



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

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**STANDING COMMITTEE**  
on  
**PUBLIC**  
**ACCOUNTS**

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**31 Elizabeth II**

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*Chairman*  
*Mr. David R. (Dave) Blake*  
*Constituency of Minnedosa*



MG-8048

**VOL. XXX No. 1 - 10:00 a.m., TUESDAY, 6 APRIL, 1982.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Second Legislature**

**Members, Constituencies and Political Affiliation**

Name	Constituency	Party
<b>ADAM, Hon. A.R. (Pete)</b>	Ste. Rose	NDP
<b>ANSTETT, Andy</b>	Springfield	NDP
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BANMAN, Robert (Bob)</b>	La Verendrye	PC
<b>BLAKE, David R. (Dave)</b>	Minnedosa	PC
<b>BROWN, Arnold</b>	Rhineland	PC
<b>BUCKLASCHUK, John M.</b>	Gimli	NDP
<b>CARROLL, Q.C., Henry N.</b>	Brandon West	NDP
<b>CORRIN, Brian</b>	Ellice	NDP
<b>COWAN, Hon. Jay</b>	Churchill	NDP
<b>DESJARDINS, Hon. Laurent</b>	St. Boniface	NDP
<b>DODICK, Doreen</b>	Riel	NDP
<b>DOERN, Russell</b>	Elmwood	NDP
<b>DOLIN, Mary Beth</b>	Kildonan	NDP
<b>DOWNEY, James E.</b>	Arthur	PC
<b>DRIEDGER, Albert</b>	Emerson	PC
<b>ENNS, Harry</b>	Lakeside	PC
<b>EVANS, Hon. Leonard S.</b>	Brandon East	NDP
<b>EYLER, Phil</b>	River East	NDP
<b>FILMON, Gary</b>	Tuxedo	PC
<b>FOX, Peter</b>	Concordia	NDP
<b>GOURLAY, D.M. (Doug)</b>	Swan River	PC
<b>GRAHAM, Harry</b>	Virde	PC
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry M.</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HEMPHILL, Hon. Maureen</b>	Logan	NDP
<b>HYDE, Lloyd</b>	Portage la Prairie	PC
<b>JOHNSTON, J. Frank</b>	Sturgeon Creek	PC
<b>KOSTYRA, Hon. Eugene</b>	Seven Oaks	NDP
<b>KOVNATS, Abe</b>	Niakwa	PC
<b>LECUYER, Gérard</b>	Radisson	NDP
<b>LYON, Q.C., Sterling</b>	Charleswood	PC
<b>MACKLING, Q.C., Hon. Al</b>	St. James	NDP
<b>MALINOWSKI, Donald M.</b>	St. Johns	NDP
<b>MANNES, Clayton</b>	Morris	PC
<b>McKENZIE, J. Wally</b>	Roblin-Russell	PC
<b>MERCIER, Q.C., G.W.J. (Gerry)</b>	St. Norbert	PC
<b>NORDMAN, Rurik (Ric)</b>	Assiniboia	PC
<b>OLESON, Charlotte</b>	Gladstone	PC
<b>ORCHARD, Donald</b>	Pembina	PC
<b>PAWLEY, Q.C., Hon. Howard R.</b>	Selkirk	NDP
<b>PARASIUK, Hon. Wilson</b>	Transcona	NDP
<b>PENNER, Q.C., Hon. Roland</b>	Fort Rouge	NDP
<b>PHILLIPS, Myrna A.</b>	Wolseley	NDP
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>RANSOM, A. Brian</b>	Turtle Mountain	PC
<b>SANTOS, Conrad</b>	Burrows	NDP
<b>SCHROEDER, Hon. Vic</b>	Rossmere	NDP
<b>SCOTT, Don</b>	Inkster	NDP
<b>SHERMAN, L.R. (Bud)</b>	Fort Garry	PC
<b>SMITH, Hon. Muriel</b>	Osborne	NDP
<b>STEEN, Warren</b>	River Heights	PC
<b>STORIE, Jerry T.</b>	Flin Flon	NDP
<b>URUSKI, Hon. Bill</b>	Interlake	NDP
<b>USKIW, Hon. Samuel</b>	Lac du Bonnet	NDP
<b>WALDING, Hon. D. James</b>	St. Vital	NDP

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

**Tuesday, 6 April, 1982**

**Time — 10:00 a.m.**

**MS CARMEN DePAPE (Clerk of Committees):** The time being 10 o'clock the Committee will come to order. The first order of business is to elect a new Chairman. Do I have any nominations?

**MR. ANDY ANSTETT (Springfield):** I'd like to nominate Mr. Blake, the Member for Minnedosa, seconded by the Member for St. Johns.

**MS DePAPE:** Are there any further nominations? Mr. Blake, would you please take the Chair?

**MR. CHAIRMAN, David R. (Dave) Blake (Minnedosa):** Well, gentlemen, thank you very much for the confidence. I hope that I'm able to last out the term of my office.

I believe the first order of business is to set a quorum for our Committee.

**MR. ANSTETT:** It will be six, Mr. Chairman.

**MR. CHAIRMAN:** It has been moved that the quorum be six, seconded by the Member for St. Johns. All in favour? (Agreed). The quorum is six.

Gentlemen and ladies, how do you wish to proceed? It's been normal, I suppose over the years, to go through the Provincial Auditor's Report and then go into the larger volumes of the spending estimates.

**MR. ANSTETT:** Being a basically conservative group, Mr. Chairman, let's not depart from tradition.

### **AUDITOR'S REPORT**

**MR. CHAIRMAN:** Do you wish to consider the Auditor's Report page by page? All right, we'll proceed with the Auditor's Report.

(Pages 1 to 10 were each read and passed) Page 11.  
The Member for Inkster.

**MR. DON SCOTT (Inkster):** Being as a few of the members of the Committee are somewhat new at the approach and I don't know how many people have taken the opportunity, although I grant it has been available to all of us to peruse the Auditor's Report in some depth, I'd like to be able to slow down the proceedings a wee bit so if something does catch one's eye, that one has a chance of making note of it rather than just catching the page numbers as they flip by.

**MR. CHAIRMAN:** Yes, certainly, anytime you wish to stop in the proceedings and ask questions we've always had a fairly wide-ranging debate in these Estimates. Some years they've been a little wider-ranging than others but if you have a question on Page 11?

**MR. SCOTT:** I don't have anything specific on Page

11. I'd just like to see us go through the pages, give us 15 seconds or so per page so that we can see if there's something that catches our eye.

**MR. CHAIRMAN:** Very good. (Pages 11 to 16 were each read and passed.)

The Member for Turtle Mountain.

**MR. A. BRIAN RANSOM (Turtle Mountain):** Mr. Chairman, on Page 17 in the second paragraph, Mr. Ziprick has commented about the handling of Special Warrants in the presentation of the Budget. I wonder if Mr. Ziprick would like to expand a little bit on that paragraph at the moment and then perhaps we could go on and ask the Minister whether he plans to follow that recommended procedure?

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. WILLIAM ZIPRICK (Provincial Auditor):** The Special Warrants generally do not present a problem as indicated on the schedule below that in very few years the actual expenditures voted by the Legislature exceeded the Estimates, but when the Special Warrants are passed there's no designation as to whether they're an offset to Other Expenditures or Additional Expenditures. Generally, there's substantial confusion created that there's Additional Expenditures being authorized by Special Warrant and the public gets the impression that the deficit is going to be much larger than actually declared in the Estimates.

I'm making the recommendation that when the Special Warrants are passed there should be some designation as to whether they're an offset of Other Expenditures that have been authorized by the Legislature, or Additional Expenditures and, in that way, it would be known at the time that the Warrant is passed. Now every time the Corley Report comes out there is an updating which indicates what the position really is, but I think it would improve the communication system if the Special Warrants were designated as to whether they're an increase in expenditure or will be offset by a reduction in expenditure in some other appropriation.

**MR. RANSOM:** The second paragraph on Page 17 makes reference to being able to estimate the deficit more accurately at the time that the Budget is presented. The device that you're suggesting there then is simply that those funds that are encumbered at the time a Special Warrant is passed be identified so that the overall projection is more accurate. Did you take into consideration the funds that are going to be allowed to lapse?

**MR. ZIPRICK:** Yes, well there are two things: when the Budget is presented it's some time into the new fiscal year and I think that at that point in time, if it's known that some additional expenditures will be required to what's in the Estimates, that there'll be a disclosure - not an authorization, but a disclosure - that the bottom line is going to be something different.

Now, on the basis of my analyses, generally speaking I don't think that's been the case that it has been known at that particular time that it would be different. In checking back over the ten years only in four years did the amount vary to any extent, so that when the Budget is presented and the bottom-line surplus or deficit is declared, I would say generally it's the best known figure at that particular time.

Now there's been some debate that was not necessarily the best known figure. Immediately the Budget is presented there's a debate created that there's some Other Expenditures that are not disclosed in here and the deficit is not what is stated in the Estimates but another substantial million dollars more and that creates confusion with the public.

I've been asked, just what does it mean when a Budget is presented and a deficit is declared, isn't that a best known position at that particular time? I said well, I always took it at that but with the Special Warrants and all the other confusion that's created, it may not be understood to be that way. I think it's important that it should be clearly understood that when the Budget is presented that that's the best known position at that particular time.

**MR. RANSOM:** Mr. Chairman, I wonder if the Minister has had an opportunity to look at this question and whether he'd care to offer any observations about the direction that the Department of Finance will be going?

**MR. CHAIRMAN:** Mr. Minister.

**HON. VIC SCHROEDER (Rossmere):** Yes, Mr. Chairman, I would say that where expenses are known at the time of the Budget, it would be appropriate to be stating at that time what will be spent. I understand that has been followed in the past and we would certainly have every intention of doing so in the future.

**MR. RANSOM:** Well, Mr. Chairman, that would seem on the basis of the answer that the Minister has given that he's doing what Mr. Ziprick has recommended but I gather that that really isn't the case; that there is a difference between what's being practised and what's being recommended. So that answer leaves me just a little bit confused then.

**MR. SCHROEDER:** Well, possibly Mr. Ziprick has heard my answer. If there's something different from that position that he feels should be done, maybe he could so indicate.

**MR. ZIPRICK:** Mr. Chairman, the only thing I can observe at this point in time is in the past. Just after the Budget was presented, there was observations being made that this is not the best known bottom line but that there are other factors in there.

Now in the Budget presentation, there is no specific direct statement that adjustments have been made to bring it up-to-date but on the basis of the record and — see last year when I reported I was of the opinion that there might be some validity to it — I went through and provided a 10-year experience on it — and there is only a few years — and in those few years

the overexpenditure is marginal, so the amount that's in the Estimates generally is sufficient to cover the expenditure. If it is sufficient then I think it should be clear that the amount that's declared as expenditure is sufficient to cover the expenditure at that particular time, the best known amount, then the revenue and the Budget as presented is the best bottom line known at that particular time when the Budget is being presented.

**MR. CHAIRMAN:** The Member for Osborne.

**HON. MURIEL SMITH (Osborne):** Mr. Chairman, with regard to the preceding point about how to handle Special Warrants and whether there should be a time there past as some indication of an offset amount, my reading of the staging of decision-making through the year is that if Special Warrants came early in the year, fairly soon after Estimates, it might be very difficult to identify an offset whereas as the year's work proceeds and there is some unspent monies that surface, the practice has shown that there usually are some unspent funds. But I wouldn't like to see us tied in the early part of the year to naming an offset figure. I think perhaps partway through the year there could be some reporting or updating but I think it would be difficult at the time of each Special Warrant.

**MR. ZIPRICK:** Mr. Chairman, I appreciate what the member is saying that there is a communication problem now to a degree because the Special Warrants are passed and they're considered as additional expenditures. Then the first quarter is presented and the expenditure total generally is not changed, that the amount stated in there is stated to be sufficient to take care of the expenditures for the year as is known at that time, so there is a declaration after some warrants have been passed.

When this first quarter comes out, there is a declaration that there is sufficient; the second quarter it generally is probably the same; in the third quarter there maybe some adjustments in the expenditure to reflect a change in the bottom line that was predicted and this is where there can be an element of confusion. If there is some way of straightening it out. Now I understand and I've discussed this with the Deputy Minister of Finance and we were going to take a look to see what the other provinces are doing to get around this misunderstanding that could arise as to what their position really is as the warrants are coming out.

I appreciate that when the quarterly report comes out there is a very clear-cut statement of what the government feels at that particular time to be the bottom line position. But as the warrants are being passed there is an element of misunderstanding because of this factor, as to whether there is going to be an offset or not going to be an offset.

**MR. CHAIRMAN:** The Member for Springfield.

**MR. ANSTETT:** Mr. Chairman, my question hinges really on the same question. How much additional effort on the part of financial managers within departments is going to be required in the latter part of the fiscal year to determine at that point how much

of an offset there is going to be against those special warrants? Is this going to introduce a whole mass of new mechanism required to forecast to year-end exactly what is happening? That would be my only concern about introducing this.

I get the impression that although we are now getting quarterly statements which give us an indication of exactly where we're at, do we have the kind of detailed information to forecast offsets against Special Warrant increases or is this going to require a lot more finance management input to determine that? Then if it is, what is the cost of that versus this, what appears to be a misrepresentation, not intentionally of course, but appears to be?

What we're saying is these Special Warrants, in most cases, most years, more than offset, and in the years in which they aren't, it's marginal. But, what's the cost of being able every time a Special Warrant is passed, of providing adequate information which says we've got under expenditures in other appropriations, hell and gone somewhere else, that offset this? Do we have that kind of information or is a whole new system going to have to be developed for it?

**MR. C. E. CURTIS:** Mr. Chairman, in response to that question, we've come to the conclusion that as far as the first quarter is concerned, normally there is not enough basic information to make any change in the projection of deficit position, but we do require all departmental managers to provide our department with their cash flows, their anticipated cash flows, based on a monthly analysis and the cash flow requests are all-inclusive; that is, they include anticipated special warrants or special warrants that have already been requested, plus their analysis of what they're intending or expect to spend out of the appropriations as well. So, it's a combined total cash flow and that's the basis that we use for preparing our quarterly statements. So that what you are suggesting is already in place.

**MR. RANSOM:** Mr. Chairman, it strikes me that this would be a worthwhile thing to do and one that's not perhaps very difficult and one that would have been good to have in place, perhaps at the time that the government changed, because I think as I recall it, the Minister at the time said that when he got a look at the books that he discovered that things were not what the quarterly report had said. I think he indicated that the deficit might run to 300 million, and it's only when the quarterly reports came out and the amount of money that was being lapsed etc., when that became clear, since then the Minister hasn't been talking about 300 million deficit anymore.

I would suggest that perhaps on the last page of the quarterly report, which happens to be page 7 on the nine-month period ending December 31st, 1981, that rather than simply having the two lines of expenditure and revenue, that under the expenditure item, that it at least be footnoted as to how much is expected to be lapsed and what has been passed by way of special warrants. As it stands at the moment, the figure that appears there of \$2,433,400,000, there really is no way of knowing from that statement, how that figure was arrived at. So, I would simply offer that as a suggestion or something that could be done in a

fairly simple way.

**MR. SCHROEDER:** I think that is something we could take into consideration, although I believe that the lapse factor as referred to earlier in the report, but if it was done at that point, there would be another indication with the bottom line. It's something to consider.

**MR. CHAIRMAN:** Any further comment on Page 17?

**MR. SCHROEDER:** Just one other thing. I could see some difficulty practically in every year as the Auditor has indicated, as soon as the budget is down, there are people saying that, yes, this doesn't cover everything. I'm sure that was done last year. I'm thinking specifically of the RCMP contract where the government didn't know what the amount would be and, of course, the Opposition would say, well, yes, you haven't included all your spending because you are going to be spending more on RCMP. This coming year, the same statement will be made by the Opposition if, for instance, we haven't come to an agreement with our employees for a two-year contract. We have a figure shown in the Estimates of \$10 million. There has been some indication by people that is inadequate. It's a traditional figure. It may be inadequate and so the minute the Budget comes down, there will probably be that criticism again. So, the point is that there are certain expenses that you know are going to be coming down later on, but you don't know the amount and it will always be very difficult to put a specific dollar figure on those numbers.

**MR. CHAIRMAN:** Mr. Ziprick, would you like to comment?

**MR. ZIPRICK:** Mr. Chairman, this is from a sort of a business point of view; this is where it becomes difficult. Normally, when a Budget is presented and the bottom line is stated, it's understood that's the best known bottom line at that particular time. It's an Estimate; it is appreciated it's an Estimate, but it is the best Estimate and this is where I was saying that if these kind of conditions arise, there should be an item in there of a general Estimate nature which would not be any kind of an authority, but at least a statement of the best known position. Otherwise, you get into this confusing situation where there's a bottom line stated and it's being reported on but everybody says, oh well, it doesn't mean too much because there are all kinds of other things and to me then, it just does not become any kind of a reliable Estimate and I think that's the whole point at issue. If there is a known situation at that particular time, there should be some way of making an adjustment to reflect the best bottom-line position known at the time the Budget is presented. Otherwise, this confusion will continue ad infinitum and create a feeling of uncertainty for people that are interested to know how the position is being stated.

**MR. SCHROEDER:** I think that if you're in the middle of negotiations for anything; be it with the employees; be it with different levels of government; be it with some private interests, to state a figure that we expect to be giving away before we are in that position could very well put us in a difficult bargaining position. I think that people can recognize that there will be

some changes.

The other thing is that if you do show those numbers that you're still only guessing at and you do give it your best guess, then probably you should also give your best guess, if that's what we're doing with the Budget, to the dollars that we expect to lapse because we would know at the beginning of a year statistically that there would be some lapsing providing that there is not new programming to take over lapsing funds during the year.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. SCOTT:** Okay, I don't have a comment on the special warrants. I want to go back and comment on something on page 15 with your permission, unless if you want to finish Special Warrants first. I would say that would be advisable.

**MR. CHAIRMAN:** The Member for Turtle Mountain.

**MR. RANSOM:** I just wanted to clear up one point then, the Minister's comment refers to something that, I believe, the Federal Government does, is that they initially build in a lapse factor into their estimated spending, but that is on the basis of not being able to identify specific areas where the money is going to be lapsed. My understanding, it may be an incorrect one of what Mr. Ziprick was saying, was that it is as areas of lapse become identifiable then the adjustments should be made in all of this. Is that a correct understanding, Mr. Ziprick, or have I missed what was being said?

**MR. ZIPRICK:** Well, there's that point but the other point and I guess it gets down to a definition, when the budget is presented and the bottom line is stated, is it the best known bottom line at that particular time or is it a mathematical bottom line that really does not have any kind of full meaning because it can be changed significantly one way or another and the conditions are already known at that time? There can be all kinds of speculation as to what it could be and this, I guess, is where it sort of resolves itself in the definition. So, the question would be — I appreciate what the Minister is saying as far as identification and that — but would there be some built in general provision that there would be no identification to insure this is the best bottom line.

Now, I don't think it's been so much of a problem because of the lapsing provision that's been built into the Estimates and not being adjusted, offsets the Special Warrants and basically, the bottom line position as far as arising from the expenditures is concerned, over the years has been very good. So, on that basis the actual operations as they come out in the Budget projection on expenditure has been pretty good and the only thing there is, is this uncertainty that there are these changes and this debate that it is not the best known projected expenditure. As it turns out, generally, it happens to be.

**MR. CHAIRMAN:** With the permission of the Committee, Mr. Scott, the Member for Inkster would like to ask a question on Page 15.

**MR. SCOTT:** Yes, before doing that I will make a comment on Special Warrants as well. It is something that just came to mind. Then I'll go back to 15, if you don't mind.

When one receives a special warrant, that is receiving a basically legislated permission or Executive Council permission to authorize the expenditure for a certain amount of money. If you're talking about lapsing and if one wants to talk seriously of lapsing and I recognize that this does box the government in somewhat and maybe being a member of the government side, no one likes to be boxed in, but I don't think it has ever happened in the past for the idea when you can identify a lapse during the year that you de-authorize that money. That way you do identify very clearly that the funds are no longer to be spent as was originally forecast and planned, rather than specify in a generality of a reduction due to the lapse factor which comes along every year because a government very seldom can accomplish its full program, either because of complications which arise within intergovernmental negotiations towards specific projects which may not go through or circumstances may arise, due to any kind of a review, be it a cost benefit analysis that now shows that the project as was originally planned is no longer feasible or could be stopped or held up by an environmental assessment review process or any number of things. If one wants to face the issue straight forward, then one could possibly look at a new mechanism and one that I believe has not been used in the past and that is, through the special warrant, instead of providing money, also taking money away.

**MR. SHROEDER:** Well, that's an interesting thought. I would just point out that in the quarterly summaries, there is an indication of where it is that there is an expectation of lapse, if there are areas where we don't expect to spend the money that is so stated. Of course, even without going to the trouble of issuing a special warrant to take away the money, the money will lapse at the end of the year, so I would just initially feel that wouldn't be a necessary step to take.

**MR. CHAIRMAN:** The Member for Springfield.

**MR. ANSTETT:** I would have some concerns about the Executive Branch of Government de-authorizing or however we want to refer to the mechanism, money that was voted by the Assembly. If the Executive Branch of Government chooses not to use that money, that's well and good. If they can get by on less, that's fantastic, but I would not want Executive Council to be in the position to change or in any way limit authorizations of funds that are voted by the Assembly by special warrant. Special Warrant power is already limited to periods when the Legislature is not in Session and I would not want to see the restrictions imposed on government by voted appropriations capable of being modified by the Executive Branch of government. I think we diminish the power of the Assembly to some extent.

I have some concern still about this whole question that's raised on Page 17, Mr. Chairman. While I appreciate the lateral position in the fiscal year with regard to information being available and the Deputy Minis-

ter of Finance indicates that some reporting of potential lapses in funds in various appropriations is possible, the mechanism is there, that can be done possibly in the end of the second quarter or the third quarter. It would be more informative than at the end of the first. In fact, at the end of the first it might be a nil report. These could be taken into account in the computation by including special warrants and subtracting from that those lapses.

That part of it, I don't have a problem with, but this question that Mr. Ziprick refers to, of reporting a more accurate anticipated bottom line at budget time because we know of this and this and several other items that may or may not come in at the projected amounts or we well know they're going to come in at twice the projected amount, but we just put in a nominal figure. I have some serious concerns about where that might lead us. I would, rather than have the Committee at this point recommend that the Department of Finance look at that, prefer to see that inter-provincial comparison that the Provincial Auditor suggested. He was looking at proceed first and we look at that in the future, because we are talking about a fundamental change in what the Assembly is approving when it approves a budgetary policy and right now we are approving a policy in terms of tax policy, in terms of Estimates that has fixed amounts. Anything that's fudge - and I don't mean that in a derogatory way when I say fudge - but anything that's based upon a much more general estimate which says, we might need X-number of dollars; that's more than nominal which, as the Minister points out, can affect negotiating positions, can do other things. I think that affects the whole process in a way that I'm just a little nervous about. I can't put my finger on the right way to do it and that's why an interprovincial look at how other Legislatures are dealing with the problem - I recognize the problem, but I'm not sure that we have a solution in that we say, well we're 95 percent correct now. By throwing in a few more good estimates which may or may not be a problem to even put them in, we might get to 98 percent. I'm nervous that to get that 3 percent greater accuracy, we may be giving away more than we've gained.

**MR. ZIPRICK:** With regard to the extra work in the departments and what the Deputy Minister has said, my concern prior to the quarterly reports was much more acute than it is right now because that was the big difficulty. Prior to the quarterly report, there wasn't very much discipline in management in the whole system and you would go on and on without really knowing where the situation stood. Now, the quarterly forecast is forcing the departments to know where they're standing, to take stock of where they're standing and report regularly and really manage. I think that's one of the big pluses for the report. It has introduced a lot of discipline into the management within the departments, in addition to this public disclosure.

So, substantially, what was a much more serious problem before, because it would go on and on and on and we'd go on into September, October or November after the fiscal year end and nobody really knew just what the position is. Now, at least every quarter, there is a definitive statement and that's

based, I say, on a good control exercise by the departments and a reporting system so they know where it's going and we at least have a pretty good quarterly position. So this is a refinement that I'm talking about and it's not nearly as acute as the situation was before. I think that Ontario, for instance, has a system. We will take a look at it and see if it can contribute anything towards improving this area.

**MR. ANSTETT:** Mr. Chairman, my concern is definitely not with the area Mr. Ziprick just outlined. I think that's great and I think the quarterly report system has gone a long way and the whole financial management system that's tied into that in terms of having departmental financial managers report in, is great; I think that goes a long way.

My concern is the more definitive statement that the Provincial Auditor is asking for at Budget time and the content of that statement and where that then begins to lead us. That's my concern and I would like to know how other Legislatures deal with that end of it.

**MR. CHAIRMAN:** The Member for Turtle Mountain.

**MR. RANSOM:** Mr. Chairman, I think the Minister of Finance said that the quarterly report indicates where money might be lapsed. It's my understanding, Mr. Chairman, that is not the case, that the quarterly report deals with the actual and planned expenditures for the nine-month period, say the last quarterly report to the end of December, deals with a nine-month period. It doesn't indicate, therefore, where money might be lapsed because, unless you know what the expected scheduling of expenditure was, it can simply be a matter of cash flow. So, that report does not identify areas where money is expected to be lapsed.

**MR. SCHROEDER:** Yes, the member is right. I believe there is a number for the total amount that will lapse in the quarterly report. The summary is in fact available to the Treasury Board, but it isn't in that report.

**MR. CHAIRMAN:** Page 17 —pass; Page 18.

All right, 15 then; the Member for Inkster has a question on 15.

**MR. SCOTT:** I have a couple — it's titled Revenue and Expenditure. I have a couple of questions of concern. First off, I'm wondering how our capacity for fiscal forecasting, how much it has improved over the past several years. What I'm speaking in particular in regards to, is federal monies coming forward; be they through equalization; be it through our share of the Corporate Income Tax or the Personal Income Tax. One reason I raise this concern is because when we just use federal figures, the federal figures in the past have been grossly wrong. They've been overstated in various years.

In 1976, in particular, there were several hundred million dollars across the country where they were overstated. Manitoba's overstatement came to, if my memory serves me correct back this far, was \$30.625 million. That causes severe problems for the province when they end up - I think it's sometime towards the end of the summer - they find out, get a further update

on what their equalization will be or what their entitlements will be to the various taxes. I am just wondering if we have improved any so that we have, when the Feds come up with the forecast, do we have what we think the forecast will be as well?

**MR. SCHROEDER:** Well, I think we're probably going to be in worse shape now than in the past, but the formula that has more potential for wild fluctuations, because rather than using an average base of the fiscal capacities of all ten provinces, we're down to five provinces. So, that concern will be there in the future and in fact for this year, we're fortunate in that the Federal Government has forgiven a \$31 million repayment we would otherwise have had to make as a result of the population adjustment, but I don't see how we could possibly come up with an Estimate at the beginning of a year that would be better than the Federal Estimate. I don't think we've ever even attempted to do so in the past. The Federal Estimates obviously will always be subject to change because they're based on Estimates as to what the economy is going to do and what the economy specifically now, of five provinces, are going to do as opposed to the country, in the past.

**MR. SCOTT:** On another point, I'd like to refer to past policy where accounting rules have been changed mid-year. It's something I do not like to see; it's something a corporation cannot do. I don't know how the heck the government ever got away with it at the point in time. I'm referring in particular to being able to transfer money beyond just cash from one year to another. In other words, where there is an adjustment coming through from another level of government referring to one year then you transfer the cost of that repayment or you bring in the additional cash within that one year. I much prefer on a governmental basis because of long lead times and the delay times in settling especially income tax, corporation or incorporate, some of our mine taxes as well have severe lapse times with them. When you look at equalization, it can adjust to over several year period. This year, we could still, I believe, be getting adjustment for the year 1978-79 and if we get a positive adjustment or negative adjustment, then it is accounted for when the cash flows and that is a system I would prefer to see us maintain.

What happened, if I could tweak some memories, in 1979, we found out in March 31 and April 6 of 1978, it would be, that we were overpaid this \$30 million and that was regarding a 1976 tax year. Now, you cannot go back and change public accounts and reduce the revenues for 1976. It just is not possible. Once a public account is printed, it's printed; that's it. I think we should have a similar accounting policy, that you can't therefore move the funds around outside of the year when they're actually received. In other words, what happened in 1978-79 is that the \$30 million that was to be paid back to the Federal Government, there was an agreement made between the province and the Federal Government that it would be deducted from the cash payments for the three items in particular; p.i.t., c.i.t., or personal income tax, corporate income tax, and equalization and that would be deducted during the 1978-79 year. What happened in

that case is that the 1978-79 Estimates and the 1978-79 public accounts, the policy was changed so that the money that was deducted would not reflect in the 1978-79 year, but was reflected as a reduction in the 1977-78 year, and I do not think that is an honest type of change. I would not like to see our government do that at any point, now or in the future.

This whole idea of being able to change accounting rules when they can so massively effect a deficit, I think, is very, very incorrect and it can even carry forward, I believe, to the use of trust accounts at year end. Deposit money in trust accounts for payments in the following year. That was done to the tune of some \$23 million in that same fiscal year.

I would just like to have some confirmation though from the Provincial Auditor and from the Minister of Finance and perhaps the Deputy that we will not be moving in that direction that we had in the past; that accounting laws or accounting rules can be changed at one time of the year and that is when the Estimates are brought down or when the Budget is brought down, and they cannot be altered from one year to another.

**MR. SCHROEDER:** Yes, we've heard those arguments before. I think that there's a great deal of validity in them, but I was actually going to go back to my answer to the Member for Turtle Mountain. I indicated twice that there was a figure in the quarterly report which —(Interjection)— yes, I had indicated that there is a figure showing the amount of lapsed funds calculated. That was wrong. The report that I see is one that does show that number, when it gets refined into this particular report it has been netted out. I'm told that the numbers are net numbers and so the point made earlier by the Member for Turtle Mountain is one that we will take into consideration to show that number on the last page.

**MR. ZIPRICK:** With regard to the accounting policies, there was a change in The Financial Administration Act. There is a requirement that quite a few of these provisions that allowed moving revenue back and forth have pretty well all been done away with. There is a provision for declaring clearly the accounting policy in the Public Accounts and then maintaining it on a consistent basis or, if for some reason a change is needed, that it be clearly spelled out.

So I think the difficulty that we were experiencing before is significantly disappearing now. We're into a fairly clean, straightforward position of determining the financial position at the year end and I don't anticipate similar kind of difficulties.

**MR. CHAIRMAN:** Page 18. The Member for Turtle Mountain.

**MR. RANSOM:** Mr. Chairman, on this page the Auditor has made reference to the fact that the government, through the Treasury Board, has been enunciating its management philosophy and process. I wonder if the Minister of Finance could indicate to us at this point whether or not he has made any changes in the management philosophy and process to this point and whether or not he anticipates any changes to be made.



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**MR. SCHROEDER:** Yes, Mr. Chairman, there has been no change in policy to the present time. We are in the process of reviewing the current policy. We expect to have some hopefully well-attended meetings of Treasury Board within the next few weeks to just go over the whole area of the report and where we are heading. There is no present intention of change.

**MR. RANSOM:** Mr. Chairman, the Auditor's words on page 18 are that "the philosophy and processes of a kind which mainly focuses on results, accountability and decentralization of decision-making with the central system monitoring performance in accordance with established policies and guidelines." I take it that still represents the direction that the government is going and that the review at the moment is a general review; is not one that is intended to change any specific area of those policies at the moment.

**MR. SCHROEDER:** No, there's no intent to change any of the policies. Of course, if there is any improvement that we can see, we'll certainly implement that.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. SCOTT:** Thank you, Mr. Chairman. This item, I'm glad the Member for Turtle Mountain brought it up. A couple of years ago I did a research paper on the impact of re-organization in the government and I used as a basis for that an interview with longstanding public servants to try and get their perception of just how the system of government had changed when we moved away, not necessarily from a terribly centralized position, but basically I think determined at the time was disestablished, the central organisms of control within the government in the expenditure side in particular, being at that time called the Management Committee of Cabinet, its replacement with a non-staffed Treasury Board.

I was very surprised at the sort of responses that I got from these senior departmental officials. It was almost uniform that there was next to no co-ordination between the departments any more. They had set up a Department of Deputy Ministers and it met very very rarely and I cannot give any kind of credibility really to the function, from what I understood from the senior public servants who I spoke to of the validity of the whole process. They met so rarely and the discussions that they had from what I could gather, really nothing was really decided.

There was a lack of interdepartmental communications and with the emphasis here on this so-called philosophy here of decentralization of decision-making, I think that decentralization can be a good thing. I'm not saying that everything should be determined by a treasury board or by a management committee or whatever terminology one wishes to give it. But for heaven's sakes, there has to be some mechanism within government that where programs cover several departments that the several departments of government are co-ordinated. The incredible lack of co-ordination, lack of joint decision-making and the propensity for the departments to go off in their own directions, I think, is somewhat deplorable and led to a position where the government itself was in much less control of the direction in which the departments

and the bureaucrats were going than they had been previously.

I would suggest to you, Mr. Chairman, that to continue along that line is certainly not doing anything to enhance the direction of the government by those members of the public elected to serve on the government benches or in the Legislature as a whole, really. It basically gives more and more government by the bureaucrats. I do not think that is our intention and I would hope that the policy, as I understand it, and as was explained to me by some nine senior bureaucrats, including Deputies and ADMs, that we do not continue with the same hell-bent determination to decentralize at the expenditure of cross government co-ordination and real policy development.

**MR. RANSOM:** Mr. Chairman, I find those remarks somewhat curious that the member's understanding would be that he would view the situation from that point of view. Perhaps it's because he, himself, had served in the government for some period of time and he has talked to, he says, some senior bureaucrats. Perhaps that's the sort of response that one might get from them. The purpose, of course, in making some of those changes was to do exactly the opposite. It was to put control in the direction of the government back in the hands of elected people and to take it away from bureaucratic structures and I don't intend to debate that with the member. That's not the purpose of being here, but I make one reference. On page 37 of the Auditor's Report that's before us now where the Auditor says, "Substantial savings have already been realized from such improvements." He's referring to improvements made over the past few years. He says, "Forexample, the discontinuance of the Management Committee of Cabinet operations several years ago not only realized a direct annual saving of about \$1 million in salaries and expenses, but resulted in efficiencies throughout the government's operations by doing away with substantial redtape and management frustrations that a double-management system creates. I'm satisfied that when the systems referred to in the second paragraph of this section are implemented and functioning effectively together with the management development plan which is also in the process of implementation, further significant savings in the millions will be realized."

My question to the Minister would be, Mr. Chairman, does he plan to discontinue the direction that the operations of government have been taking now in line with the recommendation of the Member for Inkster? Does he plan to go back to re-establish a Management Committee of Cabinet again?

**MR. SCHROEDER:** As I had indicated previously, there is no present intention to change the current system. We want a system just as the Member for Inkster wants and the Member for Turtle Mountain wants, which is responsive to the elected members of the Legislature.

We are currently assessing the system that is now in place to ensure, to satisfy ourselves that that is a method whereby we can achieve that. I don't think that there's any doubt that there were some problems with the old system; that there was some redtape that we wouldn't want to go back to. It doesn't mean that

whole system was bad, but there were some features to it that would put us in a position where I think we would be wrong to go back to the system that has been replaced. We would have to look at the current system very closely before we would want to make any fundamental changes to what is in place right now.

**MR. SCOTT:** Mr. Chairman, I'm not suggesting that we go back to the establishment of a Management Committee in its role as it was, but I severely question the Provincial Auditor and basically an organization that is set up for financial auditing and how they can make a judgment on a statement as is made on page 37. This certainly is at variance with the deputies and the other people that I have spoken with during the time of my study which was in the late spring of 1980 and with their purview of what had happened at that point in time.

I subsequently had other discussions and I think that the defines of my study will justify themselves. From the indications that I had received on the role of the Treasury Board, the role of the Management Committee at one time before was a very strong role. I'm not suggesting that we necessarily go back to as strong a role, but I never heard anybody make any reference to the role of Treasury Board as it was at this stage or at least the stage of 1980 having any kind of power or influence. It was basically a rubber-stamp operation and previously it was no rubber-stamp operation. The Management Committee — you say here, a savings of \$1 million in salaries and expenses. Well, how much money, what kind of evaluation was there ever done on Management Committee to see how much money Management Committee prevented the departments from spending by their review process?

When we start to make a simplistic judgment like this I would say, Mr. Provincial Auditor, that without even, I don't think, having the historical information or the historical processes in place, that we can go back and say that just because a person's salary is cut or because a branch of government is wiped out, that you're saving the government that amount of money. Sometimes it's not being able to see the forest for the trees.

We're having an organization there that I participated in some time; I fought against it several times as well. Many departments fought against it and that was one of its weaknesses is because it took on such an adversarial role because it was, you know, you're going to spend a dollar over my dead body. The role was too strong and some of the personalities certainly caused more problems than they did in benefits I suppose in a few instances.

But to make some sort of a general statement like was made on page 37, I just from both my eight years' experience in various levels of government and post-graduate studies in government administration, I find it incredible that kind of strength with which the statement is made there and the blatant or flat statement of, I'm right because we saved a million dollars in so-called salaries and a cutback in people and sending them off to other provinces that we in turn saved that million dollars. I suspect that they saved much more than \$1 million in any one year in which

they were in operation. There's probably in the vicinities of tens of millions of dollars from their very strong reviews of what the government's programs and initiatives were especially when they're coming up during the year from departmental proposals and one thing and another. It's very, very strongly worded.

**MR. RANSOM:** Mr. Chairman, I'd just like to put it on the record that I and my colleagues have continued to have faith in the objective, unbiased approach of the Provincial Auditor and his office as compared to the biased, subjective approach that the Member for Inkster has as deriving from his former position with the Department of Finance and any personal studies that he may have undertaken throughout his studies and his job.

**MR. CHAIRMAN:** Page 18—pass; Mr. Ziprick.

**MR. ZIPRICK:** I'm not going to get involved in the debate, but I'd like to just make a few observations.

One is that the amount that we state in there, at least that amount has been positively identified as a reduction of expenditures.

The other, a more subjective observation about red-tape, we can certainly identify all kinds of redtape that was done away with by pre-approving all these — first of all, going through the Budget process approving positions and then going through the whole process again through Management Committee and re-approving it before a department deputy minister could hire somebody which required an awful lot of redtape and slowed down the process an awful lot. The reaction that we get from the deputies and other administrators is fairly positive to this.

Now the area that is receiving attention needs to be continued to receive attention is in the planning and the definition of what's expected. The programs have to be allocated very clearly and assigned to the operational lines in the departments to carry out. When you get that well defined and what you expect and then you got a good reporting system that has validity, you don't have to send around people from the central system checking on them continuously. I think that the system, particularly if you institute a good internal audit, it stands on its own and it displays for itself how effective it is. With that kind of a system, you can manage and the line managers can carry out their functions very effectively, but if you don't have a reasonably well-defined requirement as to what the managers are supposed to manage and accomplish, you do run into problems of the kind of thing that the member has mentioned.

**MR. CHAIRMAN:** Page 18—pass. The Member for Springfield.

**MR. ANSTETT:** Specifically to the question that was raised by the Member for Inkster and observed upon by the Provincial Auditor, the last paragraph on Page 19 —(Interjection)— oh, sorry, still on 18?

**MR. CHAIRMAN:** Page 18—pass. Page 19.  
The Member for Springfield.

**MR. ANSTETT:** To the last paragraph on Page 19, I

recognize the suggestion as having merit. That if you have an internal management control system in each individual department that is operating properly, that a good case can be made. That the kind of Central Management Committee system that had been in place before, not only as redundant, but can be very costly and can be a boondoggle of red tape that just produces no significant positive effect in that it may save money on programs in some cases, but he creates a lot of hidden departmental costs in handling, that may well more than balance out the savings. I appreciate that argument.

However, since we've now been operating for four years without a Central Management Committee Control System and you report, Mr. Chairman — through you to the Auditor — the Auditor reports in this final paragraph, that there's been a thorough going review of the management control systems of two departments in 1979-80 in accordance with the philosophy described on Page 18, the last paragraph on 18, and that this was going to be expanded through all the departments so that over a period of three to five years the Auditor says elsewhere in this section of the report, this overall management control system will be in place. The kinds of functions that were being performed by the Management Committee of Cabinet will now be being performed very thoroughly at the departmental level without any treasury board or other function required, except at the political level, which is where those kinds of functions of necessity will always have to take place through a Cabinet subcommittee of some sort.

However, what this report says is that hasn't been happening; it's been done in only two departments and then last year, the year referred to in this report 1980-81, two more departments were due to be done — let's remember we're talking close to 20 departments — two are done, two more were due to be done and they were not done that year.

I'm wondering if the Provincial Auditor can comment upon where this leaves us in terms of not having that system reviewed, flushed out and fully developed, and if the Minister can comment on where we're going in the future and how quickly this overall management control system is going to be reviewed, flushed out and fully implemented, so that the kinds of functions that were taking place before through a different mechanism can be properly implemented at the departmental level?

**MR. ZIPRICK:** Mr. Chairman, at this point, they've give me substantial amount of concern, because this other philosophy is contingent on having good management control systems in the department. The whole idea was to introduce them, and they were being introduced. Now, while this process is going on there is an element of - could be considered an element of weakness - and the concern was that, because of the weakness in communication, there could be a pressure developing to go back to take this central hold. I would say that would be a mistake. The idea is to get managers and put into place the kind of system that you effectively manage in the department and the reporting back and the overseeing takes place at the central system through the reporting mechanisms and the general operations of the overall system.

Now, there's been some further work done on this and I am still concerned and I think it's a very important area that needs to be pursued, because if it's not pursued, there could be a danger of saying, "Well, we've got to take control over again at the central system," and you get back into this double-management confusion that can go on under that kind of system. I would urge very much to proceed and bring to fruition this part of the system as quickly as possible so that then the two hand in hand will work very effectively, because that's the kind of systems that are generally worked in big operations.

**MR. SCHROEDER:** Thank you, Mr. Chairman. This is a part of our long-range planning that we intend to be considering in the near future to proceed as indicated in the report or to do something, and we don't have any alternative plan even being thought about, but we're looking to see whether we should start into this again in this coming year.

**MR. CHAIRMAN:** The Member for Springfield.

**MR. ANSTETT:** I share the Provincial Auditor's concern as he has expressed just here now in the committee, and also in his report in this final paragraph, that the previous government in effect for 1980-81 did not expand that Management Control System Review. I don't know if it was done in 1981-82, the last year, perhaps the Minister can advise us in terms of an expansion of that. In other words, what I'm concerned about, and I share the Provincial Auditor's concern here, is a system to ensure a management control function that was adequate to replace the former Management Committee Cabinet function which had some problems, and the Auditor refers to those later in his report. A different system was put in place, but that system hasn't been reviewed, fine tuned, anything done with it.

So, the previous government wiped out a system which arguably may not have been the best, but hasn't put anything in its place. What has been put in its place ostensibly has not been reviewed or fine tuned to the point where we can speak of it as working with any high degree of confidence. That's my concern, that we went from something which may not have been the best to something which has not been reviewed, has not been fine tuned and I have some concern that the present administration and our present Minister of Finance may not want to delay as the previous government did, but accelerate this review and give the Provincial Auditor some cause for confidence rather than the concern that he expresses in this last paragraph on Page 19.

**MR. ZIPRICK:** Mr. Chairman, the point that's been made, I just want to indicate, that there is substantial amount of work to be done, but there are controls to a degree in place. That is not what one could call out-of-control, because of the quarterly reports and the requirements by the departments to respond on an ongoing basis as to where the situation is and the analyses that are being conducted. There is a fairly significant amount of control, but it's certainly not refined and tuned to the degree it should be. I agree.

**MR. ANSTETT:** Mr. Chairman, in terms of this refining and tuning it to where it should be, is the Minister prepared to advise this committee that he's going to proceed with that refining and tuning in terms of the objectives stated in the last paragraph on Page 18, so that the delay that's obviously apparent in the Provincial Auditor's report no longer exists and we can get on with making sure that we have some confidence, not in the gross sense, but in terms of the fine details? Obviously, in the gross sense the mechanisms are there. There have been some improvements but it appears to have been stopped. My concern is that we get it started again and get on with the job.

**MR. SCHROEDER:** Yes, Mr. Chairman, we do intend to ensure that the accomplishments of departments are reviewed and their expenditures are reviewed to determine whether, in fact, they met the objectives they were heading toward. I've indicated that we will in the near future consider reintroducing the reviews which had been started in 1979 and then discontinued. Certainly something has to be done, that's part of the total package. You move from one system to another then there has to be some type of review to ensure that our objectives are being met, that our money is being spent for something that is useful and that it is not being spent for items that aren't benefiting the people who are paying for them.

**MR. SCOTT:** I have some concerns on this whole system again, as well, when you say that we have some system in control with the quarterly reports. The quarterly reports - I might add here and we're talking about essential management system - are purely financial matters. There is no program management in there, all you're doing is comparing dollars, dollars forecast and dollars spent. It doesn't give any indication of how the program is advanced, where it's going, if it in fact is accomplishing or moving towards the objectives which were set for the program. None of that is taken into consideration; it's strictly a dollar, how much was forecast, how much was spent. Therefore, if you're spending as much as your forecast, you must be on target and I can tell you that is often nowhere near the case.

So we have to move away from a simple system of looking at the finances and the finances are a critical aspect, for sure, in dealing with public accountability. But there is also another part of accountability as well, and that is the effectiveness of whether the program is moving along on evaluation steps and the program is moving along to see if it's actually doing what you want it to do, or is it actually starting to do something else now. Is the program designed to go down road A, but is veering off on to road B? Maybe after the program has been started for a few months time, one sees that A is no longer the right road and it should be direction toward this change, but that sort of information system does not even appear to be being developed at all here. We have a strict dollar orientation, still worried about the bottom line on dollars being spent rather than looking at the potential of what dollars will be spent if the program is following a course with which it was originally intended or the political judgment, I guess, is what it comes down to in the end of whether they want to continue going

along that same road and that same line.

One thing I'd like to caution on is all of these so-called management control systems, there is no science to management control. It's an art at most and to be able to put down solid formula, to be able to evaluate programs or evaluate the progress of programs I cannot buy. Every two years there is a new buzzword that comes along even on financial management. We had NBO, we had CBA before that or cross benefit analysis, management by objectives and you move into program planning and budgeting systems, PPBS. Then all of a sudden zero-based budgeting was the buzzword. We had a couple of different seminars here in the province in 1978 on zero-based budgeting. Zero-based budgeting seemed to have gone out with Jimmy Carter's second year in the White House. I haven't seen a new book on zero-based budgeting for quite a while now, basically because people finally realized that all that it is, is a combination of the previous three that I mentioned in many instances. The whole art of management is a very evolutionary thing and we have to recognize that when we're developing the programs and there is no such solution.

On a question basis perhaps to both the Minister and the Provincial Auditor we see that there are two departments in 1978-79 which were completed. Could you please identify what departments they were and through this point in time how effective have those management programs been and what do the management programs entail? Is it strictly financial management or does it go into other aspects as well?

**MR. ZIPRICK:** The departments that were involved were Agriculture and Education. In the findings generally, from my understanding, confirmed what we already knew and that is that we need the broader base management to cover not just a matter of financial operations but to cover what is expected to be realized from the programs. This is being addressed now to providing more backup to the Estimates, that they're not just one line items, but there is backup to the Estimates that will show what the inputs are more specifically and also the outputs. With that kind of information, then you can start comparing and measuring the program results, but until this kind of information gets in place and moving there are difficulties.

Now, there are more specific submissions than just what's presented to the Legislature as far as the Estimates are concerned. There is quite a significant book that has inputs in pretty good summary and backup to serve as a pretty good indicator. The outputs are admittedly not as refined as they could be. Now, this area is being worked on and I think that last year at this very committee there was a significant amount of discussion just in that area, and it was agreed generally on by the members here that would be a very positive move towards providing better accountability. Although there has been a limited progress, I think that at least one department is going to present something as a backup to demonstrate what can be done in this area.

**MR. SCHROEDER:** Yes, Mr. Chairman, just to follow-up on that, that particular department will be Finance this year. We're hoping to get something ready, but

just a caution on that and that is the kind of expense that can become involved; you can get, I think, somewhat carried away with that program. Mr. Curtis was telling me about the State of Wisconsin where they have something like 60 people preparing these documents and it's an enormous expense and it's a question of where we can provide more information that is useful to members of the Legislature without getting into that kind of an expense. This year's attempt will be experimental; I'm sure that there will be suggestions for improvement from all quarters when we're through with it.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. SCOTT:** Thank you very much. I would suggest that rather than going through very elaborate and expensive programs towards getting the information you wish, I'd suggest that often a telephone call from the Deputy or whomever in the department down to the operating level can often get the same information a heck of a lot quicker than when we're trying to run through five people and a branch trying to find out what's going on. That is one of the problems in the past has been lack of people's willingness to communicate with the various levels in the echelon of the bureaucracy, be they from the political level or from the senior bureaucratic level, and wanting everything in concise, little reports and printed out in computer language rather than getting it on a verbal or through a short summary. An awful lot of these programs are great things for paying consultants and getting an awful lot of fees going out, but I really question in many instances just how effective some of them have been in the past.

Now, speaking on effectiveness and looking at Education, I'm wondering if the management control system in the Department of Education pointed out with the program that was introduced last year, in the last year-and-a-half or so, on education financing of just how much more that was going to be costing the municipalities this year and just how successful that program actually was.

**MR. SCHROEDER:** I didn't see the report. I was just going to comment that I would be quite concerned if, in fact, a call from my Deputy could scare up a whole pile of people in the Department of Finance who had nothing else to do but to run around and prepare a report for the Legislature. I expect that in that department as in other government departments, people are there, are busy and working and we wouldn't be able to simply take a whole large number of hours away from the job that they are supposedly doing now to create a new set of numbers and documents to be provided to the Legislature. I'm sure that there is some time and space available and that is what we are using. We're not going into any additional staffing or outside consultants to prepare the documentation for this coming year.

**MR. ZIPRICK:** I would just like to add to the Minister's comment that it's absolutely valid to ensure that there is not excessive information. As a matter of fact, my view would be to start with the very basic information, the kind of information that's useful, and not overload

it. You can overload the situation with information that becomes unintelligible and not useful at all. As a matter of fact, it can become counter-productive, so I appreciate that excessive information can be costly and it's useless. I'd urge to start with just the very basic information that's very essential. Most of the information is now put on the record through inquiries, across the table inquiries in the Estimates. This information can be presented in a very straightforward organized way; it's already available and then building on from that information, whatever else becomes apparent that's needed. But if it's not needed, I agree that information is costly and money should not be spent getting information just for the sake of getting it.

**MR. SCOTT:** I wonder if you could take as a question of notice, either the Provincial Auditor or the Minister, to find out whether the management control system in the Department of Education that was brought onstream in 1979-80, identified early this year, when it did identify, if it did identify at all, the additional costs that are being passed on or would have been passed on to municipalities, if it was just coughed up like in the program.

**MR. SCHROEDER:** Well, I can check that but I would have presumed that the purpose of the study was to determine what kind of programming the department was delivering, rather than what was happening with respect to grants that were being paid out. That would be a different — (Interjection) — well, it's a program of paying out money to school divisions. It's not something that the department itself is doing. I would presume that what they were looking at was to see what was happening in that building on Portage and Wall. Maybe nobody looked at it for many many years and I'm sure that there were other areas that were being looked at. I can check to see whether they were looking at the application of grants but, as I would understand it, that wouldn't be the function of this kind of a review. There is another area that we are looking at, just in general, is the area of what happens to grants.

**MR. SCOTT:** The point being is that I believe the grants make up the vast majority of the expenditures in the Department of Education. If the program was designed to exclude that, then I think that from a financial management point of view it certainly is very weak.

**MR. ZIPRICK:** There is a program going on and in the last amendments to The Education Act we realigned the method of following through the grants and getting information from the school divisions and that's being worked on. It's progressing quite well and will be a very positive result, I think, when it gets finished, but it's something that's still in progress. It's a very large undertaking and we can see some good, positive results already but it's still, I would say, a year or two to its final completion and that's being reported on further under the Education Department section.

**MR. CHAIRMAN:** Page 19—pass; page 20—pass — the Member for Inkster.

**MR. SCOTT:** Regarding Central Accounting through general ledger and central receipt system, I take it there you are referring to the revenue systems finally being computerized in the Department of Finance?

**MR. CHAIRMAN:** Mr. Minister.

**MR. SCHROEDER:** I'm sorry, could you repeat that?

**MR. SCOTT:** On Item 2 on page 20, I take it that what they're referring to is the revenue accounting system for the Department of Finance, that's finally been computerized after about 20 years behind its debentures? —(Interjection)— The general ledger?

**MR. SCHROEDER:** Yes, the general ledger is computerized.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** That includes both revenue and expenditure, yes.

**MR. SCOTT:** Okay.

**MR. CHAIRMAN:** Page 20—pass; page 21 — the Member for Turtle Mountain.

**MR. RANSOM:** Yes, I have a couple of questions, Mr. Chairman. Item 2 on this page, Legislative Estimates, the Provincial Auditor says this public document is satisfactory as a summary document. The summary document then that we have for the Main Estimates of Expenditure is presented in a way that's described as print over print which shows the expenditures for the year ending the previous year, plus the projected year. My understanding is that's the way it has been done for some time in the past and I take it, from this comment, that the Auditor regards that as being a satisfactory method and that he would not recommend any change in that presentation.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** I've had nobody expressing any particular concern. In other Estimates the previous year of actual operations is included; in other words, there's another year added into it. Now, the Province of Saskatchewan also includes the staff person-years in the Estimates, but I would suggest that this kind of back-up information be supplied by each department as an addendum to the Main Estimates. I think it's good to have a summary so that you can very easily see what the overall picture is and then any of the back-up information of more detail, either in dollars or in statistics of person-years or outputs, should be as a back-up document to the Estimates prepared by each department. But, I can see here some validity in including the previous completed year.

**MR. RANSOM:** Mr. Chairman, on page 1 of the Estimates for '82-83 where it shows the summary of the Main Estimates of Expenditure, those for the year ending March 31, 1982, are given as the original Estimates of Expenditure presented the previous year, plus the Supplementary Estimates, compared then to

the original Estimates of Expenditure for '82-83. I believe that's the practise that's been followed for some time and I just would like to confirm with the Provincial Auditor that he agrees that is the satisfactory way or the best way of presenting the spending Estimates.

**MR. ZIPRICK:** The Estimates are basically presented for the Legislature to vote on. It's been proved from my observations to be quite effective as a vote, then it's incorporated in the control mechanisms to ensure that there's no overexpenditure; that has presented no problems. Now with the previous completed year not being shown, there is a weakness in that both fiscal years, the one is an Estimate and the other one is still incomplete and not finalized, so you don't have before you a completed year. Now other provinces do include that in their summary Estimates and a consideration could be given to this kind of approach if it was found to be useful, but there again, if it's useful to the members that are reviewing it from our point of view, and the control systems the information is there, and it's certainly being incorporated into the analytical review; the previous year is always taken into account in all our analytical reviews and we have the information. Now whether it should be included in this document or not as to whether it would be useful to the members, and if it would be, I think it would be a good thing. I'm just making the point that other provinces do include it and I presume they're doing it because they find it useful.

**MR. CHAIRMAN:** The Member for Turtle Mountain.

**MR. RANSOM:** I'd just like to ask the Minister, Mr. Chairman, whether he intends to change the presentation of the Estimates for next year?

**MR. SCHROEDER:** There is no such present intent but it would seem to me that there might be some advantage to the members, if it was not too difficult to do so, to maybe show a number of figures. First of all, the figure from the year before, the actual Expenditures from two years prior actually, the original Estimate for the prior year, the Estimate at the time of printing which is usually in about February of what actually will be spent and then the Estimates of spending for the year following. I suppose if you had those numbers, you would have a better sense of where you were going than if all you saw was the original Estimate from the previous year not knowing whether or not that will be spent or whether it will be overspent or underspent as compared to what we're talking about for the next year.

**MR. RANSOM:** Well, Mr. Chairman, this year there really have been two presentations of the spending Estimates. One is in the printed summary of Estimates, which we have, which shows what is described as print over print which showed a spending increase of 16.9 percent. We then had the public presentation, public in the sense of information releases, newspaper headlines, etc. that showed a spending increase of only 14.4 percent which of course is not presented anywhere in this book that's laid before the Legislature. So, my specific question is, in view of the fact

that the Minister has presented his projected spending Estimates for 1982-83 in a public way as being his initial estimate of expenditure for 1982-83 over the projected final expenditure for 1981-82, does he expect to present it in this book the same way next year?

**MR. SCHROEDER:** Mr. Chairman, as I indicated, that's something that we could consider. I do think though that when we are presenting Estimates for the coming year's spending, what we should be looking at when we're talking about percentage increases is real increases rather than paper increases. If we know that the increase is going to be 20 percent, then why should we say 15 percent. If we know from experience what has happened, then I don't really see why we should be deluding ourselves by using a figure we already clearly know to be out of date. We were discussing this in, I guess, in a slightly different form a few minutes ago when the Provincial Auditor was suggesting that where we know that we are going to be incurring expenses we should be showing a sensible number for what that expense will be notwithstanding that maybe we haven't negotiated a figure. I wouldn't necessarily want to do that, to tip my hand in terms of what I expect to be bottom lines in terms of prospective negotiations. When it comes to things that have already happened, I wouldn't have that hesitation.

**MR. RANSOM:** I think the Minister makes a very good point there, Mr. Chairman, is that why would one project, say, that the expenditure increase was going to be 14.4 percent when one already knew that it was going to be at least 16.9 percent. It seems to me that you can't go half one way and half the other, that either in the presentation of the Estimates it has to show the best preliminary estimate for the previous year with the best preliminary estimate for the upcoming year or else you have to show the total expected increase or spending for the previous year with some factor added in for special warrants and all kinds of things for the upcoming year.

As an example, this year, the government had already pledged to bring in a Beef Stabilization Program which the government must have known was going to cost millions of dollars. Now, in order to be comparable surely, you're going to look at the total projection for 1981-82. One also had to look at the total projection for 1982-83. So, I simply would like some assurance from the Minister that whatever system is going to be used that it's not going to be comparing apples to oranges; that it's going to be one that is consistent either in preliminary presentation or in some final projected figure.

**MR. SCHROEDER:** Mr. Chairman, what we showed there was our best actual estimate. In addition to that at the time, it was known that there would be further expenditures; that was not hidden. It was not suggested at all that 14.9 percent, or whatever the number was, increase from actual expenditure would be the only increase that there would be in the year.

In my statement, when I tabled the Estimated I indicated, for instance, that there was \$2 million approximately to the City of Winnipeg which wasn't included

in the printed Estimates. It wasn't included for the simple reason that it hadn't been approved by the time the document went to press. It was clear at that time and I so stated that there would be extra spending for the Beef Stabilization Program. Those are items that the Opposition rightly pointed out that day that would be added on, but as at that time the printed Estimates were to rise approximately just under 15 percent from what we had expected we would be spending for the previous year. I maintain that was a legitimate, reasonable approach to indicating what our preliminary spending Estimates were, on top of which we indicated that there would be additional spending.

**MR. RANSOM:** Mr. Chairman, since there may well be a change in the presentation of these Estimates then, I would think that would be worthwhile for the Provincial Auditor to address himself to what would be the most meaningful way for the Legislature to receive the government's Estimates and Expenditures.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. SCOTT:** Thank you, Mr. Chairman, several years ago, it was either in 1976 or early in 1977, I had done some work on this area, the presentation of the Estimates for the Legislature, and I remember looking at several different provinces or all the other provinces and the presentations that they were giving at that time and the most noticeable difference was the amount of detail that they gave. I think we are rather stingy, I guess, with our information we give to the Opposition in just given salaries and other expenditures. I think that's less than any other province gives, right across the board. B.C. had detailed listings of up to 15 items under each appropriation or each separate appropriation and I think that is a bit much. I think there is some responsibility on Opposition members as well when additional information is given that they do not treat them the same as the information is treated currently where every line is voted on. I believe B.C. just votes on one line of the total but the discussion under that subject can range and is given more information for them to be able to discuss.

Also, in regard to the comparison figures that are given in the Estimates of last year's print to this year's print, I would like to agree with the Member for Turtle Mountain in that we likely do have much more up-to-date information now that we have our quarterly financial reports. The nine month report could virtually be incorporated into the Estimates package and showing what the print, was what was actually expended or anticipated to be expended and then the projections for the new fiscal year. I don't think that would be a very difficult thing for us to come up with at all any more now that the numbers are already coming through. Perhaps, they are in more detailed form than they are presently coming. I believe, the quarterly financial reports were just given on a departmental basis, but the departments themselves get it on an appropriation by appropriation basis.

**MR. ZIPRICK:** I'd like to just add that I agree with what the member has just said that generally there is much more information provided and I'm suggesting here something similar, except I think it's much more

effective to have a supplement or a back-up, rather than creating a very large book of details. So, it's just a matter of how it is best to handle it, but the added information is pretty essential; the basic additional information to establish a good accountability.

**MR. SCOTT:** That comment that it was years and years just getting a comment in the Estimates book as to what the program is for. That's only been in there for the past five years, I believe and that's the only change that's been made in the past couple of decades.

**MR. RANSOM:** Mr. Chairman, in the Minister of Finance's remarks made to the Legislature at the time that he presented - I'm not sure now whether it was the Estimates or speaking on Interim Supply - but the Minister of Finance gave an indication that he was looking at the possibility of splitting capital and operating expenditures of the government once again and that the Minister is nodding his head indicating that, yes, he is looking at that. I would like then to ask the Auditor a question. Perhaps, I should go back and give a couple of brief quotations from the Public Accounts for 1977-78, which contained the Provincial Auditors Report, and on page 9 and I'm only going to quote two or three sentences so members may wish to go back and refer to the entire statement that the Provincial Auditor made, but at that time he said and I quote, "It is when the revenues and expenditures of capital and revenue divisions are combined that a meaningful net expenditure, not covered by revenue, is established." Then, further on in the next paragraph, he says and I quote again, "In view that there are no criteria for measuring these benefits" and here he's referring to tangible items such as buildings and roads, "against the obligations to be serviced from future appropriations of the consolidated fund, I am only in a position to express an opinion on the results of the province's operations on a combined basis as commented on in the preceding paragraph and not on the basis of a segregation between the revenue and the capital divisions."

Now, Mr. Chairman, I have been concerned that some comments that have been made publicly, for instance, by the Premier on the CBC radio-television interview, whereby he said that the previous government had gone to this method of combined accounting as a means of embarrassing the previous government. When that statement was made in a political forum, I tended to accept it as perhaps being a statement that one might expect in the political forum and sometimes you don't expect it to be fully carried out, but when the Minister of Finance made reference to the possibility of going back to the kind of system that existed before, then I think it raises serious concerns for this committee and for the Legislature. In view of what the Provincial Auditor has said previously, in 1977-78, I would like to ask him whether today he still stands by the statement that was made in that report in those quotations which I have read into the record.

**MR. ZIPRICK:** Yes, I do.

**MR. RANSOM:** Mr. Chairman, I wonder if the Auditor or the Minister then could advise the Committee how

many other provinces in Canada use this same or very similar method of accounting?

**MR. SCHROEDER:** I don't have the exact numbers. I did have and maybe I can send a copy of it to the Member for Turtle Mountain. I had some of the statements from some of the other provinces. I recall Alberta's, for instance, showing specifically Capital expenditures as opposed to current. Nova Scotia, I believe, is another province.

There are some; I'm not sure how many of them do it but certainly some of them do and I would point out to the Member for Turtle Mountain that regardless of whether there is a value on a public building, it's pretty difficult to argue that somehow there is no value at all to the Norquay Building or the Woodsworth Building or other public buildings that we have. That is, in some areas of the city, we are renting property; we are paying monthly leases. In other areas, the Norquay Building is sitting there and we are not required to pay rent because we own the building. I think that in any kind of logic, one would have to say that building has to be worth something because if we sold it, surely it is a commodity that we could sell and turn around and rent. We could get into a position such as the previous government was heading toward of having private corporation build a building and then we would wind up leasing it and sure paying for it. To say that if we build the building and incur the cost that although we have this huge cost, there is no benefit on the other side is something that in logic — I admit I am not an accountant — but I do have some logical difficulty in accepting the proposition that I have a piece of property that is worth nothing.

**MR. RANSOM:** Mr. Chairman, my question was, can the Minister or the Provincial Auditor advise us how many other provinces keep their records on a combined basis?

**MR. ZIPRICK:** To my knowledge, I think there's only about one or two in the Maritimes that keep it up and they are on a modified system. New Brunswick I think still continues, but they're on a modified system whereby they write off a certain amount and build up their expenditure side, so that they're trying to arrive at a bottom line that's interpreted to be different to what our bottom line is here and all the other provinces and including the other governments in the United States. The bottom lines in these particular situations are a clear-cut indication of how much the revenues were deficient with regard to expenditures and how much has to be borrowed.

In the other situation here, you're trying to establish how much it cost to run the province or a government for a year and it gets into a very tricky measuring situation that I'm not sure that I'd be in a position to certify to, because you'd have to lay down some pretty very clear guidelines as to what you mean by that measuring and then what does that bottom line mean. At this point in time, I'd be very concerned that it be misinterpreted because generally speaking when Canada talks of a deficit, they are not talking of a deficit in the same way as a loss sustained by an operating company. That means that there was that much deficiency of cash income revenue that year to



cover the expenditures and admittedly quite a number of those expenditures are for lasting assets, but lasting assets get used up and become obsolete and many other things happen to them. So, when you try to insert them into the operations to get a different bottom line, this is where the difficulty is.

So, it has been pretty well accepted practice now that this bottom line that's what it means. It does not mean a loss in operations. It means that's what was deficient. That's what the auditors are certifying to and so it's generally understood. Now, anybody comes up with a different kind of bottom line even when there are fairly good explanations, there could be an area of misunderstanding.

The other area is, especially a province like ours, has to go to the market. Even when we were under the previous system, for purposes of prospectuses, we had to change it around and put it on a combined basis. So, then we would be sending one kind of a signal to the investor and another signal to the people. I find that difficult to work with and because of these kind of situations, unless there was some very clear-cut definition so that there could be an understanding whereby I could follow and certify to something that would be meaningful, I would be back into the situation that I was at that time.

**MR. RANSOM:** Mr. Chairman, do I understand you to say that there are only one or two governments that don't follow the combined system of accounting or one or two that do follow it?

**MR. ZIPRICK:** Only one or two that do. For instance, Canada, Ontario, Quebec, Saskatchewan, Alberta now, B. C. now, they were following a bit of a different system, but I think they're back into that are following this system. In the Maritimes, I know New Brunswick follows a form of a modified system and they amortize the debt and they call the debt amortization as a charge against the year's appropriations as being an offset to the addition of fixed assets. Whether that matches in any one year specifically or not, I don't know. I haven't checked on it, but they do provide in their Estimates a substantial amount for this debt amortization which is in lieu of additions to fixed assets.

**MR. RANSOM:** I was always under the impression, Mr. Chairman, that most other provincial governments followed a similar system of combining capital and operating, but I take it from the Auditor's comments that is not a correct understanding that in fact most provinces separate . . .

**MR. ZIPRICK:** No, no. I'm sorry. I gave the wrong impression. Most provinces do not. The ones that I mentioned do not and it's only one that does separate, that I personally know of, and that is New Brunswick and they are on a modified basis.

**MR. RANSOM:** I don't think it was entirely clear from the answers that were given that was in fact the case, but that being the case, and presumably what the lenders are concerned about is, what is the government's capacity to service the debt and what their citizens are concerned about is how much money the

province is going to have to raise for its operations, whether their taxes are going to go towards paying operating costs or whether they're going to go towards building a road.

Therefore, it seems to me only logical that we continue to use this system of combined basis which shows the bottom line because the government either has to go to the markets and borrow money to cover the costs or they have to raise it through taxes. If the Auditor says, when you go to the markets with a prospectus, you have to show it on a combined basis anyway, I take it that the lenders wouldn't be too interested in coming in and the prospect of taking over the Norquay Building as a means of securing their lendings to the province.

Mr. Chairman, I'd like to know from the Minister then why it is that he would want to go against the recommendations or the statements made by the Provincial Auditor, why he would want to go against the practices that are followed by nine out of ten other provincial governments and why he would want to go against the practice that's required by lenders who are going to be purchasing the province's bonds, especially in view of the fact that there's likely to be a very considerable amount of borrowing by the government in the next few years?

**MR. SCHROEDER:** Mr. Chairman, the member is putting a certain amount of words in my mouth. I haven't indicated exactly what form the change, if it is made, will take. I take it from, for instance, the comments of the Auditor that the way in which Alberta shows those numbers is satisfactory to him. Alberta does separate out capital from current. Presumably, there are ways of working those numbers without getting into a great flap with investors who have as good a mathematical capacity as we do. It's not a very difficult calculation to make and we can certainly — as the Provincial Auditor was indicating, there has to be a bottom line. That bottom line can be met. That doesn't mean that there isn't a difference between Current and cCapital. That doesn't mean that the people of Manitoba don't see a difference between an expenditure for a productive plant, a school, a building — (Interjection) — well, schools are in a separate category, yes, but there are many items that are not in a separate calculation and we think they should be separated out. We think there is a difference in public expenditure, just as there is in private expenditure, in private corporations. Certainly private corporations would want to show their shareholders their physical acquisitions in the year and they would say, we've had a loss if wages and salaries and those types of expenses exceeded income. They would be in big trouble, but if they have acquired some physical asset and, although they have expended more money than they've taken in during a year, that doesn't mean they've had a loss. So, I think the public is interested in seeing whether we're just blowing money on Current expense, as opposed to some extent, also adding to our Capital assets. That's something we will be considering in the future.

**MR. CHAIRMAN:** The Member for Osborne.

**HON. MURIEL SMITH:** Mr. Chairman, I think one of

the concerns that many of us have had when we are valuing investments and monies put into things that are socially beneficial or add to quality of life, is that somehow they never get rated in any substantive way in financial statements. Rather than say, the way the other provinces are doing it is okay and the best state of the art, I think that we should as well be looking at new ways to give an accounting of the social assets that we are acquiring, if there were any way to measure the health and well-being of the citizens and could put that into a total cost-benefit or balance statement; I think we should be doing it. Now, having said that, I recognize we don't yet have the capacity to do that, but that is the goal of our government and figures, after all, are supposed to be used to give you useful data for making decisions. If we also have to produce data that is effective when we go looking for loans, we recognize that and want to have that kind of statement as well, but I think the question of how best to record our operations is still a very open-ended one and I don't think we should assume that there is only one system or that the one we've got is automatically 100 percent.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. SCOTT:** The hour is getting on now and I would wrap up fairly quickly, but I think there has been a touch of misrepresentation by the Member for Turtle Mountain on one's intentions or one's potential of switching the capital and current. Capital Expenditures, I don't think the Provincial Auditor even equates an expenditure on a house with his groceries. I don't see why an industry should not separate Operating and Capital Expenditures and the same thing, I think, goes for government. One has accounting policies; one has accounting rules and what one needs is definitions to run by. One of our biggest problems in the past was capital; was flipping money back and forth between Current and Capital; not having sufficient differentiation between the different levels of one being investments, one being in some cases loan portfolios, the other one being straight expenditures. One is running the ship of government. The other one is, in some instances, investing for areas where one can earn return; others can be in general. That's under Schedule A, I'll grant, but it can also be an investment can produce revenues through savings as well.

A classic example of that, I believe, is something that has already been mentioned, and that is buildings. If we rented the building that we're in today ever since 1914, I believe, when it was built, we'd be paying a heck of a lot more for it than we had paid for the initial investment and for the operating of the building since that point in time. I understand, from some information that I gathered a while back, that it takes about seven years for it to pay off for the government to build a building rather than renting a building and entering into long-term leases. So, that sort of investment, I think, is logical for it to be separated. In the end of course both for the distribution of public accounts and for our prospectuses or our offering circulars in Europe or wherever, one has to have a total figure of the total amount that the province is investing into assets and the total amount of money the province is spending towards the day-to-day

operations of government. To say that there should be no differentiations in the public mind of investment to spending and vice versa, I do not think is correct and I do not think that we should continue to follow along that line as narrowly as perhaps we have tried to in the past.

If we move into a division between the two, I would suggest that we do it with it as is presently listed in the Estimates and fully explained. That's the only way to do it. I don't want to go back to the old system where just one total amount of money was brought in and very little information given on it. I think, if anything, we maybe need more information on some of our capital projects because that really shows a lot of the intent of where a government is going.

**MR. CHAIRMAN:** Mr. Ziprick.

**MR. ZIPRICK:** I just want to make it clear that I am totally for and I would be against it if the Capital Expenditures were not itemized separately in the Estimates. They are now separated and I have no objections to highlighting them, providing additional totals, provided that when you come up with a bottom line, that whatever it's defined, that's the bottom line and then I can certify it on that basis.

**MR. CHAIRMAN:** Member for River East.

**MR. PHIL EYLER (River East):** I have sort of a problem I guess, reconciling what the Member for Turtle Mountain said a while ago about carrying buildings at no value because it's not the sort of collateral that a business would lend money to the province on, but there are other Crown corporations that are also assets of the province. I see on Page 60 that it says the investments are carried at cost which does not reflect the realizable value of the investments. It seems that some governments are not necessarily adverse to selling Crown assets or Crown corporations, so I was wondering why they are carried at cost and not at their current market value?

**MR. SCHROEDER:** I don't know. Is that a good question?

**MR. ZIPRICK:** Mr. Chairman, these Crown corporations are singled out because they are entities that are covered by their own fees rating to determine the amount of charges. The way it's laid on now, you recover the cost that you have spent and, if you started recording them at the present realizable value or the present replacement value and you started recovering it from the users of those assets, you would be building up substantial reserves into the future. Now, these are all kinds of arguments that you could go into. I am sure the Public Utilities Board, at this point in time, would not consider it as an allowable charge, but on the other hand when it comes to replacement, there is of course the higher demand. One says, well, does the present generation have to worry about replacing for the future generation? So you get into all kinds — but the reason that it's at cost is because for rate purposes and for accounting, the amount that's amortized is the amount that you've paid and that's to determine the kind of rate you will

set to recover the cost.

**MR. EYLER:** Well, perhaps you can tell me, how do we carry on our books the 5 percent of the shares in the bank that we own? Is that at cost or at market value?

**MR. ZIPRICK:** The investments of the shares are carried at cost. They are a short-term investment, basically.

**MR. EYLER:** It's a short-term investment carried at cost and if it's short-term, then it seems that it's almost by definition something that is disposable and it should appear on the credit rating of the province at its real value.

**MR. SCHROEDER:** Generally speaking, because it's short-term and there isn't that much difference. Now, if there was a very significant appreciation, I would say that it would be right that you should recognize it, but generally speaking there is not a very significant appreciation. It changes from day to day; it's highly fluctuative. To put it at March 31st right up by some small amount that may change the next day would not be too much of a useful purpose at that particular time. Now, if it was going to be held for longer and there was a very significant appreciation that was to be continued, I would say there would be merit for recognizing it, yes.

**MR. EYLER:** By significant then, do you mean in absolute terms or in percentage terms? I saw in the paper that the shares in the Northland Bank were worth approximately double of the purchase price. That's significant in percentage terms to me.

**MR. SCHROEDER:** I'm not familiar with that investment. Maybe Mr. Curtis could . . .

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

**MR. CURTIS:** I'm not certain about the present day value, Mr. Chairman, but certainly the value is up. I agree with Mr. Ziprick that as far as presentation's concerned, the book appreciation probably wouldn't be considered that significant by, say, SEC rating agencies.

**MR. CHAIRMAN:** Page 21—pass; page 22—pass; page 23—pass; page 24.  
The Member for Inkster.

**MR. SCOTT:** On page 23, if I could just slow us down a wee bit here, I understand the province has a new Comptroller at this point in time and could the Minister advise us when the comptroller was finally appointed?

**MR. SCHROEDER:** Yes, Mr. Fraser is in the room with us. He was appointed in November of 1981.

**MR. CHAIRMAN:** (Pages 23 to 31 were each read and passed) Page 32.  
The Member for Springfield.

**MR. ANSTETT:** Mr. Chairman, I'm wondering if in the last year the Provincial Auditor can advise us if the Cabinet of the previous government had taken any action with regard to the receipt of audited financial statements of proprietary personal care homes. It appears that there has been quite a lax attitude in getting these statements and providing opportunities for a complete audit under the regulatory power that was available to government. I'm wondering if there has been an improvement in that situation since the writing of this report.

**MR. ZIPRICK:** I understand that the requirement has recently been issued that they must supply the financial statements.

**MR. ANSTETT:** Thank you.

**MR. CHAIRMAN:** (Pages 32 to 34 were each read and passed) Page 35.  
The Member for Inkster.

**MR. SCOTT:** I'm wondering if the Provincial Auditor could indicate under his general comments on MHRC, page 35, of problems that they have had in the past with the lack of a comptroller and the problems that the management information systems, if he could elaborate a little bit on what kind of improvement there has been and how much improvement there has been in that operation or if there is a comptroller that has been hired now by MHRC as well.

**MR. ZIPRICK:** The last time that we've been in contact, there is evidence of substantial improvement in quite a number of areas. It looks like, when the next report comes out, that's what it'll be, but I would want to hold off any definitive observation until we complete the review.

**MR. CHAIRMAN:** (Pages 35 to 39 were each read and passed) Page 40.  
The Member for Inkster.

**MR. SCOTT:** Mr. Chairman, may I just back-step us a wee bit here to ask some comments of the Provincial Auditor on the scope that he sees his operation evolving towards and whether he is trying to move or wanting to move his department into a management auditing function as well as a financial auditor or do you feel, I guess, that the staff — I believe it has a very heavy accounting orientation right now — that it would be your responsibility to move towards management function of auditing, rather than sticking with the financial side and another office taking up the management auditing role for program evaluation and review techniques and that sort of thing, is what I'm speaking of.

**MR. ZIPRICK:** We have been into the management audit area for quite a number of years, but in a general way using the professional accountants with expended training into the general management area and it's systems based oriented. In other words, we evaluate the systems to see what kind of reports management is receiving and what those reports say and on the basis of these findings, we then re-direct our audits to

the specific problem areas.

Now, if there is any indication that there are some weaknesses that involve other disciplines we have not and now become involved to employing other disciplines, such as engineering, to go and analyze those particular weaknesses and their specifics, but this was left up to the management to get the kind of expertise that was necessary to determine what the problems were and how to resolve them. Basically, that's what we consider the mandate now and this is the area that we are operating. In several specific instances where there was a problem identified and by agreement, we have broadened a special audit to include other disciplines and have carried out this broad horizon with other disciplines to satisfy the specific needs and ensure that there is nothing untoward happened, but as a general audit approach we are not using other disciplines, but we are enlarging on the capabilities of professional auditors to get involved into the management area as much as possible with the best possible effect.

**MR. SCOTT:** Do you feel that area is more your role than it would be, say, a Treasury Board function or a Finance function of getting into management audits?

**MR. ZIPRICK:** There's the Treasury Board and Finance. They're part of management and in the first instance, it is up to management to ensure that everything is run as effectively. There's an internal control systems of various kinds; internal audit systems that do a self-correcting approach and management is satisfied that things are running well. The External Auditor and myself as Legislative Auditor, we oversee to see that's what is going on, so we don't duplicate what Treasury Board or what management, through the internal audit system, does. We review what's going on and if everything is working the way it's supposed to be, that's what we would report. If there are weaknesses, we would dwell on them. I consider the mandate under The Provincial Auditor's Act to be an overriding mandate in that area.

**MR. SCOTT:** I see, from here, you have 58 positions in your department or office I should say. How many new people have you brought on in the past year or the past couple of years? How many people have left to go for other audit functions or to pursue an accounting career also? I'm just looking for the type of how permanent the staff is and how mobile the staff may be.

**MR. ZIPRICK:** I don't have the specific figures before me, but in general, we have some turnover, but in my view it has not been excessive. Now, we want to have some turnover because if the people are moving along and progressing to the point that they are qualified for what they're doing, they will be bidding on or moving out into the other areas to assume higher responsibilities.

On the other hand, we always want to make sure that we do not have excessive turnover, that we are just continuously having inexperienced people evaluating. My assessment over the last number of years, that has not been the case. Our turnover has been generally minimal particularly at the senior level and I

consider of the kind that is not excessive.

**MR. SCOTT:** On the question of training, I see there's been some work done. You've brought in outside specialists. I take it, that is to upgrade the skills of your auditors in the area of computer auditing and towards a new, I guess, Management Information Systems and one thing and another. Are you still geared primarily towards bringing outside people in or do you have people within your own office now, who have sufficient expertise with their training other members of the staff as well?

**MR. ZIPRICK:** I have two positions, particularly, that are at fairly high level in computer expertise. I am still using the outside person as a resource person and I find it very useful because our office being geared to one area, we don't get that kind of a broad contact that a national or international firm will have. So, this particular partner of an international firm that I work with gives me the expertise in this much broader level as to what's going on. He provides us with material of what may be new things that are coming out. He assists us in developing our training program, but the general audit is carried out by the specialists at the higher specialized level and all our auditors are sufficiently trained in computer to be able to carry out a general audit by themselves in a computer area.

**MR. CHAIRMAN:** Page 40 — the Member for Inkster.

**MR. SCOTT:** In respect of auditing a Crown corporations and some of the more far flung, I guess, parts of your responsibilities, are you building up sufficient expertise within your own office to be able to take upon yourselves more of the audits of Crown corporations, recognizing that auditing a government is quite a different thing from auditing an enterprise which is in the free market place outside of the government?

**MR. ZIPRICK:** In our area, there are two phases of auditing and one is the audit to attest to financial statements or certify to financial statements; that's one area. That's a fairly structured area of audit that you carry out and that's what the firms have been carrying out that have been employed on the Crown corporations. I have a mandate that's broader than that to make sure that all this is wrapped into the total picture and the various management controls are in place and I have a senior assigned to every Crown agency. We carry out an audit on its budgeting and control features and review whatever else is found and wrap it into the whole system to ensure that there is co-ordination and nothing falls between the stools. So, that's a system that was brought in when The Provincial Auditors Act was changed about two or three years ago and I consider it be a very effective system.

**MR. CHAIRMAN:** 40—pass; 41—pass — the Member for Springfield.

**MR. ANSTETT:** May I move that we pass the exhibits en masse, Page 43 to Page 61, since they're only supporting exhibits.

**MR. CHAIRMAN:** (Pages 42 to 61 were each read and passed.)

Auditor's Report—pass — the Member for Springfield.

**MR. ANSTETT:** Some issues have been raised today, particularly the latter one by the Member for Inkster with regard to the auditing capability of the Provincial Auditor, but also the whole question of the presentation of Estimates. I would like to advise the Minister, Mr. Chairman, that I think that some of us may wish to pursue these matters in more detail when we examine the Public Accounts because I think there are some very interesting questions to be raised in terms of style of presentation and the whole philosophy of government as it's reflected in its financial reporting system which don't necessarily involve the Provincial Auditor per se in terms of his report, but I think has something to say to the Minister of Finance about the way in which some members feel government should be addressing itself.

**MR. CHAIRMAN:** I take it, it wasn't the wish of the Committee to pass the other reports, volume by volume, then?

**MR. ANSTETT:** No, Mr. Chairman.

**MR. CHAIRMAN:** For the time being, we're going on to —(Interjection)—

**MR. ANSTETT:** I would not want to stand in the way, Mr. Chairman, if no one else feels any need to come back again.

**MR. CHAIRMAN:** At the service of the Committee, Public Accounts Financial Statements, Volume 1—pass; Public Accounts Supplementary Information, Volume 2—pass.

**MR. ANSTETT:** Mr. Chairman, I would like to make a couple of comments then because I don't want to come back for a second meeting, since there are no other matters referred to the Committee. On the Motion that these two documents be passed, Mr. Chairman, I would appreciate the Minister of Finance examining in some detail the whole question of outside auditors. I think the use of outside auditors has been expanded to the point where I am not confident and I won't ask the Provincial Auditor to comment on this, but I'm certainly not confident that we have not in some way restricted the growth and development of his capabilities. We did not see significant savings. There has been an indication I understand that in fact, if anything, there's much greater costs, but not only are the dollar figures important. If we can save money by keeping more of this in House, that's fantastic alone, but more important than that I like to think, and I think there's some accuracy in my feelings in this area, that where the Provincial Auditor himself has some direct access in Crown corporations and the extent to which they operate at arm's length from government is an important element here. Where he has direct access in terms of that auditing function, we as members, whether we're Opposition members or government backbenchers, have much more con-

fidence that those operations are being audited thoroughly. We get very little opportunity to examine those Crown agencies and I'd very much like to see that done in such a way that we can have a little more confidence in what's going on. I don't have the confidence and I think we're wasting money at the present time.

Second item I touch on very briefly, I feel very strongly that at a minimum, the Alberta system of presentation of Estimates is required here and we should at least change that far. If possible, I'd like to see us go back to, if not all the way back to the system in effect prior to 1977, go most of the way back so that the people of Manitoba are expressly told every year exactly what the operating deficit or surplus of the province is, as opposed to the capital position of the province, with regard to Capital investments. I think that distinction has now been fudged and been lost. I know the Auditor is very much aware of it. I know the people who read the prospectus for bond issues are very much aware of it and they can differentiate between these things, but the people of Manitoba, the average man on the street, is now being told that we're going to have a deficit of somewhere between \$250 million and \$300 million for the last fiscal year.

Mr. Chairman, for political reasons, it may be very nice to talk about the size of that deficit because it belongs to the previous government, but realistically the people of Manitoba should be told that a very small portion of that is actually operating deficit and a large portion of that has gone towards investment in structures and assets that belong to the people of this province in the long term. I think that's important because otherwise, we're going to lock ourselves into a psychology which says we have to pay for everything as we go and we can make no investments in the future of this province. People out there want to know where we're making those investments and they have a right to know the difference between those investments and the on-going operating costs of government. Now, auditors and accountants, bond brokers can sort out those differences, but in terms of the public perception, most people in this province do not understand that there has been a substantial change in what the deficit figure truly represents as from 1975 as opposed to the deficit in 1980. If you told people the deficit in 1975 was such and such and that in 1980 it was a different figure, they wouldn't understand that it was on a completely different basis. I think we're developing a problem for ourselves in terms of being able to spend money on capital for the future of the province, if we lock ourselves into reporting these massive deficits every year.

I'll leave it at that, Mr. Chairman, thank you.

**MR. CHAIRMAN:** The hour being 12:30 - the Member for Inkster.

**MR. SCOTT:** I don't want to see us come back, but I'd like to get, not last licks but a last comment in on areas that I think we should be looking at for the Public Accounts, in particular, in the future and the Provincial Auditor should be addressing at the least. These are the areas. First off, the comparative years are very limited in here. Before, you used to have seven or eight years of comparisons. I fully understand the

difficulties when programs change to make things comparable over time, but it's one heck of an assistance when someone's trying to look through things, rather than having to go through six or seven books to see what the relative changes over time have been. We only get two years reported in the Public Accounts now.

The other area is something that is not reported on now and I think both the Provincial Auditor and the province have been very neglect in not trying to address this issue and that's the idea of tax expenditures and trying to give the people a bit of an indication of how much money is being spent, not through writing cheques, but not by receiving them in the first place, in other words, through tax exemptions, specific ones. We should be looking when there are tax changes, I would think that the Provincial Auditor may have within his purview to be able to evaluate the cost to the Treasury of that tax change or the benefit to the Treasury of that tax change, so that people can get a better idea. Right now, all we get is when the Minister of Finance stands up and says it's going to yield such and such or it's going to save so many people so many dollars, that sort of thing. It's a new area for the Provincial Auditor and I think it's an area that is valid so the public have a bit more information as to just what the impacts of Budget changes are because there's no follow-up whatsoever now.

With that, I'll conclude.

**MR. CHAIRMAN:** I thank the members of the Committee. This completes the Report of the Provincial Auditor and the Public Accounts for 1980-81 and the voluntary supplementary information, so it will not be necessary for us to meet on April 13th at 10:00 a.m., so the Clerk will be instructed to cancel that particular meeting.

Thank you very much. The hour being 12:30, Committee rise