions and the detail is shown in that response.

Mr. Santos: Going to page 81 then, it says there in the second part under (b), one of the factors indicative of account complexity as well, that is the value of the assets under administration, if there has been 55 percent increase in the assets administered since 1987, but only 22 percent increase in the files, what does this imply about the load of work given to the employees? Is the load the same or getting heavier or less?

Mr. Chairperson: Are you addressing this to the Auditor?

Ms. Bellringer: One of the reasons that we worked with the Public Trustee's office and did this audit was because there was an indication that the workloads had been increasing and yet the staffing had not been matching with it, and our overall observations were that there were a number of areas that once the process was, if you will, re-engineered, certain aspects of that situation could be taken care of by reorganizing, looking at the organization and staffing and allocating complexity of the assignments and so on. Overall, yes, there was an increase in the workload, and our report tried to focus on the key areas that could assist in pointing out where improvements could be made.

* (1110)

Mr. Santos: The second paragraph on the top of page 82, there is an acronym that I do not understand. What is AY3, what is A and Y? What does it stand for?

Ms. Bellringer: These again are in the Comments of Officials and the officials use standard codes that are in place for describing position classifications within the Civil Service Commission classification system.

Mr. Santos: At least I think they should define what they mean before they use the acronym.

Mr. Manness: I am led to believe that is an administrative secretary.

Mr. Santos: Under comments of the official, standards have been developed, identified and included in the business plan. The standards have

not yet been implemented because of a group of people providing crisis management. My question is, given the heavy workload of the client administration officers and the other staff members in the Public Trustee's office, is it then reasonable for us to expect that there will ever be an end to the crisis management that is going on if they cannot have more resources to hire more people?

Mr. Manness: I do not know where the member gets the term "crisis management."

Mr. Santos: People providing crisis management.

Mr. Manness: It does not mean that we are in a state of crisis at the trustee's office, but that there is a crisis situation that they have to deal with, and that is the way I read that line.

Mr. Santos: I want to go to page 95, the paragraph at the top. There are some things there that I need some clarification. It is saying: ". . . user management has not been provided with assurance that the external consultant, hired at a cost of approximately \$595,000 to assist in project development, . . ." meaning the computer information service system, to provide all the services originally contracted for. He was paid \$595,000. Has that outside consultant fee been paid completely to him?

Mr. Manness: Mr. Chairperson, I am led to believe the office of the Public Trustee along with the Departmental Information Systems Committee have addressed the Auditor's more significant concerns in this area. Post-implementation review of the system has been completed and the structure and system is in place for the development and monitoring of new systems.

Furthermore, functionality review of the Public Trustee's computer system is currently ongoing and expected to be completed in '93 and '94 fiscal year.

Mr. Chairperson, we know we have a problem there, and we have put into motion a course of action to follow to try and deal with it.

Mr. Santos: There is a reference there to the user management. What does that mean? Who is the user management referring to? Is it the Public Trustee's office?

Mr. Manness: Yes. The answer is yes.

Mr. Santos: Then there is a Project Steering Committee mentioned and then a Departmental Information Systems Committee. What is the link, if any, between the Project Steering Committee that

hired the original external consultant and the Departmental Information Systems Committee that was re-established to report to the Executive Management Committee?

Mr. Rosenhek: I would think that the project committee would be established for a specific project, whereas the departmental committee would have an overview over all departmental projects, and indeed, how the data processing dollars are spent within the department.

Mr. Santos: Mr. Chairperson, so there is no link. These are two different bodies?

Mr. Rosenhek: There may be two different bodies, but I would think that one would report to the other. The departmental committee would have an overview kind of control over the project committee.

Mr. Santos: Mr. Chairperson, on the bottom there, page 95: "The development of the Public Trustee computer systems suffered from several delays. One of the major delays encountered related to an interest allocation problem." Could somebody explain what that means, interest allocation problem within the office?

Mr. Manness: Mr. Chairperson, certainly Ms. Bellringer will be able to comment more in detail, but we did have a problem in a file which was brought to the attention of this committee, I believe, two or three years ago. That took some considerable time to deal with and rectify. As a matter of fact, I think we had to find some additional money to appropriate against that error in the historical past. I think it was the focus on the resolution around that problem that caused the delay.

Mr. Santos: On page 97, second paragraph it says, "Although standards have been established informally for the Public Trustee computer system, communicated verbally and generally followed with regards to systems access backup and recovery, the standards are not yet clearly documented in our operating procedure manual."

If this is the case, that there are no documented in hard copy operating procedure manuals and if in addition there are no written procedure manuals even for remote job entry, how could personnel then be appropriately guided in the performance of their duties and their tasks?

Mr. Manness: Well, good question, and that is why you notice the Comments of Officials further down that page. Action was taken to complete that particular document by June '92.

Mr. Santos: 1992 has already passed.

Mr. Manness: My officials indicate to me that we are quite sure it has taken place.

Mr. Santos: Thank you. On page 98, again, there is another body created. It is called Information Systems Group. What is, again I ask, the relationship between the Departmental Information Systems Committee and this new body called Information Systems Group? Is that the same body?

Mr. Manness: The reporting relationship is the same, except this is the data processing arm.

Mr. Santos: The data processing arm.

If user management refers to the Public Trustee's office managerial team, does the term "senior user management" refer to the Department of Justice itself?

Mr. Manness: No, more specifically, the Public Trustee's office itself.

Mr. Santos: Thank you. I want to know who this external consultant is who had been paid \$595,000.

Mr. Manness: Systemhouse.

Mr. Santos: This fee, \$595,000, now there are some problems in this system, does the fee include system maintenance costs to see to it that the system is operating and working orderly, even for a specified period of time?

Mr. Manness: I would think through the development period and possibly for a short warranty period, but I do not think those warranties go out too far and then you are on your own to provide your own maintenance or purchase it as an additional cost.

Mr. Santos: Would the people in the Public Trustee's office, without the guidance of the external consultant, be able to do that?

Mr. Manness: Mr. Chairperson, the Information Systems Group would have a documentation that would have been left, in this case, by Systemhouse, by the consultant.

* (1120)

Mr. Santos: On page 101, under Comments of Officials, it says: "A policy for review and approval of miscellaneous control reports will be developed and implemented by June 30, 1992." That date has passed. Has this been done?

Mr. Manness: The answer to that question is yes.

Mr. Santos: Page 102, at the top, System Development, it says: "We observed the Department of Justice - Information System Group does not have its own in-house methodology and approach to ensure the information development, processing and support maintenance is carried out efficiently, on a consistent basis across the department."

If that is the case, how could the system information group itself ever evaluate the adequacy of the new management information system that has been installed in the Public Trustee's office?

Mr. Manness: Mr. Chairperson, I am sure this is one of the responsibilities of the DISC committee to make sure that these objectives be put into place and be followed.

Mr. Santos: On the same page, the fourth paragraph, last sentence: "Information systems management has recognized the desire to develop and adopt its own standards and procedures covering system development, programming and documentation."

Has there been any activity, despite the desire, leading to the actualization of such wishes and desire on their part to develop their own standards and their own methodology?

Mr. Manness: Again, Mr. Chairperson, my answer is the same. It is the DISC committee, the management improvement committee. They would want to make sure that standards and procedures were properly developed.

Mr. Santos: Under B., the report says: "Our audit disclosed that the ISG does not have a formal or documented standard process to ensure efficiency and effectiveness in the implementation of information systems."

If this is the case, how in the world could it ever evaluate the performance of the external system's consultant?

Mr. Manness: Well, again, I refer the member to the next page, 103, Comments of Officials. Probably, although it is a long answer, it would answer that question.

Mr. Santos: Before that comment, though, the report says we have observed delays in implementing the Public Trustee computer system and certain aspects of the original system design have not been fully implemented.

It has not been fully implemented. If that is the case, and the external consultant has fully received his \$595,000 fee, is that a compliance of the contract?

Mr. Manness: Mr. Chairperson, I want to review for the member. When we inherited government, there was an appendage to the Department of Finance called the Information Systems Branch, and I thought basically at the time in coming into my office that it was more or less a control mechanism. In fairness to everybody who was part of it, I think it was less of a control mechanism. It attempted to be though sort of a clearinghouse as to all of the computers and the systems that were coming into all departments of government.

We sensed that it needed to be beefed up significantly and that it had to walk in tandem with decisions made at Treasury Board, so we developed what we called ITRO, Information Technology Review Office, and it became a significant subset of the Treasury Board so that those of us sitting on Treasury Board when all of the decisions were made around, firstly, yet again accepting new systems, new hardware into the government; secondly, seeing the development of software around those systems; thirdly, ultimately deciding to what degree we should go outside to buy services through consultants; and what mix of human resources we had within government as a whole to also help us assist in writing these programs.

Ultimately, there had to be one group in government that made these decisions or at least recommendations for Treasury Board. There is no doubt in our mind that there were many departments in government, particularly in the Department of Justice, that maybe the close scrutiny had not occurred in the past, so we have for a period of time now, basically three years, been trying to make the function within the Treasury Board system work better.

There is no doubt that we have a much more stringent control system in place but, still, as we internally try to plan towards the better use of the systems we have in place or to the better development throughout, in this case, the Department of Justice, we still are catching up.

I do not apologize for that. I think we have gone a fair distance, but the reality is, there has been an explosion of technology within government. When

we came into government, it seems to me the total systems bill was somewhere around \$80 million between the Crowns and the government, of which roughly \$35 million to \$40 million was in the government. There was basically no control other than at the Treasury Board level. In a global sense, you are not going to spend it. What we have tried to do, of course, is give it greater focus and indeed help those of us who are making the decisions around the use of this wonderful tool to make sure that indeed money is spent the best way possible.

I do not take at all issue with the Provincial Auditor when she finds these shortcomings that still exist. We have some distance to go. We have set up committees amongst our senior management in consort with our information systems people to try and bring greater efficiency into this area.

Mr. Santos: I agree, Mr. Chairperson. There is a changing panorama of governmental and private sector structures in decision making. We are in the age of technology and there is more and more emphasis on the importance on information systems development and other technological tools, especially with the advent of the personal computer system. As I understand systems development process, it is a cycle of birth, growth, maturity, decline of various types of systems, starting with the recognition of the problem and the systems analysis of how then the current system, the work, then the systems design of a new substitute system that will take over the old system. Then there is the system acquisition of how this new system, based on the new design, will be created, and how this new system will be implemented in the changeover from the old to the new computerized system, and of course the most important one, the systems maintenance function of keeping the new system in good working order.

Apparently, when there is that project in the Public Trustee's office, not all of these stages are taken care of by the external consultant who is supposed to be the person primarily responsible for the changeover in the new system.

There is a part of the report on page 103, where it says: Where standard processes specific to systems development life cycle phases—I interpreted the "LC" as that, it makes for the development—the report is saying—associated work will be addressed through the management of change and service request procedure.

* (1130)

So they will make new requests. If this is so, would this new cost, as a result of this new request, will this be in addition to the original consulting fee of \$595,000, which is the external consultant fee?

Mr. Manness: Well, subject to a cost-benefit analysis and the decision to go, the answer is yes. I would say though, before we move on to the next question, the member's contribution with respect to reliving the cycles, I find most interesting and probably most accurate.

Nevertheless, those of us who are not terribly fluent in the understanding of course still have to make decisions and, hopefully, we have to make the right decisions because an awful lot of money can be spent in this area. But I also point out if the member is trying to say at times that the outside consultants maybe do not provide the total benefit that we require, and not to put words in his mouth, I can tell you that when we built the MACS system was in the Department of Rural Development for market value assessment purposes.

We put literally millions of dollars into the building of that system. Systemhouse also did that one, I think. That system is functioning extremely well. When you see that system, and it will be in place, I would say, for many, many years, then you see the benefit of your work.

I cannot say that on all projects, but I have seen one work very well, and it was probably the biggest one. Now we are, of course, giving full focus to building the next system, if the member wants to know, within Family Services, in trying mainly in support of those children in society who maybe are falling through the cracks, but also the financial component, trying to trace exactly how many dollars are being spent.

So these large systems, if they are built properly and well, I mean there is tremendous payback.

Mr. Santos: How is the consultant doing the changeover in the Family Services department? Is it the same consultant?

Mr. Manness: I will take that as notice. I do not know for sure who that is. I am sorry, I will take that as notice.

Mr. Chairperson: Mr. Santos, do you have any further questions?

Mr. Santos: My colleague the member for Elmwood has.

Mr. Maloway: Mr. Chairperson, I have several questions here of the minister.

I would like to know, first of all, by how much the Auditor's budget has been cut, because reference was made at the last meeting here to staff not being replaced at the Auditor's department? I am trying to get an idea as to how much the Provincial Auditor's budget has been cut over the years.

Mr. Manness: The member has colleagues who sit on Legislative Assembly Management Committee who can answer that question directly. I do not have that information with me today. If the Provincial Auditor does, I certainly would ask her to provide it.

Ms. Bellringer: There is Exhibit 9 on page 206 that shows the revenue and expenditure for '92 and '91.

Mr. Maloway: I would also like to determine as to roughly what percentage of the government audits is now out in the private domain of the private firms. What percentage of the audits that the Provincial Auditor was doing, say, five years ago, is now out in the public domain with private firms?

Mr. Chairperson: Is that addressed to the minister, or—

Mr. Maloway: Well, whoever can answer the question.

Mr. Manness: I am sorry, I did not hear the question.

Ms. Bellringer: I do not have the detail here, but I can take it as notice and provide that to you through the chairperson.

Mr. Manness: I may have the detail. What was the question again?

Mr. Maloway: What percentage of audits that were previously done by the Provincial Auditor's office is now out with private firms? I appreciate that the Provincial Auditor has agreed to take the question as notice and get back to us at our next meeting of this committee. That is fine and acceptable.

Mr. Manness: Well, I can say that the Alcoholism Foundation of Manitoba, the Fleet Vehicles agency, which is the new SOA, Liquor Control Commission and one at Manitoba Lotteries Foundation. Those four areas are the most recent that are now done outside of the Provincial Auditor's office.

Mr. Maloway: Could the minister indicate then as to how many audits prior to this have been farmed out in past years since he became the minister?

Mr. Manness: Mr. Chairperson, I will give it to him this way. I think he wants to make the point and I will help him make the point.

We do know, for instance, in 1982, the former government at that time dictated that there were Category 1 Crown corporations that they sensed—not sensed, directed—be audited by the Provincial Auditor. That was the Liquor Control Commission which is now outside; the Manitoba Lotteries and Gaming Control Commission, i.e. the Lotteries Foundation, which is outside; the Vegetable Producers Marketing Board—where it is today, I do not know—it is inside; the Manitoba Horse Racing Commission which is—where is that? Is that outside? Leaf Rapids Town Properties, that is still inside. Manitoba Data Services, well, that has been sold off so that no longer exists. Manitoba Forestry Resources Limited—was that MANFOR?—that is gone. The Manitoba Housing and Renewal Corporation, that is inside. Venture Manitoba Tours, that is outside.

Those basically are the Crowns that were mandated at one time to be within the Provincial Auditor's. As you can see, slightly over half are still there. The others are now outside.

Ms. Bellringer: I cannot tell you this is all inclusive, but I can certainly run through just my recollection over the past five years. I was having trouble going back that far in time, but if you look at Exhibits 3 and 4 in our report, every year we have provided them a list of those attest audits that are ours, and those overviews—these are right at the back of the report, pages 197, 198 and 199. We also provide a list in Exhibit 4 of the overview audits where they are done outside of our office.

Just looking at the list of those done outside, CEDF and MDC—the Communities Economic Development Fund, and MDC was something that is not operative—would have been done by us during the last five years at one point and are no longer being done by us. Venture Manitoba was once done by us and is no longer done by us. Otherwise, all of these overviews were done by private sector firms for some time.

* (1140)

Mr. Maloway: Could the minister give me some indication as to how many management consulting contracts the government has entered into or is currently involved with—private firms?

Mr. Manness: Mr. Chairperson, this has absolutely nothing to do with the annual report, and how can the member expect me to have that information? Quite frankly, he has to give me some opportunity to—if he wants that information and he is dying to know, why does he not give me the questions on a piece of paper so that I can respond to them? I do not have that information.

Mr. Maloway: Mr. Chairperson, I am not asking the minister for the answer to the question immediately. As the Provincial Auditor had indicated on a previous question, she was willing to look into how much the department had been downsized over the last five years and get back to us at the next meeting of this committee, and I am prepared to accept that. I do not require an answer to that question or this question today, and if the minister would endeavour to get back to us at the next meeting of this committee, that is fine with me. I am not demanding an answer at all today.

Mr. Chairperson, there was some indication coming out of the last meeting of this committee that we would be able to obtain a copy of the criteria for external auditing, and I ask the Minister of Government Services (Mr. Ducharme) to provide me with a name of the auditing firm who was doing the government vehicles. We have since got that through O.C. last Friday, but still we are waiting for the criteria for the external audits. When might we expect to get this criteria?

Mr. Manness: Mr. Chairperson. I was remiss. I should have tabled them. I have them with me. I will table them now. I will provide them at this point for the member. I would only point out that the criteria, and there are seven, are exactly similar to the seven that existed and passed by Treasury Board, August 31, 1982.

I would table this, Mr. Chairperson.

Mr. Chairperson: Thank you, Mr. Manness. I will ask the Clerk to distribute copies of this.

Mr. Maloway: Mr. Chairperson, my next question deals with the questions that came up earlier on today, and that is the minister, I believe, when he was in opposition—and perhaps he could clarify this because I did not listen as intently as I should have when he was responding to this question—but I believe in opposition he had asked about the recording of unfunded liabilities in general or, in particular, unfunded liabilities regarding pensions and so on. I gather that to date nothing has been

done about this. I wondered if he could expand and explain again why nothing has been done about it, given that in opposition he was keen on having these recorded.

Mr. Manness: Mr. Chairperson, as I said previously, it would represent an increase to the deficit of a significant amount of money. We are providing our matching funds as called upon. We will continue to do that. We will continue to have money in place to meet the obligations of the people who have retired both from the public service and from the teaching profession.

Mr. Maloway: Well, with all due respect, Mr. Chairperson, I was asking of the minister, why did he change his mind? Why did he state consistently in opposition that he wanted the unfunded liabilities recorded and now after five years in government has done nothing about it? What was the event that changed his mind in this regard?

Mr. Manness: Well, I do not have the money to invest at this time and I do not want to borrow it, so I will pay as called upon to match.

Mr. Maloway: I ask the minister whether he still believes though that the unfunded liabilities should in fact be accounted for? While he is not able to do it for whatever reason, that he himself believes that it should be recorded?

Mr. Manness: Yes, I think it is a goal to strive toward. If the members would just help us a little bit, instead of calling for us to spend more and more money every day, if in the House they would just once support the government in some of the reductions on the expenditures side so that we can ultimately bring expenditures and revenue into balance, I dare say this would be the very first thing that we would do. So he has a very vital role in this.

Mr. Maloway: Mr. Chairperson, my next question to the minister deals with the question of the selling of our bonds and our paper, and I was interested in knowing just roughly how many institutional buyers are at this point still interested in our paper and our bonds?

Mr. Manness: At this point, I would say literally hundreds. Manitoba has a good name on the financial street, and yet I am here to tell you that there is a growing wariness and uneasiness with respect to Canadian provincial paper, and we cannot escape that. There is such a fear with respect to what is happening in Ontario. Our paper is trading today at a premium to Ontario for the last

year and a half 13 basis points under—unheard of. But the reality is we are paying more because all of us are paying more because of what has happened in Ontario. Manitoba paper is sought after. As a matter of fact, we have had a number of people knocking on our doors asking us to do issues because they could find a home for it.

Mr. Maloway: My understanding is that in Saskatchewan, perhaps 10 years ago there were—according to the Premier, there were about 150 institutional buyers looking at their bonds and their paper. Today, they are lucky to find 25 people who are even interested in it. I just wondered how that kind of worked here in Manitoba. The minister is indicating that Manitoba is much more attractive.

Mr. Manness: Well, we have never quantified it in that fashion. I know when we first came to government, we had to do some scrambling on a couple of cases, but since then, we have—our paper is sought after, but that can slide away very, very quickly. I mean, all we have to do is let this next deficit go out of control, and as sure as I am sitting here, the number of people who will want our paper will contract very significantly. Again, the member has a role to play in this if he wants to.

Mr. Maloway: The minister also earlier made reference to the lead underwriter wanting some third quarter results in advance. Is that a normal happening that the underwriters can come to the minister in advance of the budgetary process of the government and get information that the public does not get before the public get it?

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

Mr. Manness: That is a tough judgment call. Yes, I will release some very specific information to the question—that was, by the way, the first time it ever had happened. It shows you the seriousness of the times into which we are entering. I provided that information the same day I released the document.

The member asks a good question. If it had been asked of me a week before, what would I be inclined to do, if I sensed that I had to do the loan and had agreement from cabinet, the authority from cabinet to do so by way of parameter order and everything was in line, and I sensed that the market was going to fall off so that the long-run cost over a 10-year loan could be millions and millions of dollars, I would take it upon myself to provide that information before I made it public.

Mr. Maloway: Could the minister tell us who the lead underwriter is in this case?

Mr. Manness: In this case, we have three that rotate in the U.S. They are Salomon Brothers, First Boston and Merrill Lynch, and I think in this case it was Salomon Brothers.

Mr. Maloway: Can the minister tell us whether these rotating underwriters trade information and so on? I mean, if he has been asked by one underwriter, and it is the first time it has ever happened, can he expect that the others will be asking the same questions in the future?

Mr. Manness: Well, the general answer to that is yes. I can expect an awful lot more scrutiny coming not only from the underwriters, but more importantly, the credit rating agencies. I mean, they want to know as of the last year. These days they are asking questions like they never asked before. They want to know the amortization schedules associated, for instance, with the capital, and it was in the Department of Health. I mean, they want to know how far out these schedules are flowing and what will be the called-upon funds if you do not build another hospital.

* (1150)

Of course, they are horrified, to some extent, to see that in Manitoba's case, we do not build another hospital; there still is basically \$100 million, \$150 million call on the capital side if you do not put another brick or stone into place. So they are trying to get a feel for this, and I do not blame them. They have every right to because, of course, the bond holder, the pension fund holder, provider, as I have said before many times, whether it is the teachers of Texas or the state workers in the state of California, they want a protection.

Mr. Maloway: Could the minister tell us, what authority do they have to ask for this information? Is it a question of them not perhaps wanting to provide more money if they are not satisfied with the answers to the questions?

Mr. Manness: I do not know how much money the member has borrowed on his own account over the years, but you either answer the questions to the satisfaction of the provider or you do not get the money.

Mr. Maloway: Mr. Acting Chairperson, I suspected that that would probably be the answer from the minister.

I have a question concerning the HydroBonds issue. Will the minister be floating that issue again this year?

Mr. Manness: I will be making an announcement in due course. As to how we are going to handle that, Hydro does not need, at this point in time, significant amounts of capital.

Mr. Maloway: Is the minister suggesting that he may rename the bond system and call it something else this year?

Mr. Manness: I am not suggesting anything. I am saying, stay tuned.

Mr. Maloway: I think the member for Broadway (Mr. Santos) has some more questions, and when he is finished asking his questions, I will be back with a further series for the minister.

Perhaps at this point, we could look at adjournment of around noon if possible. If we want to go to 12:30, that is fine, but it will not slow us down one way or the other. I think we should quit at twelve and sit another day.

Mr. Santos: I would like to refer the honourable minister and the Auditor to page 66, relating to the Department of Natural Resources, the monitoring of accounts receivable.

Mr. Manness: Which page?

Mr. Santos: Page 66 under "(b) Authorization and Independent Verification" it says there that: "Adjustments to receivable accounts must be approved in advance but no independent person checks to ensure that only authorized adjustments have been made."

My question is: Had there been any such unauthorized adjustments that had been uncovered by the audit? I direct the question to the auditor general.

The Acting Chairperson (Mr. Laurendeau): It is the Provincial Auditor, not the auditor general.

Ms. Bellringer: No, we did not identify any specific problems. It was a systemic problem rather than specifics.

(Mr. Chairperson in the Chair)

Mr. Santos: On the next page, 67, under "Aging of Accounts Receivable," the report: "... noted that at the commencement of every new billing period, accounts which have been outstanding for one year or more are classified as current. Parks Branch

does not correct the report prior to its submission to the Department's Financial Services Branch."

Why is this so? Why are they classifying accounts outstanding for more than a year as current?

Mr. Manness: Mr. Chairperson, obviously there was a flaw in their system. Obviously somebody within the administration of that department was not either knowledgeable or deliberately decided to make that adjustment.

Mr. Santos: On page 68, under Comments of Officials, it says here: "The notice relating to impending eviction has been removed from collection letter #3 as the department is not currently prepared to cancel rights to occupy provincial park lands." Despite the nonpayment of accounts.

What are the reasons why the government is not willing to enforce its rights?

Mr. Manness: Well, a very sensitive issue. The member, I guess, if he were in government, would chase these people off the land. These are Crown rights, Crown landholder, Crown parks. So I guess that is probably the solution that maybe he would favour.

We have chosen not to do that, although we are bringing in a new Park Lands Act. We will be introducing the new Park Lands Act, I would say, in the month of April, which will deal with this issue.

Mr. Santos: Page 69, Mr. Chairperson, Comments of Officials: "The Department will implement password access controls to the vendor accounting system." This is a promise. Has this been done yet and if not, when will that be done, the installation of personal password access controls?

Mr. Manness: The department tells us that resolution of the remaining issues, including the one we talked about, is contingent on the proposed amendments to the act. So this one may very well be rectified.

I might add, Mr. Chairperson, the member before asked who the Family Services consultant would be in developing their large information system. That would be Systemhouse also.

Mr. Santos: On the same page, Comments of Officials, the bottom, it says that the department will document the department's accounts receivable procedures and systems as the staff resources are available for this purpose. Are staff and resources available in order to do this at the present time?

Mr. Manness: I do not know. I have not talked to the department. I do not imagine they have any more staff today than they did a year ago, and they certainly will not be given any more for '93-94. So the resources are going to be found within, and to the extent they can reorganize their affairs, then I imagine this will be dealt with.

Mr. Santos: Page 70, Comments of Officials: "The Department agrees with the observation and recommendation regarding the need to ensure that Branches are providing complete, accurate and timely accounts receivable reports. The Department will ensure that action is taken to resolve this issue." Again I ask, within what time horizon is this going to be done that the report be accurate, complete and timely.

Mr. Manness: As soon as possible.

Mr. Chairperson: I note that it is now twelve o'clock. Is it the desire of the committee to rise now and meet another day at the call of the House leader?

An Honourable Member: Pass the report.

Mr. Chairperson: Is there a desire to pass the report?

An Honourable Member: Sure. Committee rise.

Mr. Chairperson: All right, the committee will now rise and meet again at the call of the House leader. Thank you.

COMMITTEE ROSE AT: 12 p.m.