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**Legislative Assembly of Manitoba**

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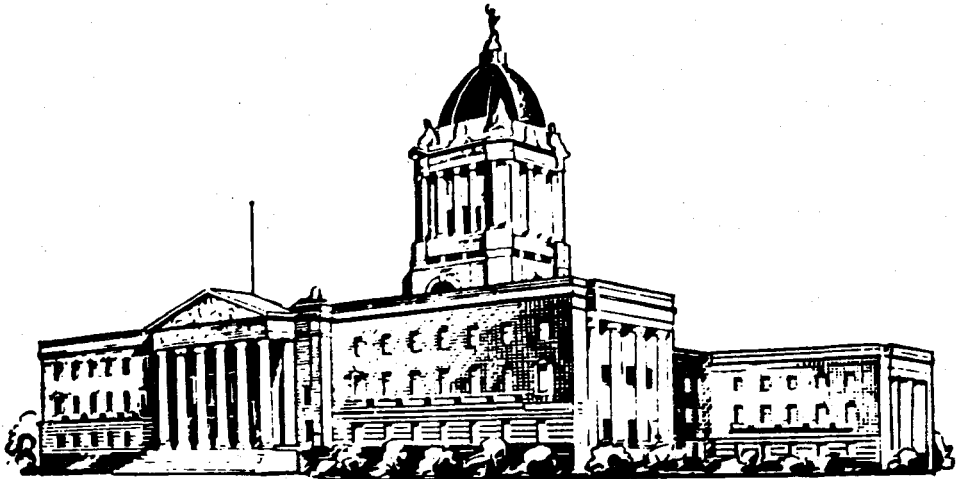
**STANDING COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Chairman**

**Mr. James Walding  
Constituency of St. Vital**



**Friday, February 2, 1979 10:00 A.M.**

**Hearing Of The Standing Committee  
On  
Public Accounts  
Friday, February 2, 1979**

me: 10:00 a.m.

**CHAIRMAN:** Mr. D. James Walding.

**R. CHAIRMAN:** Order please. We have a quorum, gentlemen, and the Committee will come to order. On the agenda at the last meeting we had reached page 27, The Department of Finance Page 27. Page 27 pass. Mr. Cherniack.

**R. SAUL CHERNIACK:** Mr. Chairman, the changes that are being recommended include the reports that are now being generated at the bottom of Page 27. Number 1 I know, Number 2 I know. Number 3, could you give elaboration on that?

**R. CHAIRMAN:** Mr. Ziprick.

**R. WILLIAM ZIPRICK:** Yes, there is a monthly Statement prepared on a comparative basis with the budget in substantial detail. Now, I get a copy and I know the Deputy-Minister of Finance is getting a copy. Now, I haven't seen a copy for some little while. I don't know whether it was continued or not.

**R. SAUL CHERNIACK:** Mr. Chairman, could we enquire from the Minister whether or not — because the statements are not being used because they are inadequate — have they been improved in any way — are they being used?

**R. CHAIRMAN:** Mr. Craik.

**R. DONALD CRAIK:** Mr. Chairman, I gather from Mr. Curtis that these specific ones are not being produced monthly. I could indicate they were in midstream of a financial information system study that we are aiming at having completed by June, where we will be generating probably something similar in nature to this, except that there will be departmentally oriented information that will then proceed on directly for summer use by the Treasury Board. Now, I think maybe on one of these questions I have no hesitation, providing Mr. Curtis wants to participate and if members of the Committee would like him to comment directly on some of these things, keeping in mind that the comments in here are Mr. Ziprick's comments and that between the two they may wish to answer the questions that come up.

**R. CHERNIACK:** Mr. Chairman I am really interested in the Minister's answers to questions dealing with Mr. Ziprick's recommendation. Now Mr. Ziprick mentions these monthly comparative financial statements which I am sure are broken down as to departments and do show the items, expenditures according to departments, I'm wondering whether it is Mr. Craik's decision that they should not be produced any more and whether he agrees that they were inadequate.

**R. CRAIK:** Well, I gather from Mr. Curtis, there is some limited use of them from the point of view of departmental utilization on those specifics.

**R. CHAIRMAN:** Mr. Cherniack:-----

**R. CHERNIACK:** Mr. Chairman, on the following page dealing with the same matter, monthly comparative financial statements, Mr. Ziprick has made specific recommendations as to how it can be used. Now, I gather from Mr. Craik that it has been dropped altogether which means I assume the recommendations have not been accepted and I want to know what is being considered as replacement for this. Mr. Craik says, next June, like by the end of the next session there will

be something done, but in the meantime, is the government operating even without these inadequate monthly statements?

**MR. CRAIK:** Well, what has been underway and it started late last fall, is that we've undertaken a complete review of the financial information systems that exist in the government with a view to doing a complete review of what information should be generated for internal management purposes by the way of financial information and we've had engaged in it quite a number of computer oriented really systems to look at, and we are going through the process of working with departments, through the individual ministers and the intent is to review a large number of options and to do it with the input of the departments, including the ministers in individual cases since the emphasis has shifted from the Management Committee to the departments, and we had originally thought that we would be able to complete it by about the end of March of 1979, but it will take us a little longer, it will probably be about June before we finish. But the intent will be to produce monthly statements on the financial information that is required, both the expenditures and revenue pictures, which will make it much more adequate from the point of view of departmental management and thereby also for Treasury Board review on a monthly basis. It would seem really that this same thing, that the form in which this information was being presented, I gather has not been utilized as fully by the departments as had been hoped and what we're aiming at is something that is more adequate and oriented towards the changes in the system that we have brought about in the year.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well does the Minister propose to discuss with this Committee what the proposed changes will be?

**MR. CRAIK:** Well, there will be two things. First of all, there will be the new Financial Administration Act, which will be coming into the Legislature and I think will be in probably within about two weeks. This same topic, I presume, will have a pretty thorough airing when we go through it and I presume the Legislature will likely refer the Financial Administration Act changes to the Committee probably for review. It's really a parallel Bill to the Provincial Auditor's Act which also be coming in at the same time.

**MR. CHERNIACK:** Is Mr. Craik suggesting that the Financial Administration Act will include provisions for such matters as monthly comparative financial statements and what is being worked on for internal use?

**MR. CRAIK:** Well, as I indicated, the date that we expect to have the study completed and the options narrowed down, will be later than that date.

**MR. CHERNIACK:** That's why I asked, Mr. Chairman, whether it is the intention of the Minister to bring these considerations to this Committee before they are brought into actual use.

**MR. CRAIK:** You mean the financial information?

**MR. CHERNIACK:** The changes that you are proposing relating to more effective accounting and the monthly reporting which is recommended by Mr. Ziprick, and which Mr. Craik says is being worked on, and will know something by June, is it Mr. Craik's intention to involve the committee in the consideration of the proposals?

**MR. CRAIK:** I would think probably not, Mr. Chairman.

**MR. CHERNIACK:** Well, I would only comment then, Mr. Chairman, that Mr. Ziprick has brought this to the attention of the Legislature, which has referred his report to this committee, and Mr. Craik who says that he is working in accordance with improvements, apparently along the lines suggested by Mr. Ziprick, is not proposing to discuss it with the Legislative Committee. I think that's what he said.

**MR. CRAIK:** I think, Mr. Chairman, if we followed that sort of procedure or mechanism for bringing about changes in management, that would imply that any time the Provincial Auditor mentioned anything in his report that it was then within the purview of the committee to make decisions regarding to changes, would make it very awkward to administer as a government. I don't want to make the assumption that if we followed that in every case and any time anything was mentioned

/ the Auditor that nothing could be acted on unless it was brought to the committee?

**R. CHERNIACK:** Mr. Chairman, I did not suggest that this committee has to approve or disapprove and in that way veto an internal administrative arrangement, but it did occur to me at once Mr. Ziprick brings to our attention improvements which are suggested that then it should be incumbent on government to say to the committee, "This is the way we're dealing with it", but certainly I don't feel that this committee must be consulted nor has the power to vary it, I'm just saying that consideration ought to be brought to the Committee so that we can know how the government is dealing with Mr. Ziprick's comments. That is the only point I'm making.

**R. CHAIRMAN:** Any further questions on page 27?

**R. CHERNIACK:** The departmental estimates, the recommendation by Mr. Ziprick, Item 1, is the government acting on that?

**R. CRAIK:** Well, Mr. Chairman, Mr. Cherniack, he recalls better than anyone else probably that I had a go at this back several years ago, at the time when I think he was Minister in the early 70's and we've had a look at it, we still don't have any better final mechanism devised for bringing information to the Legislature through the estimates. I agree with the statement, the answer to it is still not clear. We are still looking at it and open to making changes but we've been devoting a lot of time that we have had to make changes first of all, to the financial information systems that have indicated, we're still open to making changes in the presentation form of the estimates. I haven't got anything important to report at this time. **MR. CHAIRMAN:** Mr. Cherniack

**R. CHERNIACK:** We're about to enter into a session, the third session of this Legislature, and I'd like to understand that the estimates that we will be receiving this session will be in the same format as those we have received in the past number of years?

**R. CHAIRMAN:** Mr. Craik.

**R. CRAIK:** Basically.

**R. CHERNIACK:** Mr. Chairman, then I am forced to ask what all this fuss is about about zero-base budgeting that we heard so much about from the Conservative Party.

**R. CRAIK:** Zero-base budgeting, Mr. Chairman, if you want to get on zero-base budgeting it isn't necessarily tied to a form of presentation of estimates.

**R. CHERNIACK:** Mr. Chairman, I have some superficial understanding of what zero-base budgeting is, but since Mr. Craik and Mr. Lyon made such a big deal of, platform pledge that they will introduce zero-base budgeting, are we then informed that the benefit of zero-base budgeting is something that we and the public will know nothing about, that will not in anyway affect the manner of presentation and therefore, debate of the estimates. Could Mr. Craik clarify how zero-base budgeting as he envisioned it, is going to make it easier or better or more understandable to the public and the Legislature to discuss the estimates that will be brought in.

**R. CRAIK:** Well, I think Mr. Cherniack is talking about two different things, Mr. Chairman. One, the presentation of the estimates and the other is zero base budgeting and I don't know which one you want to deal with. I've indicated that with regards to the estimates presentation that this is still under review.

He asked specifically whether, at this session of the Legislature—I think he referred to as the third session, I think it's the second time estimates have been presented — that for the second time of estimates are there not changes. There will not be substantial changes in the presentation form of the estimates. I indicated that we did not wish to indicate by that that we were not going to change the form of the estimates, we would very gladly make the changes, it's still under review. Of course we will bring in changes if we can find a format that we would want to recommend to this Committee, that would act as a better vehicle, or presentation of estimates.

**R. ZIPRICK:** Just as a matter of added information. Since this report has been issued the Auditor General of Canada has issued a report, and in that he outlines some methods of estimates presentation that they've gone into quite extensively and researched, and have some very good ideas from what I've seen, so while the estimates are under consideration this area should be given a look at.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, we did introduce a consideration of a change in presentation of estimates, as I recall when I was Minister of three different departments where we had them side by side — as a matter of fact we had them the way Quebec did it and the way Ontario did it and I'm not sure about Alberta — but we had several forms, and I did not find that there was much change in the manner, or the appreciation of the debate in the House or in Committee, therefore the format did not reflect a change in the manner in which the estimates were arrived at by the Government, but I am asking Mr. Craik whether — well let me put it more bluntly have they introduced zero base budgeting into the estimates formation for this year?

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Well, the zero base budgeting, again, does not affect the format of the estimates. What's going to affect the format of the estimates more directly, is the development of the financial information systems because it is going to utilize more effectively computer application, and it would be more advisable to gear the estimates format to something that ties in logically with the evolution of that program, not necessarily zero base budgeting. Zero base budgeting is only a technique of examination of programs and is a means of getting at the program on a more fundamental basis than may be possible otherwise, but it doesn't tie in directly to the format of the estimates. The format of the estimates can be more effectively influenced by the financial information systems that are going to be used on a monthly basis to operate as a guide to departmental management.

**MR. CHERNIACK:** I wonder if Mr. Craik would mind answering my question, have they introduced zero base budgeting?

**MR. CRAIK:** Well, zero base budgeting has been used in one form or another all the way through. But when you ask the question, do we use zero base budgeting, if you use the term in its most basic form do you go right back and ask the questions starting off with zero, what is the end objective and how do you get there? From that point of view the general approach of zero base budgeting is used and any time a new program, after you have done that once, you really are using the technique of zero base budgeting on any new programs that you are giving consideration to.

**MR. CHERNIACK:** Mr. Chairman, the reason I raise that is that the kind of answer we've just heard from Mr. Craik is the kind of answer that I used to give when I was a minister and subsequently when people talked about the value of zero base budgeting, and I said exactly what Mr. Craik said. But the fact is Mr. Craik and Mr. Lyon made quite a big issue about how they will change the whole estimates consideration to a more realistic way by bringing in zero base budgeting, and I am therefore asking: What did they do? And I am beginning to think, and I want to be corrected if I'm wrong, beginning to think they didn't do anything differently than the previous government had done, which is, when you look at a new program you assess it from zero up, when you look at an old established program you assess whether or not you continue with it and what changes are to be made, but you don't again start from: Do we need a Minister, do we need a deputy minister, do we need a secretary to the minister, which is zero base budgeting. Now, I just want to know, in light of their campaign promises, whether there has actually been any realistic meaningful change brought about by the phrase "zero base budgeting" which is part of their election platform?

**MR. CRAIK:** Well, Mr. Chairman, Mr. Cherniack may well have used the technique he's indicated but the technique we found that the former government used, when we arrived at government was not a fundamental method of re-examining the intent and purpose and goals of programs. It was an adversary type of approach where a department presented what it wanted to do. The former government set up a management committee that prepared a second set of documents and the members of the Management Committee sat and watched them have at one another and went out with some sort of a compromise or solution at the end of it, and that was the system that was in existence when we entered into the position of preparing estimates over a year ago. When we first started, which we found to be an entirely inadequate system and a very inefficient system because it wasn't a fundamental system asking questions from square one as to why a program existed, it was a case of taking two sets of documents, one prepared by the departments and a second unnecessary set established by the Management Committee. So, this year what we've done in preparing the estimates, is gone back to the departments and basically, applied the principle of zero base budgeting in having the departments come directly before the Treasury.

d substantiate their programs as if they didn't exist — which is zero base budgeting — through the point where the amount was established, but without introducing this second party — which incidentally, to repeat, was absolutely unnecessary, was a burdensome unnecessary overhead in itself and otherwise— and which we did away with, and now that mechanism is much closer to zero base budgeting.

Now, we didn't go in and say to them, here's the religion, the religion is zero base budgeting, we won't talk to you unless you can come in and prove you are ZBB. We said that we want you to come in the fundamental programs and defend them from the point of view of whether they could exist or not, those are the fundamentals of zero base budgeting and work up from there. So, if you are asking did we put a ZBB straightjacket on departments and give them marching orders the answer would have to be no, but were the principles of that involved the answer would be yes, to a much greater extent than — I don't know ever existed but certainly existed when we inherited the responsibility of government.

**I. CHERNIACK:** Mr. Chairman, there are a number of interesting points raised which I don't think I want to explore too far except to say that we took over the Conservative Government's procedure of Management Committee as set out in their P. S. Ross Report, and I think we found it pretty useful. The fact that they don't think it's necessary to have an independent overview of the programs and estimates is the way they are proceeding with it, but I don't accept their suggestion that it was a bad system. I think it was a pretty good way of assessing it. Now, apparently the department presents the estimates to some political leadership and they make a decision that way. Mr. Craik prepared to accept the recommendation No. 1 of Mr. Ziprick wherein he definitely makes it clear that — he's not suggesting in No. 1 any change, he's just saying let us see what you are doing, let the Legislature and therefore the public, see how the departments are justifying their requests for money. And I ask Mr. Craik, again, are you prepared to accept No. 1, and if so, is that this session that you will do so?

**I. CRAIK:** Mr. Chairman, let me just backtrack for a moment to the zero base budgeting. I am going to, in answering that question, indicate that the strict rules of a zero base budgeting mechanism were not laid down for the department to follow, but in advance of doing the estimates review, there were a series of seminars held for all the departments to go over the principles and to go over the basics of zero base budgeting, so that the concepts behind it which are fairly fundamental were gone over before the estimates were done.

Now, with regard to the format of the estimates, I've indicated that we're open to making changes in the estimates presentation. I think that they would evolve most logically out of the Financial Information System Study that is under way at the present time, which wouldn't be in place for the session of the Legislature, but will be available for consideration for future sets of estimates.

**I. CHERNIACK:** Mr. Chairman, recommendation No. 2 says: "The Legislative Estimates could be much the same as now except for the Other Expenditure category being expanded." I understand from Mr. Craik that the intention is to do the same this year as in previous years. But, Item 1 asks about departmental estimates and suggests that they should be presented to the Legislature. I have to ask Mr. Craik again, is he intending to do that for this Legislative Session?

**I. CRAIK:** Well, there is no substantive change in this set of estimates. Now, what's your specific question again?

**CHERNIACK:** To repeat it, it's Item 1 I'm dealing with, on Page 28, not Item 2, but Item

**CRAIK:** But you made reference to 2.

**CHERNIACK:** Well, I said, Item 2, the suggestion is that they be much the same as they were in past years and Mr. Craik said they would be. I said; "All right I understand that for Legislative estimates but Item 1 is the recommendation, very clear, that the Departmental Estimates should be presented as a public document and I'm asking, is he proposing to do that?"

**CRAIK:** Are you referring now to the detailed departmental estimates that come before they're filed into the estimates that are filed in the Legislature?

**CHERNIACK:** I believe that's the case. Mr. Ziprick could tell us best how to interpret his words. I think that's what he means.

**MR. CHAIRMAN:** Mr. Ziprick Yes, that's the estimates that are presented to the Treasury Board for consideration and by and large that's the estimates that the Minister has in the Legislature a reads from when all the questions are asked, so to a large extent when I took a look at Hansa by and large it is reproduced but it is reproduced in a haphazard way is going on ' the totall during the time the Legislature discussion is going on and I just feel that it would be much more efficient and effective if rather than the Minister relating and reading all these various figures the number of man years and the person that is asking the question totalling it up, that it v made available to him and then they could be immediately talking about these specific things with having to transcribe all this information through Hansard in the Legislature.

**MR. CHERNIACK:** No, now that Mr. Ziprick has elaborated on it, I am asking Mr. Craik, is going do it or isn't he?

**MR. CRAIK:** I have indicated earlier that there is no substantial change in the presentation of estimates this year.

**MR. CHERNIACK:** Well, that means to me that he is not going to carry out this recommendation or accept recommendation No. 1.

**MR. CRAIK:** Well it is not a case of rejecting the recommendation. I don't know how many times — I guess it's like every other questions Mr. Cherniack ask you have to answer it about three times I've said that the emphasis on the financial information systems and out of that would most logic evolve changes in the presentation of the estimates and their format.

**MR. CHERNIACK:** For the fourth time may I ask Mr. Craik to answer the question for the time. So my question for the fourth time, which he has not yet answered, is: Is he accepting recommendation No. 1 for this coming session? It is just that simple.

**MR. CRAIK:** The estimates as they will appear this year will be substantially the same as were last year.

**MR. CHERNIACK:** Well, Mr. Chairman, then - -.. I have to say that he has answered it but refuses to say so. He has said that he will do as recommended in 2, that he will not do what it says. Now I don't know why he is not prepared to admit that he said that he will not do it because the fact is, it has not been done in the past and therefore and he does not intend to change Why does he find it difficult to answer my questions when all he has to say is, I am not accepting the recommendations for this year. That doesn't mean he is rejecting it for all time. It would make as I now interpret him that he is not accepting the recommendation for this coming session. should that be difficult for him to say that?

**MR. CRAIK:** For the fourth time the format of the presentation will be the same this year was last year basically.

**MR. CHERNIACK:** All right, Mr. Chairman, I am no longer asking the question I'll make the assumption that Mr. Craik for some reason unknown to me is not prepared to state categorically that for coming session he is not accepting recommendation no. 1. That I believe is the true answer to the question I've been opposing I think the fifth or sixth time, now.

**MR. CRAIK:** Well, Mr. Chairman, in due course as we develop the systems and the financial information systems and overcome the mess that Mr. Cherniack left when he departed.

**MR. CHERNIACK:** That's always the excuse.

**MR. CRAIK:** Well when you have got an excuse that is as well founded as that one you have as well as not overlook it. We'll and you will find that we will adhere much more closely to the admonitions of the Provincial Auditors than was done under the former administration. I can assure you that undertaking.

**MR. CHERNIACK:** Mr. Chairman, Mr. Craik's defence is the usual defence that he falls back on when he finds that he is unaware of what the answer should be then he refers to the mess that he never proved and which he constantly repeats for his own self-satisfaction.

**R. CRAIK:** Mr. Chairman, Mr. Cherniack obviously doesn't know what a mess is when he sees it, all he had to do was read the last four reports of the auditor.

**R. CRAIK:** I see it now.

**R. CHAIRMAN:** Any further questions on page 28?

**R. CRAIK:** Well, maybe Mr. Cherniack would make comment on the fact that one of the commendations has been done and that is to bring in the quarterly reports. Of course, that isn't equate for him, he wants to know if there is monthly ones now but the quarterly reports have been brought out and have given a much better picture to the interested taxpayer of the financial situation and the financial proceedings of the Province's financial affairs. So, perhaps we can at last put that on the record. I suspect that Mr. Cherniack in his usual way would want to overlook the fact, that is not quite good enough. Not only did they not bring out quarterly reports, he wants to submerge that by saying where's the monthly reports.

**J. CHERNIACK:** Mr. Chairman, Mr. Craik is now embarking on a trading of insults program of which is not new to me either. I would suggest that he read recommendations three and four and discover that there is a difference between monthly comparative statements and quarterly financial reports as suggested by Mr. Ziprick. If Mr. Craik took the time to read, rather than the time to think about insults, it would be more helpful I think to both his government and this committee.

**J. CRAIK:** Well, Mr. Chairman, let's just put on record that my experience with Mr. Cherniack is that his whole game plan is to deal in insults.

**J. CHAIRMAN:** Page 28, gentlemen. Any further questions? If not, page 28—pass. Page 29. ... Wilson.

**J. WILSON:** Yes, under this section, accountability for grants and transfers, I would assume that you are embarking on a different course to try to observe some of the auditor's concerns with the different organizations that we do review in a sort of arm's length fashion and I looked at this book and it was through — — — — — this that I felt that certainly he might want to comment and want to be fair in my choice of words but I felt that that the past government did very little to monitor these organizations in their accountability for spending money and I refer in particular as well, that I went to page 119 which was the Manitoba Centennial Centre Corporation and it was not a simple concern that a restaurant operated by the former government had lost \$24,103 in a particular year, the concern being if it was going to continue to be in this position, why? And much to my surprise, a particular problem came up which indicated that the former government had allowed over \$220,000 to be lost in this, as I call it, the "NDP Restaurant", and seemed to be — well, my colleague says it was "The William Tell Overture", but irrespective of that I feel that at some point in time, does the Auditor's Department not have some check on a particular type of thing, i.e. a restaurant, that would allow the taxpayers of this Province to pay for a bath for over \$200,000.00. Are these people that autonomous that they have no accountability or do we just continue to fork over the money to them? Some of the organizations mentioned in this book, have those kind of problems. Now, the second part of my question is, where do the other people that get grants fit in? I saw a thick file on the Art Gallery and I notice with interest in the next paragraph, he deals with hospitals and schools, and certainly the give-away attitude of many of the administrators of the universities in leading the way in wage settlements and that are something that we're getting the credit for. I'm saying that if I'm going to sit as part of a group that's going to get the flack for a restaurant that loses over \$200,000 and a University that's going to give huge wage settlements out any concern that the unions are going to come up and use that particular settlement as a comparison, then I'm going to suggest to the Auditor's Department that they've got to somehow either let the Government know, or is this the responsibility of the politician?

**CHAIRMAN:** Who is your question directed to?

**WILSON:** Well, my question was directed to Mr. Ziprick, because of the fact that under this report's Report, he generalizes and says that he kind of feels that the reporting of these grants to organizations are sort of inconsistent, and sort of, possibly unsatisfactory — and that generalizing of puts me in a bad position because I then have to do the specific research. I was fortunate enough to stumble across this one horror story from the former Government, but I am sure that



if I had time, I could come up with a lot more so what I am saying, is there any plan in the future to zero in and spell out, in this case the restaurant or do you not have the staff or the time, this new system we're developing going to open the window so that we can then question some of these organizations which are funded by taxpayer's dollars.

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

**MR. ZIPRICK:** Well, essentially this new system is to create a reporting procedure whereby the things would come forward for consideration. Now there will be a tighter cost control and accountability. That in itself, provides a discipline that could presumably reduce some inefficiencies and losses, but doesn't necessarily mean that there won't be any of these kind of losses. Anything that you get involved in any kind of undertaking, you're always running the risk of having a loss regardless of how well you manage it, but what this suggests is that there be a laid-on system of accountability through to the Legislature, and then directed for the consideration of the Committee.

**MR. WILSON:** Well, maybe what I am looking at is, is it not proper for me to expect as a backbencher. . . or for instance, possibly a member of the former Government, would someone in the former Government not have been concerned that the former Minister of Public Works was running this restaurant in 1973 for a \$103,000 loss?

**MR. CHERNIACK:** . . . don't involve the Minister of Public Works.

**A MEMBER:** That's right.

**MR. WILSON:** Well, the point is that it was under his responsibility.

**A MEMBER:** No, the building was.

**MR. WILSON:** Well, are these complete? The question I have then, are these particular organizations that particular autonomists that there is no responsibility politically or on behalf of the government to . . . What I am trying to get at is, do I blame Derek Bedson for running this restaurant for a \$225,000 in the hole, or do I blame the former Minister of Public Works?

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

**MR. ZIPRICK:** The procedure in this regard is that the business is run. Now if you try to control everything at the front end, then the Minister or some person would have to approve everything so there has to be a system laid on and a managerial structure that having presented the budget they proceed to operate in accordance with the budget. Now it won't always turn out to be the way. There will be differences and this is where the accountability comes in. When there are differences the proper accounting has to be made as to why there are differences. Now if they arise through mismanagement there should be a change in management, but if you are going to run businesses and manage, there are times that losses are inevitable. The question is to have a system whereby they are detected, the reason for the losses is ascertained and appropriate corrective action is taken, and this is what is being suggested.

**MR. WILSON:** Well, then from that answer, I gather then that in a sense according to this answer on January 5th. that this restaurant is going to open up again in the middle of February. I guess I should approach my cabinet to say what are we doing inheriting this white elephant from the former NDP Government, or are we going to run it efficiently, or are we going to lease it to the private sector? I guess that is where I should take my concerns. Is that correct.

**MR. ZIPRICK:** That's right.

**MR. CHAIRMAN:** Mr. Orchard, on the list. Is it on this topic? I'll come back to you, Mr. Parasiuk.

**MR. PARASIUK:** Mr. Chairman, I'd like to clarify for the record some facts. That restaurant Mr. Wilson is talking about is under the aegis of the Winnipeg Centennial Centre Corporation. The chairman of that corporation is Derek Bedson, the clerk of the Cabinet. He has been the chairman of that corporation. I assume that he still is the chairman of that corporation, so that trying to lay some accountability on that particular operation on the past Minister of Public Works is

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quite devious and unfair, and I think the facts would clear that up. If he has any particular concerns on this matter, then I think he should certainly take that up with the Cabinet. If he feels that the board and the chairman have not handled their responsibilities correctly, then I think that it is incumbent upon him to take that up with his own Premier.

**R. CHAIRMAN:** Mr. Wilson.

**R. WILSON:** Well, I'd like to respond to that, Mr. Chairman, in that I wondered where the members of the former government were since 1973 to allow these losses to continue to take place. I mean, there is a steady pattern of losses every year, and in fact in 1976 it closed. Now, somebody in a political section of the government, or the management committee had to order it to be reopened. What I can't comprehend is why in 1976 they would reopen it. I know it was probably against their philosophy to have it leased out, but I would suggest that running of restaurants is not a particular government function, and I would hope that our government would see fit to tendering it out, especially in light of the fact that what it is doing, it is telling the taxpayers when we read this particular report that we've got this unbelievable budget that comes forward of a million and a half dollars — well, it says total expenditures \$1.6 million. That to me is not a ham sandwich, and I think that if part of that, \$103,000 is a loss in a restaurant, I think that could be put to better use in dealing with the Man and Nature or other things that are in the complex, and I just really would like to see the Auditor, in the future, that if for some strange reason our Conservative government doesn't get rid of some of these things like the running of restaurants, that he commend if they are still continuing to lose money that some changes be made.

**R. CHAIRMAN:** Mr. Parasiuk.

**R. WILSON PARASIUK:** Mr. Chairman, once again Mr. Wilson is trying very desperately to prevent the facts from obstructing the mud. We have a situation where the William Tell Restaurant chain did, in fact, take that restaurant on. It's a private company, it operated under a contract arrangement, under a tender arrangement, and it turned out, as a private company, to have lost money and blame that upon the public sector shows again Mr. Wilson's attempt to dig up mud rather than facts. And, in fact, if that's the product of 14 months painstaking research by the Member for Colseley then I think that he should probably take another 14 months and get his facts straight.

**R. WILSON:** Yes, I'll close because I wanted to talk to the Auditor about the report, but I think I've responded in that the bottom line is that the taxpayers were faced with dipping into their pockets for over \$220,000 for running of a restaurant that was created by the former government. Now, how he could say that I am shifting the blame, I just simply say that I express the concern about it in the future, and again the whole purpose of examining the Public Accounts and examining the horror stories of the former government, is so that our government doesn't make the same mistakes.

**R. CHAIRMAN:** Mr. Orchard.

**R. DON ORCHARD:** Pass.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** No, I just wanted to ask Mr. Ziprick the extent to which the Minister of Public Works is, or was, responsible for the operation of a restaurant in the Centennial Centre?

**R. CHAIRMAN:** Mr. Ziprick.

**R. ZIPRICK:** Well, the operations were under the Centennial Centre Corporation and there's a board operating, and the Minister — and I'm not sure whether this board was reporting to the Minister of Public Works or not — but whatever Minister was reporting, they'd be the same kind of relationships as there is between the Minister and, let's say, Hydro, a Crown Corporation relationship.

**R. WILSON:** That's right.

**R. CHERNIACK:** I just raise it, as has already been mentioned, Mr. Wilson is quite prepared to constantly attack individuals without knowing whether or not they are indeed involved in

I thought it should be clarified to him that he now jumps to a bottom line when he was firstly attacking an individual. It would help him a lot better if he were a little more honest in presenting facts.

**MR. CHAIRMAN:** Anything further on Page 29? If not, Page 29—pass; Page 30—pass; Page 31—pass; Page 32—pass; Page 33—pass; Page 34—pass; Page 35. Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, dealing with the Liquor Control Commission. I would like Mr. Ziprick's clarification on who is doing the audit of the Liquor Commission.

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

**MR. ZIPRICK:** I'm sorry, what was the question?

**MR. CHERNIACK:** Who is doing the audit of the Liquor Control Commission?

**MR. ZIPRICK:** The Provincial Auditors.

**MR. CHERNIACK:** Pardon?

**MR. ZIPRICK:** My office.

**MR. CHERNIACK:** Is there a change announced last week?

**MR. ZIPRICK:** There'll just be a change of contract work instead of employee, but it's still responsibility to carry out the audit.

**MR. CHERNIACK:** Mr. Ziprick, under the legislation, as I recall it, you are supposed to be doing the audit of the Liquor Commission, is that correct?

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** I'm just looking for that. There's no option in the legislation to give it to another auditor or to you, it must be you. Is that correct?

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** Now, there are other Crown corporations that have been announced to have new auditors where the Lieutenant-Governor-in-Council has the right to appoint either you or someone else. That's correct?

**MR. ZIPRICK:** That's correct.

**MR. CHERNIACK:** What distinction is there between the Liquor Control Commission and, let's say, Manitoba Hydro so far as audit is concerned?

**MR. ZIPRICK:** The distinction will be that, provided the fees are acceptable, they will be working for me, under contract to me and I will still direct the audit.

**MR. CHERNIACK:** Whose decision was it that the audit of the Liquor Control Commission will be as you say, contracted out?

**MR. ZIPRICK:** The government's request for contracting.

**MR. CHERNIACK:** Mr. Ziprick, as I read the Act, and the Act Section 28, subsection 3 says; "books and records of the Commission are at all times subject to examination and audit by Provincial Auditor." Does that mean then, Mr. Ziprick, that you have been requested — or I say instructed, is that a wrong term to use — instructed that in the case of the Liquor Control Commission you should contract the work out to private enterprise?

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** That's correct. And that decision then is not your decision.

R. ZIPRICK: That's not my decision.

R. CHERNIACK: Although the Act specifically states it shall be done by you, you are accepting a decision of the present government that it will be done by someone who is not employed by you?

R. ZIPRICK: They'd be working for me under contract.

R. CHERNIACK: That is a firm will be working. What about the individuals doing the work?

R. ZIPRICK: Well, the individuals doing the work will be directed by my staff member.

R. CHERNIACK: But they will not be in the employment of government, or of your department?

R. ZIPRICK: Well, they'll be in employment of my department under contract to me.

R. CHERNIACK: Will they be shown as a staff man year in your department?

R. ZIPRICK: No.

R. CHERNIACK: Are you then saying that people who will be doing work for you will not be shown as being employees of government?

R. ZIPRICK: That's right.

R. CHERNIACK: So that, in effect, there will be . . . Do you know how many staff man years have been involved in the Liquor Control audit in the past?

R. ZIPRICK: Just about one staff man year. I can check it. Just a little over one staff man year.

R. CHERNIACK: And how many will you have now under the proposed change? .

R. ZIPRICK: You mean the total package that was announced as to . . .

R. CHERNIACK: The Liquor Control Commission.

R. ZIPRICK: How many I'll have . . .

R. CHERNIACK: How many staff man years will be spent on the Liquor Control Commission.

R. ZIPRICK: Hopefully just one and about a quarter, I guess.

R. CHERNIACK: But you will be assigning some person in your own staff to supervise the work being done by this private firm.

R. ZIPRICK: That's right.

R. CHERNIACK: To what extent will there be duplication of effort?

R. ZIPRICK: Well, it should be relatively minimum because it would be the same kind of supervision as if these people were on my staff.

R. CHERNIACK: But will your supervising person have the authority to instruct a member of the private firm to do or not to do some part of the audit.

R. ZIPRICK: That's right, he will, because it's my responsibility to decide what kind of an audit will be carried out and I'll be signing the certificate.

R. CHERNIACK: You've already been instructed as to which firm is to do the Liquor Control Commission.

**MR. ZIPRICK:** Instructed to negotiat with a firm.

**MR. CHERNIACK:** Well, as I understand it they were actually appointed, it's been assigned them.

**MR. ZIPRICK:** No, those particular audits, as I understand, I've been given firms to negotiate w and this is what I'll be doing.

**MR. CHERNIACK:** I see. Well, under the Public Service announcement or whatever they call th News Service, Mr. Craik announced that 13 Crown corporations and commissions of which the Liqu Control is one, have been assigned to established accountancy firms as one of the steps to ensu the further independence of these agencies. So it says here that a firm, whose name I needn't menti because it is not important, that the auditing function was assigned to that firm for the Liquor Cont Commission. Are you suggesting that it was not assigned to them and that firm is not going be the one that has been given the responsibility or the benefit of doing that.

**MR. ZIPRICK:** That firm, I am now or will be reviewing with them and getting a quotation of th fees, and if everything is acceptable they will be doing it, but if it isn't it's not necessarily t they would be.

**MR. CHERNIACK:** Is there an Order-in-Council appointing them?

**MR. ZIPRICK:** No, in this case there is no instrument other than the Treasury Board directive ask me to negotiate or use these firms in the audit in lieu of getting staff otherwise.

**MR. CHERNIACK:** Was there an Order-in-Council for this, with a number assigned to it?

**MR. ZIPRICK:** No, this cannot be assigned by Order-in-Council because by legislation responsibility is mine, and instead of giving me staff on payroll, they're asking me to obtain s by contract, and that's the way I am proceeding.

**MR. CHERNIACK:** Now that means then that the cost will be paid by you out of your Departme budget.

**MR. ZIPRICK:** Well, the cost before was paid and recovered from the Liquor Commission.

**MR. CHERNIACK:** Yes, and in this case?

**MR. ZIPRICK:** The same procedure.

**MR. CHERNIACK:** It will be the same procedure, it will be paid by you and you will recov from the Commission.

**MR. ZIPRICK:** Yes, we have used the system in the past where the firm billed me, I appr the billing and asked the particular corporation to pay directly.

**MR. CHERNIACK:** Is that the way you propose to do it?

**MR. ZIPRICK:** I would think I would probably have it paid directly. I used that system before it avoids another vouchering system but it could be paid out of my appropriation and recov from the Liquor Commission.

**MR. CHERNIACK:** Mr. Ziprick, you say that the Liquor Control Commission is different from Hydro, in that the Act provides that you shall do it.

**MR. ZIPRICK:** That's right, there's five in that group that are by Order-in-Council, and the are by contract arrangement.

**MR. CHERNIACK:** Could you clarify which are the five?

**MR. ZIPRICK:** Manitoba Hydro, Manitoba Telephone System, Workers' Compensation Board, I Racing Commission and the Manitoba Boxing and Wrestling Commission. Then the Leaf R

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own Properties Limited is a company incorporated under the Manitoba Companies Act. The Minister of Finance holds all the shares so he can appoint the auditor under the Companies' Act auditor. Venture Tours Limited is another company incorporated under the Manitoba Companies Act and the Minister of Finance holds all the shares so he can, as a shareholder, appoint an auditor. Then, the Manitoba Public Insurance Corporation, Manitoba Forestry Resources Limited, the Liquor Control Commission, the Manitoba Lotteries Commission, Housing and Renewal Corporation, and Manitoba Data Service. Right now, Manitoba Data Service is part of the Manitoba Telephone System but presumably it's assigned out with that Order-in-Council. But these other five that I have mentioned, that is Manitoba Public Insurance Corporation, Manitoba Forestry Resources, Liquor Control Commission, Manitoba Lotteries Commission, and Manitoba Housing and Renewal Corporation, I appoint the auditor by law and the only way that this can be done is I have to carry out the audit and it's a question of if I get staff on the payroll or get staff by contract. In this case, I'm getting staff by contract because I don't have enough staff on the payroll.

**R. CHERNIACK:** Now you will be signing that certificate.

**R. ZIPRICK:** Until the legislation is changed, if it's ever changed, it's my responsibility to sign that certificate, be satisfied with the kind of audit, and direct it in all respects.

**R. CHERNIACK:** Well, you mean until the legislation is changed or until you leave your job.

**R. ZIPRICK:** I'm talking here in terms of not personally but as Provincial Auditor.

**R. CHERNIACK:** Under the present law you are required to sign that certificate.

**R. ZIPRICK:** That's right.

**R. CHERNIACK:** Now Mr. Ziprick, contracting out has certain connotations. One is that if you are paying your staff x dollars per person for a certain competence, you might be able to get it done more cheaply by underpaying someone else working for another enterprise. Is there not a problem that your staff may have negotiated a certain salary and you will be circumventing paying that level of salary by hiring somebody who pays less.

**R. ZIPRICK:** Well, the provision of staff for me, I look at it as beyond my responsibility and if the government tells me that they are going to make staff available to me under contract basis, as long as the staff is competent, does the work, I must accept it. Now if the price that's paid is excessive or even if the staff is incompetent, as I understand it, the only recourse I have is to report to the legislature that I haven't been given the kind of staff or that I had to pay more than I would, but I don't have the direct authority to go and hire either staff on salary or staff on contract. I must approach the government and get staff through the government.

**R. CHERNIACK:** Mr. Ziprick, are you reducing your present staff? Has your allotment been reduced?

**R. ZIPRICK:** We are now nine regular positions vacant and two that we have, term positions that we haven't used those at all, so we really are down eleven positions from where we were.

**R. CHERNIACK:** How many more will you lose when this change takes place?

**R. ZIPRICK:** I don't know. As a matter of fact, hopefully, we won't lose any more. We are now in the process of recruiting a Chartered Accountant, because we are already down, even taking a sabbatical load off, we are already one short in addition to that and we are going to recruit

**R. CHERNIACK:** Well, Mr. Ziprick, you know that you had a little more than one staff man year at the Liquor Control Commission, then you must know how many staff man years you've been spending on all of these thirteen organizations. Can you give us the total?

**R. ZIPRICK:** Just under ten man years or about ten man years.

**R. CHERNIACK:** And you've already lost those? You haven't given up the audit yet, have you?

**R. ZIPRICK:** Since a year ago, we are now down, nine regular staff positions are vacant, audit

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positions, and we have not used two term positions, so we really haven't used elev positions.

**MR. CHERNIACK:** Well, Mr. Ziprick, do you then mean that for this last year, or parts of it, wh you've had the responsibility to conduct all the audits that were your responsibility until Janu: 26th, that you've been managing with eleven persons less than your staff complement?

**MR. ZIPRICK:** Well, this is why I could not complete these audits for March 31, 1979, without gett additional staff.

**MR. CHERNIACK:** Well, why didn't you hire more staff? You had the budget for it and you t the staff complement.

**MR. ZIPRICK:** The government wanted to shift from staff to contract.

**MR. CHERNIACK:** But Mr. Ziprick, the shift, I don't think, has been made yet, and you say t you've lost nine people over the last year. Why did you not hire them, why did you not l replacements as you lost people - or did you fire any people?

**MR. ZIPRICK:** No, I haven't fired any people.

**MR. CHERNIACK:** Well, then why didn't you replace those that left?

**MR. ZIPRICK:** Because I was told the shift was being made and I would get assistance on cont basis. As a matter of fact, I pointed it out in my report that we were short-staffed and that I w probably be getting assistance on contract basis.

**MR. CHERNIACK:** Well, Mr. Ziprick, I'm now reading Page 46. Firstly, you are saying that beca of the disposal of the number of Crown agencies, you mean agencies that are no longer in existe whoever they were, that had been sold out, like the boats, of the Manitoba Navy, but then yo saying that you plan to obtain assistance from private auditing firms where it is necessary to c on, but did you do that as you lost these nine people?

**MR. ZIPRICK:** This is the process that we're going on now.

**MR. CHERNIACK:** Well, then, Mr. Ziprick, am I to understand that you did not replace pe in the expectation that your work-load would be reduced in the future?

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** Well, then, meanwhile, your work must have suffered?

**MR. ZIPRICK:** No, the audit process goes on and the March 31, 1978 year has been compl some time ago. We are working on the March 31, 1979 year.

**MR. CHERNIACK:** Well, then, you're behind in your work?

**MR. ZIPRICK:** At this point, we are somewhat behind.

**MR. CHERNIACK:** You don't feel that nothing is being lost by the fact that you're not up-to- on catching whatever it is you look for?

**MR. ZIPRICK:** I would say that it is not in a critical position but we have to move to catcl I would have liked to have seen action being taken a little sooner.

**MR. CHERNIACK:** Well, we'll go into that a little later. I want to come back to the statement l by Mr. Craik, that work has been assigned to established firms to ensure the further indepenc of these agencies. Now, does the Liquor Control have to be independent of you, more so it has been up to now?

**MR. ZIPRICK:** No, I just don't understand what is meant by this phrase. As far as I'm conce the Provincial Auditor is more independent than any outside Auditor, and it just stands to r that an Auditor reporting to the Legislature, or Legislative Assembly, is more independent th

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auditor that's auditing at the pleasure of a government, and this is why I make it very clear that it is so important that if there's going to be accountability to the Legislature, my office must be involved, and even in these other corporations, - Hydro and Telephones, that under the proposed legislation, there is a system to involve the Legislative Auditor for continuing accountability to the Legislature and this is very important, and if that's not done, then I just do not accept that kind of procedure. That kind of procedure was something that was followed before. It was something that was followed by Canada and in other provinces. The Wilson Report, reviewing the Auditor-General of Canada's position, was quite clear, in stating the need for the Legislative Auditor's involvement in that Canada has made changes in its Act to take care of that. Ontario, Alberta and British Columbia have also made changes to take care of it and I'm told that these changes will be made in Manitoba.

Now, out of those five, with regard to the Manitoba Hydro and Manitoba Telephone System, the law presently provides me to be involved, even when there are other Auditors. The Workers' Compensation and the Horse Racing Commission and the Boxing Commission, there is no provision by law for me to have an involvement, so I intend to, even though it's been assigned to outside auditors by an Order-in-Council, I intend to use that section of both the Hydro and Telephone Act to do an oversight and carry out an accountability to the Legislature.

**R. CHERNIACK:** Will that then mean that you will be duplicating some of the work done by the private contractor?

**R. ZIPRICK:** No, I don't know to what extent there will be duplication, if any, and what the cost will be. That's something that we will find out in the future. Canada, Ontario, Alberta and B.C. are proceeding on that basis. They are using outside firms. The Legislative Auditors are working through outside firms and the reports I have thus far do not indicate any particular problems, but, as far as I'm concerned, I am keeping an open mind. If the problems do arise, either costwise or the quality of the audit, I would certainly make it known to the Legislature. That is the only thing I can do.

**R. CHERNIACK:** Mr. Ziprick, the firm that will be doing the audit for one of these agencies, will it be doing an ongoing job, won't they day-to-day, month-to-month, depending on the volume of work that they have?

**R. ZIPRICK:** Generally, in these audits, you don't work on an ongoing basis. We track it on an ongoing basis, in other words, I, myself for instance, the larger corporations like Hydro, watch developments in various changes that take place, but as far as actually on-the-site work is concerned, it's just done periodically because they are completely structured to self-control.

**R. CHERNIACK:** When that is done by this private firm and they sign their certificate, which agency will be doing, what will you do?

**R. ZIPRICK:** What I will do is review to see what their findings were with regard to internal control systems and what other difficulties they've encountered. I will also ensure that the tie-up between transfers of money between the province and the particular agency is taken care of. I will also do an overview and where there are weaknesses in their cost-controls we will probably carry out an extended audit in some of these areas. Now, the extended audit could be carried out either by my own staff or the staff of that particular firm. In both instances, they are qualified chartered accountants, so once they are given instructions, either one can carry it out, but I would ensure that whatever is necessary to complete the kind of audit that my Act prescribes and the kind of accountability to the Legislature that's within the requirements of my Act, are being fulfilled.

**R. CHERNIACK:** But you will then be relying to a large extent on the report of the private auditor. Suppose he doesn't report to you on certain features?

**R. ZIPRICK:** I have access to all - for instance on Hydro or the Telephones right now I have complete access to all their records and I will have access to the auditor's reports that are reported to their management.

**R. CHERNIACK:** I'm saying suppose they do not report something, then how will you know what's going on?

**R. ZIPRICK:** This is a temporary measure under the proposed Act and this follows along the same lines as Canada's and the other provinces. The auditor, in addition to being an attest auditor



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to attest to the financial statements that they present fairly, is an agent of the Provincial Audit or the Legislative Auditor, to the extent specified and he has to report to the Legislative Auditor on any matters that are of a kind within that responsibility that has been assigned to bring those matters to the attention of the Legislative Auditor and I would take it from there.

**MR. CHERNIACK:** Well, if he doesn't do it, then you wouldn't know about it.

**MR. ZIPRICK:** Well, if he doesn't do it, it would be the same way as any staff member of mine that I have assigned and asked him to do certain things and if he didn't do them or didn't do them properly, then I wouldn't know about them either, so to that extent, there is really no difference. He would be instructed to carry out certain work and draw to my attention certain matters. If he did his job, there would be no difficulty.

**MR. CHERNIACK:** Well, Mr. Ziprick, Mr. Wilson said that's hypothetical. May I ask you if you read the conclusions of the Commission on CFI Inquiry as they related to the accountants that handle CFI. I'll read you some statements that the Commission made. "That the firm failed to investigate and failed to report on and the resolution of which they deferred on the basis that the matter would be resolved later when the contracts were completed and the costs were known. As a result they failed to come to grips with the many problems which lay beneath the surface. If they had such matters might it become known to the fund indirectly". It goes on to say: "The auditors were aware that A.B.L., that's the supervising body, had incorrectly approved engineering fees which had been included by T.P.I. in management of supervision buildings to CFI. Yet, they deferred resolution of this on the basis that it would be resolved at a later date when the construction was complete".

Mr. Ziprick, I believe that you did the audit; that you personally were involved in reviewing this work and I have to ask you whether you feel that you could have been, having had this kind of responsibility, could have been guilty of the same kinds of oversights or failures, as is reported here?

**MR. ZIPRICK:** This is why the former system, as far as I'm concerned, is completely inadequate because the auditors were appointed by Lieutenant-Governor-in-Council to carry an audit and were really working with the Board and they brought things to the attention of the Chairman of the Board and they figured they satisfied all their obligations. Under these circumstances they would be obliged under the accountability standards as provided by the Legislative Auditor and have an obligation to report directly to him. Now if they didn't follow through with it they would be negligent in their duties, just the same as any staff member of mine would be. It's a completely different relationship and being a different relationship I can see no particular difficulty in that they are both chartered accountants, qualified professionals and having that kind of direct responsibility, having to report on that basis. I don't see any difficulty in that area. Now as to the costs are concerned that's something I am keeping an open mind and we'll see how they go. But as far as professionally, quality of work is concerned, I don't foresee any difficulty. Now if in our overview we observe that their quality of work was unsatisfactory we take the same action as we do with any of our staff member now that when we start asking questions and we conclude that he has not done his work that he is supposed to or doesn't know how to, we would make the necessary changes.

**MR. CHERNIACK:** Mr. Ziprick, there is rather an important distinction that I see and that is that when you are appointed then you may not be dismissed except by a two-thirds vote of the Legislature?

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** Yes, whereas a firm or person appointed by Order in Council could be dismissed by another meeting of the Cabinet, another Order in Council, without reason.

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** Isn't that correct, without debate?

**MR. ZIPRICK:** That's right. Generally speaking, the procedure previously was that the Board would generally initiate by the Board and if the Board was dissatisfied for any reason they would bring it to the attention of the government and ask that they appoint new auditors. So really the auditor, his tenure was to a large extent at the pleasure of the Board.

**R. CHERNIACK:** Therefore in your case you cannot be fired if the Board is dissatisfied with the content to which you make a report to the public, the owner's of the operation unless it is subject to debate. It would have to be a motion in the Legislature, there would have to be debate and justification and a vote of two-thirds of the Legislature.

**R. ZIPRICK:** And that would only be for cause, not for, in other words, negligence and other matters.

**R. CHERNIACK:** I'm not sure of that. I think if two-thirds of the Legislature decides your services are dispensed with, I don't think that is subject to review, is it?

**R. ZIPRICK:** I'd agree, that the way the Act says it's for cause but if two-thirds of the members are dissatisfied with my work I'd be gone.

**R. CHERNIACK:** But in the case of these thirteen appointees, it is the Legislature, government alone that they can decide in the privacy of the cabinet chamber without any public accountability, that they want to dispense with the services of anyone of these people. Is that . . .

**R. ZIPRICK:** Just the five, just the five. The others, as the Legislature is now, they are under my direct control. I'd say seven, five by Order in Council and two by a shareholder instrument and they will be working directly for me under contract.

**R. CHERNIACK:** . . . a case of . . . some

**R. ZIPRICK:** So they could not be really dismissed by cabinet if I was satisfied with their work.

**R. CHERNIACK:** I'm looking at the Boxing and Wrestling Commission being one of those who I think you said that you have no authority over them.

**R. ZIPRICK:** That's right. That's right.

**R. CHERNIACK:** And in this case, your appointment has been terminated as for the year ending March 31, 1978, that you have been retroactively fired.

**R. ZIPRICK:** '79.

**R. CHERNIACK:** No, be terminated on the completion of the audit for the fiscal year ending March 1978.

**R. ZIPRICK:** Yes, I am not the attest auditor for these corporations . . .

**R. CHERNIACK:** You're finished with this . . .

**R. ZIPRICK:** . . . for the year that is now in progress.

**R. CHERNIACK:** Yes, that another firm has been appointed and that the appointment is subject to negotiation of fees acceptable to Treasury Board.

**R. ZIPRICK:** That's right.

**R. CHERNIACK:** So you have nothing whatsoever to do with this anymore. You have no right to say "Aye or Nay"

**R. ZIPRICK:** With those five, I have no right.

**R. CHERNIACK:** All right, so that really makes them independent of you.

**R. ZIPRICK:** That's right.

**R. CHERNIACK:** I'm looking at Mr. Craik's statement, I'm sorry he's not here, that one of the purposes is to ensure further independence of these agencies. So they have done that, they have taken over the Boxing and Wrestling Commission entirely from you where you had it before. Therefore

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they have achieved that, they have made this independent of you. But in the case of others you say that they've not made it independent of you but they suggest that they make it more independent than it has been whilst you were directly responsible for the audit.

**MR. ZIPRICK:** As far as I am concerned, the six that I am the auditor by law, there's no change as far as the accountability is concerned. It will be my duty to ensure that there's no change and if the conditions are not met I will have an obligation to report to the Legislature, and that applies under any circumstances.

**MR. CHERNIACK:** Mr. Ziprick, the first thing you disagreed with with Mr. Craik's statement was that anybody could be more independent than you are. You disagreed with his suggestion that having private auditors creates a greater independence than when you were the auditor. Now you are saying that in the case six, I think, of thirteen that he has not accomplished anything along the lines that he suggests, that is to ensure further independence of these agencies. That's correct isn't it?

**MR. ZIPRICK:** The audit procedures and accountability is still the same as it was. Now as far as the independence here, I said I wasn't just sure what was meant. I read that and I am not sure what's meant. Now, if it's meant that the agencies are more independent, those particular five would say, I guess they are. Now if he meant that the other auditors are more independent than the provincial auditor, then I would completely disagree with that. But I am not sure just what independence meant.

**MR. CHERNIACK:** But you also disagree I gather that the six that are still under your responsibility that they are no further independent than they have been up to now. But there is no real change. You said accountability is the same.

**MR. ZIPRICK:** These particular agencies, the accountability is completely the same as it was.

**MR. CHERNIACK:** So the statement would appear to be misleading in two ways. He said that the move reflected the government's wishes to enhance further the autonomy and responsibility of boards, commissions and agencies. Do you understand that statement? Enhance the autonomy and responsibility - does that mean that moving from you to some other private firm will enhance the autonomy and responsibility of the board.

**MR. ZIPRICK:** I'm not sure what's meant by that, if it's more separation from the government and the Legislature, to some degree that could be true.

**MR. CHERNIACK:** Mr. Chairman, I feel it incumbent on me to report the statement Mr. Wilson said: "It means it is no longer a pork barrel."

**A MEMBER:** He didn't say anything.

**A MEMBER:** He did, he says it's a pork barrel.

**MR. CHERNIACK:** And Mr. Wilson denies he made the statement and I think he should deny it right now, because I say he said; "It is no longer a pork barrel."

Mr. Chairman, I want to get it clear that the Provincial Auditor is not part of a pork barrel as far as even Mr. Wilson has suggested, but that in 13 cases the Conservative Government Mr. Wilson is a proud member, has appointed 13 firms of private and chartered accountants he is the one who's talking about "No longer a pork barrel". I say that only really in defence of Mr. Ziprick because the suggestion that I infer from Mr. Wilson is that the change removes a pork barrel, and the change is really a removal of Mr. Ziprick.

Mr. Ziprick I want . . .

**MR. CHAIRMAN:** I have other names on my list of people wishing to speak and Mr. Wilson among them, his time will come.

**MR. CHERNIACK:** Mr. Chairman, I really don't want to monopolize this, I know I have been a while . . .

**MR. CHAIRMAN:** Order please. I have a list, Mr. Cherniack has the floor.

**R. CHERNIACK:** Well, unless Mr. Wilson has a matter of privilege.

**R. CHAIRMAN:** Mr. Cherniack.

**R. CHERNIACK:** All right. Dealing with Mr. Craik's statement, Mr. Ziprick. He says that it is a step towards meeting in part the recommendation of the Task Force which dealt with separate auditing functions. As I recall it the Task Force recommended that the boards themselves select and appoint the auditor. Is that a correct statement?

**R. ZIPRICK:** That's my recollection, that the . . .

**R. CHERNIACK:** But in this case, instead of taking the Task Force recommendation that the boards appoint themselves, the government is doing it, so it's not quite the same, is it?

**R. ZIPRICK:** Well, it's just a matter of . . . the auditors were always appointed by the Lieutenant-Governor-in-Council in those situations. Now, whether the recommendation comes from a board or the government says: "We don't want your recommendations," that's internal workings and I couldn't say how it worked. Well,

**R. CHERNIACK:** you would know it because you would have access to the minutes, but I'm not making a point of that. You would have access to the minutes of the Board so you would know whether or not they . . .

**R. ZIPRICK:** The Board to my knowledge, at no time ever officially, through the minutes, directed or asked the government to appoint somebody as auditors. I would say that the Chairman would make known their choices but they, in any official capacity, can not make recommendations.

**R. CHERNIACK:** Now, Mr. Craik says that this change would give you more time to deal with these issues and practices that bear reporting to the Legislature, while the time-consuming auditing procedures will be handled by other firms. Will you have more time available to do other work in you have had up to now because of this having been removed from you?

**R. ZIPRICK:** As far as my responsibilities, they do not change, I still carry the same responsibilities.

**R. CHERNIACK:** Mr. Chairman, I want to pass the floor to someone else but I just want to bring one more thing with Mr. Ziprick. As I understand it you will have certain authority to review charges made to you by those private firms that are contracted by you, on instructions from the government, to do the audit which you will have to certify, you will have that kind of control. But I am also assuming you will have no control over the fees that are paid to the other agencies for which you have no legislative responsibility.

**R. ZIPRICK:** Well, right now . . .

**R. CHERNIACK:** Like I mentioned, the horse racing commission or whatever that was.

**R. ZIPRICK:** There's three right now, by order-in-council, that I have no . . . and that's horse racing commission, boxing commission and workers compensation.

**R. CHERNIACK:** As I understand it, then, and I want to be corrected on that, your employees in your department, I assume come under the Manitoba Government Employees Association Union. Is that correct?

**R. ZIPRICK:** That's correct.

**R. CHERNIACK:** And their salaries . . .

**R. ZIPRICK:** Excuse me. Certain people, the chartered accountants do not come under the union.

**R. CHERNIACK:** Do they have a union?

**R. ZIPRICK:** No.

**MR. CHERNIACK:** All right. So you have some kind of negotiation that takes place where you fix the salaries of all your employees. Some are part of union negotiations and others are internal to management.

**MR. ZIPRICK:** The salaries are through the Civil Service Commission.

**MR. CHERNIACK:** Through the Civil Service Commission.

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** That means then that if you don't want to pay, not you, if a government does not want to pay that level of wages it can subcontract out in this way to a private firm who can pay half, or whatever, lesser wages than are set in the Civil Service Commission. Is that correct?

**MR. ZIPRICK:** That's correct.

**MR. CHERNIACK:** Or they can pay more, again without accountability to the Civil Service Commission. Is that correct?

**MR. ZIPRICK:** That's correct. But I have an obligation to assess that and report if I feel that the amount paid is excessive.

**MR. CHERNIACK:** Would you do that in the case of Workers Compensation?

**MR. ZIPRICK:** Those three, not; but in the case of Hydro and the Telephones I would.

**MR. CHERNIACK:** You would report that there had been excessive payments.

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** Will you, in due course, provide us with a breakdown of the costs related to each of these 13 organizations within your department in the last full year in which you had that responsibility?

**MR. ZIPRICK:** Yes, it will be part of my presentation of the operations of my office.

**MR. CHERNIACK:** Will you summarize it for us and make it readily available for us?

**MR. ZIPRICK:** I'll do it in such a way . . .

**MR. CHERNIACK:** That it's clear.

**MR. ZIPRICK:** . . . that it's clear.

**MR. CHERNIACK:** Will you also report to us, in due course, as to what agreements have been arrived at in connection with these other firms?

**MR. ZIPRICK:** I will, to the extent that it's within my purview, some of it you may have to go through an Order for Return.

**MR. CHERNIACK:** You mean like Workers' Compensation where you have no authority?

**MR. ZIPRICK:** That's right. I just might add, I understand that some of these comments here are predicated on the legislative amendments being brought in.

**MR. CHERNIACK:** You mean the statement of January 26th of Mr. Craik?

**MR. ZIPRICK:** That's what I understood. Am I not right? I was told that some of these observations are in anticipation of the amendments to the legislation.

**MR. CHERNIACK:** No such suggestion. All this says is this has been decided, period. No indication

of any change in legislation.

**MR. ZIPRICK:** Well, I was told that this whole scheme of things was in anticipation of changes to the legislation.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. GEORGE MINAKER:** Mr. Chairman, with regard to the news release by the Minister, I'm sure that Mr. Craik will answer some of the questions that have been raised by Mr. Cherniack in this regard, and by the auditor. There are a couple of questions that I might ask the auditor pertaining more to Mr. Cherniack's questions with regard to the professional services, contracts that have been placed with certain firms.

Mr. Ziprick, the method of using outside professional assistance is not necessarily unique to our department. Would it not compare to what the Department of Public Works has done through the years that, where they need the assistance of architects or engineers in the design or carrying out of a service, that they will go out and contract out for this work, and I believe, in my understanding of the estimates, that we wouldn't include the number of man years that would be required to carry out this particular professional service. Is that correct?

**MR. ZIPRICK:** Yes, yes that's correct.

**MR. MINAKER:** And also, I understand too that from time to time the Attorney-General's department, when they require some expertise or additional professional service that they might not be able to handle that they would in turn contract out part of that work. And I would presume, at that point in time they wouldn't include so many man years for that type of work as well.

**MR. ZIPRICK:** Yes, that is correct.

**MR. MINAKER:** And I guess, Mr. Ziprick, pertaining to some of the corporations that would not be directly under your control; such as say the auditors replying directly to you, then we are really dealing, are we not, with the professional qualifications and the integrity and the ethics of the individuals responsible for doing that audit when we get into matters that Mr. Cherniack related to in CFI. I think we will always have that problem in any case, will we not?

**MR. ZIPRICK:** No, no, it's much more involved than that. It's a question of who are you accountable to, and if a firm is accountable to a government or a particular board then if they are going to carry the message to the Legislature they are putting themselves in a position of having to go outside the system and squeal, and that's a much more difficult situation to carry out than otherwise. So, generally, if a firm's mandate is to report to a board I think if they've reported to the board they've discharged their responsibility, so that it's a completely different ballgame.

**MR. MINAKER:** I see. But it's my understanding that you will continue to overview, as you always have, under your responsibility as auditor to make sure that the accounts and so on, are correct, your opinion, and present anything that should, in your opinion, be wrong to the this committee and to the Legislature.

**MR. ZIPRICK:** My understanding is that this is all done in the context of the coming legislative amendments that I will be in the same position as the Auditor-General of Canada and the Provincial Auditor of Ontario and Alberta and B.C. in their new legislation, that there will be the same kind of accountability to the legislature here as there, and then as far as who does the work is just a matter of style and economics and that gets into another thing. But, as far as the accountability concerned it will not diminish.

**MR. MINAKER:** Mr. Chairman, with regard to legislation and so on I'm sure that when the Minister turns that he could probably comment on that particular subject.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** Yes, I am very pleased the auditor gave those final remarks because I felt that the accountability would not diminish, especially in light of statements that he made that the Auditor-General in Ontario and possibly Alberta and B.C. were going to conduct something, and seemed to me in a very skillful way. And, of course, he can speak for himself but the Member Mr. St. Johns was indicating that the contracting out was wrong, but my indication and I can ask

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the auditor, could you not contract out work in the past? It seems to me that you have. And seemed to be that he was also suggesting that the way we carry on Public Accounts is wrong. I just pose the question: Where were they since 1969? And it seems to me that when you look at other provinces that you wonder where the former government was since 1969, but it seems to me that there doesn't seem to be any great change except the concept of probably further contracting out. Of course you have already echoed the thought that accountability will not diminish but I think the Member for St. Johns should spell it out because it seems to me that he did speak for half an hour without having some reason for it. The reason that I felt was that he was sort of indicating that the contracting out concept was wrong, and I would like him to clarify that for me.

**MR. CHERNIACK:** I appreciate the opportunity, Mr. Chairman. I think it's wrong for several reasons one that Mr. Ziprick himself doesn't know yet and that is cost. I cannot conceive that it will cost less to have this job done by competent people with a conscience who have their own overhead and who have their own partners of accountability and who wish to show a profit at the end of the year, that the cost cannot be less for the same quality of work than that provided by Mr. Ziprick unless they are undercutting the salaries that are being paid now by Mr. Ziprick's department. I would expect that either there will be less competence or there will be greater cost, unless it is suggested that Mr. Ziprick's department is incompetent, is sloppy, is not operating properly. Since that was not suggested I have to assume that it would cost more to hire a profit-oriented firm to do the same work, or it will suffer in its quality of work, No. 1.

No. 2, I think that it will be used in a false way to indicate a reduction in staff man years in employment Civil Service and all the overhead that men like Mr. Wilson are attacking government for by saying; "Well we don't have that many people working for us, we have 11 people less work for us in the Department of the Auditor-General." And that will be a false concept because it will be being replaced by other people in the private sector being paid by the taxpayers, or users of the services the same as before, so that that is wrong.

Thirdly, it will also be able to create — and I would not want to suggest this possibility — Mr. Wilson put it in my mind that there could be a possibility of pork-barreling — in that certain firms will be given preference depending on their loyalty, adherence, or support of the Conservative Party, which was not possible when Mr. Ziprick was the Auditor for all these firms. So that that is the danger involved there. I do not see any benefit because I believe, and Mr. Minaker said Mr. Craik will deal with this statement, that there is further independence will be created. If that is further independence created then it suggests that Mr. Ziprick is not the most independent of all, and I've already shown that he is, because he can't be fired by the people who run the operation he can only be fired by two-thirds of the Members of the Legislature which means that there is no clear accountability to the public for the reason he's fired.

Therefore, I think, this statement is incorrect and suggests something that doesn't exist, that is that Mr. Ziprick's department was not an independent operation. It also suggests that Ziprick was too busy, that now he is going to be relieved of certain burdens which is not true so that the whole concept, to me, is dangerous for all these various reasons. It is not the end of the world but I think it's wrong.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** Then, Mr. Chairman, through you, I just sort of circled some statements made by the Member for St. Johns in which he said that the press release was extremely misleading, I just possibly, now that the Minister is back he might want to pose a couple of those questions to the Minister so we can get clarification because it seemed to me the auditor seemed to indicate with some deal of enthusiasm, that the Canadian Government, and several other leading provinces have successfully, through legislative change, made accountability the same, if not whatever. In his words he said accountability, in his words, would not diminish. And, so, I think to say that the Minister's statements are misleading is possibly because really, having read it myself it really doesn't say anything in some areas, it really doesn't.

**MR. CHAIRMAN:** I have Mr. Parasiuk's name on my list of members wishing to speak. Parasiuk.

**MR. PARASIUK:** Mr. Chairman, I'll pass if the Minister wants to deal with the questions raised by Mr. Cherniack and then I can come back later, I know that the Minister has been busy has been absent a bit so I'll pass if he wants to deal with those questions now and then I'll come back to the discussion later.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Yes.

**MR. CHERNIACK:** Mr. Chairman, it isn't fair to expect Mr. Craik to answer questions that were asked in his absence.

**MR. CHAIRMAN:** Mr. Parasiuk had the floor, I believe.

**MR. PARASIUK:** I will pass in favour of that, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. PARASIUK:** Well, no, I would like to have Mr. Cherniack raise those questions, I think

**R. CHERNIACK:** I'll try to do them seriatim, looking at Mr. Ziprick's statement to the news service on January 26th. The very first statement made is that the duties of auditing 13 Crown Corporations and Commissions have been assigned to established accountancy firms as one of the steps to ensure the further independence of these agencies, and I questioned what he meant by "further independence of these agencies."

**R. CHAIRMAN:** Mr. Craik.

**R. CRAIK:** Well, the intent is that the boards and commissions and so on that are involved in these will have access to not only the Provincial Auditor but the external auditors as well, from time to time, if they wish to confer with them on different matters pertaining to the operations they're involved in. If you are wondering, the agency agencies refers to the commissions or boards or whatever.

**R. CHERNIACK:** Well, the first question, Mr. Chairman, is didn't they always have the right to employ any additional advisors they might need?

**R. CRAIK:** Well yes, I'm not aware of any restriction on them, because I think from time-to-time they have been, but it's just that if they are involved in the audit that they'll have a better working knowledge.

**MR. CHERNIACK:** But how would that ensure the further independence?

**MR. CRAIK:** Well, you're opening up another topic.

**MR. CHERNIACK:** No, it's the same one, it says, "ensure the further independence."

**MR. CRAIK:** No, but if we get into that one, the full intent, the government has announced its intent in a number of cases to split the Chairman and CEO function in the Hydro Board, Telephones, P.I.C., and so on; that this would be the government's general intention to provide more independence for these organizations from government. And that's the context in which the word "independence" is used.

**MR. CHERNIACK:** Well then, how can removing Mr. Ziprick's audit and giving it to some private firm ensure further independence? What does Mr. Ziprick's audit do that endangers that independence?

**MR. CRAIK:** Well, I think you're putting it in the wrong context, again to repeat, the intent here is to have outside or external auditors available in the event they're required or requested for information and services by the Boards and Commissions. Now, it's not to imply that they're not getting adequate information and advice from the Provincial Auditor, but it does provide them with another avenue. And that's solely the intent of it — if you read something into it that's more than that, it's really not intended to be more than that.

**MR. CHERNIACK:** Well, it's good that Mr. Craik says that, because Mr. Ziprick also reacted to that phrase, and suggested that no one could be more independent than the Provincial Auditor and that he is accountable to the people and not to the Boards, or to the government, and that



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he can — I elaborated on that — that he cannot be dismissed except by two-thirds of the Legislature and in the case of these private firms they can be dismissed by mere Order-in-Council passed by I suppose, a majority of the members of the Cabinet. So that I must say that Mr. Ziprick, I believe and he's here to interpret for himself, took issue with the statement that there's further independence ensured by assigning these accounts to accountancy firms, so it's not an interpretation that I could misread, it's an obvious interpretation which Mr. Craik obviously did not mean, or he says I didn't.

**MR. CRAIK:** You've applied the word "independence" to the auditor. This doesn't make reference to the auditor, it refers to the agency.

**MR. CHERNIACK:** Mr. Chairman, I'm sorry, I don't want to get into a breakdown of the grammar but it says, "The duties of auditing these firms have been assigned to an accountancy firm, one of the steps to ensure the further independence." So clearly, it relates it directly to the transfer of the audit from the Provincial Auditor to private enterprise, as one of the steps to ensure further independence. I don't know any other meaning that can be given to this.

**MR. CRAIK:** Well, just to clarify that. I'm sorry, Mr. Chairman, if we just get back, I think Mr. Cherniack omitted to read the other three words, "of these agencies", the independence refers to the agencies . . .

**MR. CHERNIACK:** Yes, it refers . . .

**MR. CRAIK:** But I think he's trying to imply that there's some suggestion that we don't consider the Provincial Auditor to be independent, and that of course is not the case. I agree with him a hundred percent the Provincial Auditor will, as far as we're concerned, be as independent — I think he is independent and has been independent, and our intent is to ensure that he is kept in that position of being that way, and therefore perhaps we should resume this discussion when his Act comes into the Legislature, which I hope will be one of the first ones during the Session, when we have at the full field at that time in the changes to The Provincial Auditor's Act.

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

**MR. ZIPRICK:** I just wanted to elaborate that I was replying with regard to my independence to your question. Now, reading that particular circular, I got the impression that it was probably referring to the agencies, but I was not trying to interpret that, I was replying to your question.

**MR. CHERNIACK:** Mr. Chairman, I think Mr. Craik will agree that the change in audit does ensure further independence of the agencies.

**MR. CRAIK:** Well, I explained the intent of the statement as it's there is to provide access to external audits as well as the Provincial Auditor, by the agencies, and that's nothing highly abnormal. It's going to be to a larger extent than has been the case. I think perhaps the former government on occasion, used external audits, in a very limited way. We're intending to apply them in a broader way.

**MR. CHAIRMAN:** Mr. Cherniack.

**MR. CHERNIACK:** Well, the very next sentence says, "Mr. Craik said 'this move' 'this move' 'the move is clearly the assignment of established accountancy firms to do the audit; this reflects wishes to enhance further the autonomy and responsibility,'" and I did not and I do not understand how 'this move' will enhance the autonomy and responsibility of Boards. That's my request for elaboration or explanation, how 'this move' will enhance the autonomy and responsibility?

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Well, I don't know whether you want to pursue it further here or do you want to go at it in broader terms when the changes to the Act are presented, and I can only indicate to Mr. Cherniack and the Committee that we do intend it to be one of the first group of Bills to come before the Legislature. I expect we should be able to have it in within about three weeks or so.

**MR. CHERNIACK:** Well, Mr. Chairman, the only point I made and Mr. Wilson invited me to elaborate

... it when Mr. Craik came in, was that this news service is a statement by the Minister — a voluntary statement by the Minister — to explain a decision, a move made by Cabinet, and the impression that the public has to get from this statement, which he wasn't compelled to make — he wanted to make it, and it's in his words, was that the change in the audit would ensure further independence and enhance further the autonomy and responsibility of the Boards. He now says that this relates to other features which will be elaborated on under the changes to the Act. That may well be, but since we are not privy to his thinking, and only can go by the statements made, therefore, I did question the suggestion made here about independence, about enhancing the autonomy and responsibility, and later on that suggests that Mr. Ziprick did not have sufficient time to deal with issues and practices that bear reporting to the Legislature, and that that is in an ultimate paragraph on the first page, that he would have more time to deal with certain things. Well, I questioned Mr. Ziprick about that; I did not think that he was hampered in the past from doing exactly what is suggested here he has not been able to do. I'm only reading this statement as it was, and if Mr. Craik wants to drop it, that's fine. I did raise that question, . . . I might say . . .

**R. CRAIK:** I think the statement stands on its own. It indicates that it's a reflection of the government's wishes to make the Boards and Commissions more autonomous, and this is going to give them another avenue or access.

I'd also point out in Mr. Ziprick's report on Page 46, I think you are not at that yet, or maybe perhaps you are, where he has indicated there that it is also planned to obtain assistance from private auditing firms to the extent necessary to carry-out the responsibilities, and so on. But this was not intended to be any reflection on the Provincial Auditor — quite the opposite, and we think that with the combination of the Provincial Auditor and the availability of the external auditors, it's a combination that will be of assistance to the Boards and Commissions, and so on, that are responsible, and made responsible by the government when they appoint them.

**3. CHAIRMAN:** Mr. Cherniack.

**3. CHERNIACK:** Well, Mr. Ziprick did point out, after questioning, that his staff man years have been reduced by eleven persons and that that was in accordance with the government's expressed desire to make the change, and that even in those cases where he is charged with the responsibility of doing the audit that he was requested by the government to employ contract labour instead of his own staff, and that that is in, I think, six cases where he has the responsibility, that government has instructed him in that way. I'm only mentioning that because Mr. Craik wasn't here when it was so stated.

**1. CHAIRMAN:** Mr. Boyce. Would you use the microphone please.

**1. J.R. BOYCE:** First of all, unless there has been some changes, as I understand it through you, Mr. Chairman to Mr. Ziprick, it is still the government that is appointing the members to these independent Boards and Commissions, is it not? These Boards and agencies to which we refer, the members are appointed by the Lieutenant-Governor-in-Council?

**1. ZIPRICK:** The Board members?

**1. BOYCE:** Yes.

**1. ZIPRICK:** Yes.

**1. BOYCE:** That hasn't changed, but you referred to the press release of the Minister of Finance in which, as I understand it, you suggested that he has not got legislative authority to proceed with some of those things. Could you perhaps point that out to the Committee, to which you were referring, or maybe I misunderstood you? The way I understood what you had said was that there would be some legislative changes needed to do that which the Minister of Finance has said he has already done, or am I confused in that?

**1. ZIPRICK:** No, there is a number of agencies that are my responsibility as an auditor and so when they've announced is that they've asked that I employ these firms provided that our negotiations were satisfactory, but I, at least, feel it's within the right of the government to ask me to do this, if all things being satisfactory, to employ them, and we're short-staffed because we haven't been filling our positions because the government expressed their desire to go to contract work, and I feel it's completely within their right to do this.

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**MR. BOYCE:** Mr. Chairman, last year we voted certain sums of money for the operation of your office which were tied to a number of staff man years. Could you tell me just exactly how many staff you had last year and how many you have now?

**MR. ZIPRICK:** The full complement of staff man years is 65 and we're 54 now.

**MR. BOYCE:** You're 54 now. Now, having taken as a precedent of how this government can operate and does operate irrespective of what the Legislature says in their Acts, that it takes two-thirds of a majority to dismiss someone, they've already reduced your office from 65 to 54; at what point would it become impossible for you to serve the Legislature as the Statute says? They could do with you what they have done with others, I would suggest. They contract everything else or give you a piece of paper and a pencil and a small office and still call you the Provincial Office without staff.

**MR. CRAIK:** Mr. Chairman, could I please raise a Point of Privilege here. I think Mr. Boyce said "When they reduced your office to such and such," — I don't think anybody's had any influence on the number of staff that Mr. Ziprick has . . .

**MR. BOYCE:** Mr. Chairman. First of all, perhaps you would like to rule on this . . .

**MR. CRAIK:** Yes, well, Mr. Ziprick can clarify that, but I don't think that he's ever had any instruction from the government to reduce his staff to a certain spot. I think he is probably experiencing the same problem we're experiencing in the Department of Finance, that it's impossible to get qualified staff to fill many of the vacancies that we have in Comptrollers, for instance.

**MR. CHERNIACK:** Well, Mr. Chairman, I'd like . . .

**MR. BOYCE:** Well, perhaps on that Point of Privilege, or Point of Order, Mr. Cherniack would like to clarify . . .

**MR. CHERNIACK:** Mr. Chairman, on that matter of Privilege raised by Mr. Craik, I'm sorry, the matter of Privilege raised by Mr. Craik — we had better get this clear from Mr. Ziprick. I understood him to say, I inferred from what he said this morning that he had instructions to replace staff and that he did not replace nine people and did not fill two term positions, I understood him to say it was in accordance with the government's decision to reduce staff because they were intending to take the business away from him. Well, he'd better clarify it between Craik's impression and mine — and I won't speak for Mr. Boyce — just what it is Mr. Ziprick wants us to believe.

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

**MR. ZIPRICK:** Yes, that's the premise that we were working on in discussions that I had, there was going to be a contracting out of certain of my responsibilities that our staff naturally would have to be reduced.

I don't agree with the premise that Mr. Boyce has raised, that within the present legislative structure that this can be done because for instance the government itself, it's my responsibility for the audit and quite a number of these other agencies are my direct responsibility to audit. If I don't have staff on the payroll, I'll have staff under contract and to me it doesn't matter long as they are qualified staff; they're producing the results and I can carry out my duties that are accountable to the Legislature in accordance with the terms of my Act, I am fulfilling my obligation.

Now if money was not voted for me to properly carry out my obligation, my duty is to report and I would so report and if the Legislature and the will of the people was that that was the way it should be I guess there's nothing much more I could do. But I don't accept that contracting employees working for me is any different than employees on permanent staff, I would not consider it any different long as they're equally qualified employees and working under my direction, I can accomplish the same result.

**MR. CHAIRMAN:** Mr. Boyce.

**MR. BOYCE:** Well, Mr. Chairman, this is just exactly the point I'm trying to get at, because we can vote moneys which we are informed are going to involve staff man years to do a certain amount of work. We're advised by the Provincial Auditor that the function of the operation is 20 percent less efficient.

the present time than it should be, in his estimation. I say again that most of us see you as an independent person, I personally do, a person who was of great assistance to me as a former minister in advising and bringing things to my attention to see that things were done properly, and this is my apprehension. Now, we could vote whatever moneys are necessary but if they don't allow you to function then I don't think the Legislature is being served. How long have these 11 positions been vacant?

**3. ZIPRICK:** For varying periods of time, as far as I am concerned the situation is not critical. The work is completely under control and maybe some areas are a little behind but they can certainly be brought up with the necessary staff to carry it out so that it is not a situation that I consider critical at this time.

**3. BOYCE:** One final question, Mr. Chairman. You had said earlier in response to Mr. Cherniack, relative to other questions that the independence of an audit as far as the Legislative Assembly concerned is paramount. In your judgment which would give us that most independent type of audit, for your staff to be maintained or increased if it is necessary or to contract this out through commendations of agencies which are appointed by the government.

**3. ZIPRICK:** I would say that I don't think that it would make any particular difference. The big thing is who is directing them and who are they are reporting to, either chartered accountants on your staff or chartered accountants working under contract to me from firms. They are both equally competent and they both carry out those instructions and report to me in the same manner. It's a question of: Do I have the necessary staff to do it. Whether they are contract or salaried permanent staff, I don't think it matters that much.

**3. BOYCE:** Well, Mr. Chairman, I find that passing strange. When the transcript is out, I will show the variances in the Provincial Auditor's responses to two parallel questions, one earlier and one now. But I'll pass at the present time.

**3. CRAIK:** Well, maybe Mr. Chairman it should be worth pointing out, I think the eleven or so people referred to, that has been the case for in excess of twelve months. This dates back a year

**3. ZIPRICK:** No, I think we were just about full staff about fourteen months ago then we started letting and about three or four just fairly recently. We were down five I think at the time this report was written and we've had four turnover since and of course, the two term positions were always just used as back-up to top off wherever we were short.

**3. BOYCE:** Mr. Chairman, as a result of the Minister of Finance pointing out in his opinion these have been vacant for twelve months or so or whatever it was, maybe I am still naive after some nine years here, but when the Legislature votes money to the Provincial Auditor's Office for a certain amount that is going to involve in the Legislature's, not the government's viewpoint but the Legislature's viewpoint, that it is necessary for us as a Legislature to . . . by the Provincial Auditor being provided with money and staff to do a competent job then it becomes incumbent upon the government to expend those moneys and give the Provincial Auditor that capacity, not to project that a year hence they are going to contract this out as suggested by the member from Wolseley and their pork barrel friends.

**3. WILSON:** I didn't say that they were my friends.

**3. BOYCE:** It's absolutely ludicrous.

**3. CHAIRMAN:** Any further discussion on this item? Mr. Cherniack.

**3. CHERNIACK:** There's just one, Mr. Chairman. The news release by the Minister speaks of the report, that this, and again it's "this move" that we are talking about, is a step towards meeting part of the recommendations of the task force which dealt with separate auditing functions. Will you agree that the task force recommended that each board appoints its own auditor and that to that extent the government has differed from the task force.

**3. CRAIK:** I think that's the case.

**3. CHERNIACK:** And one other thing, in Mr. Ziprick's absence we learned from Mr. Ziprick that

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in those cases where he has the full and sole responsibility for an audit that it is being dealt with separately by government than those cases where he does not have complete control although again this press release would make it appear that all thirteen are being dealt with in the same way. Better elaborate on that.

The Liquor Control Commission by legislation can only be audited by the Provincial Auditor or the Lieutenant-Governor-in-Council cannot change the audit whereas in certain other cases the audit shall be conducted by the auditor or someone appointed by Lieutenant-Governor-in-Council. So as I understand it the statement that the auditing function of the Liquor Control Commission, which is the point we were dealing with, Mr. Craik's statement that they were assigned to a variety of firms and named the firm for the Liquor Control Commission that actually the government had the right to name that firm but only had the right that I have too, of asking Mr. Ziprick if he would please do so. I would like Mr. Craik to agree that that is the case.

**MR. CRAIK:** Well I think actually that was the procedure that was followed and at the time the announcement referred to was made Mr. Ziprick was also available for comment to the media which it was handed.

**MR. CHERNIACK:** Yes, but that is the distinction. For example, the final paragraph on the fifth page of this release says the Finance Minister said all appointments would be subject to negotiation of professional fees which would be acceptable to the Treasury Board. As I understand it, in the case of Workers' Compensation it may be the Treasury Board, although it may also be the Board of the Compensation Board. In the case of the Liquor Commission, it would be fees acceptable to Mr. Ziprick. But Mr. Ziprick has no authority over fees paid to the Workers' Compensation Board. He has indicated some disagreement with what I said.

**MR. ZIPRICK:** No, the fees, just like the salaries of my staff, the government has always, through the Civil Service Commission staff and on contract every time, all along, and any time I've employed contract employees or contract people I didn't go and contract on my own, I always made a submission to the Management Committee or to the Treasury Board on how much money we are said we're short staffed so many people and because of this I've got enough money in my estimate to take care of it and could I proceed in a contract for that work. So that's no different but the amount was always approved by the Treasury Board and I didn't go and do it on my own.

**MR. CHERNIACK:** I appreciate that correction. I didn't understand that and I'm glad that's clarified now. So that again, in the case of the Liquor Control Commission the amount payable to the firm has to clear the Treasury Board. The name of the firm, itself, apparently would come under the responsibility of Mr. Ziprick. He would have to approve of the firm because he's got to sign the certificate in the end.

**MR. ZIPRICK:** There I was asked and I said, Well these are all professional people and I know them all and I can work with any of them so that it's not a question that any one of these firms that for any reason at the moment that I would find unacceptable, they are certainly acceptable and I will negotiate with them. If the negotiations prove satisfactory and the amount they charge is acceptable to the Treasury Board, I have no reason to say right now that any one of them cannot do the job.

**MR. CHERNIACK:** In the case of the Liquor Control Commission, you are complying with the request as I understand it because you have control of the audit.

**MR. ZIPRICK:** That's right.

**MR. CHERNIACK:** And in the case of the Hydro, you didn't have to be consulted at all. They have a right to do as they saw fit.

**MR. ZIPRICK:** By Order-in-Council.

**MR. CHERNIACK:** That's the distinction I was getting at.

**MR. CHAIRMAN:** Any further discussion on this particular topic? If not, would it be a convenient time to adjourn for lunch and come back at 2:00 o'clock. Convenient to members? Meeting adjourned.

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LEGISLATIVE ACCOUNTS COMMITTEE MEETING

FRIDAY, NOVEMBER 24, 1978

RE: LEAF RAPIDS TOWN PROPERTIES GRANT

QUESTION BY MR. CHERNIACK

"I wonder if the Minister of Finance could clarify the reasoning for what was done in connection with Leaf Rapids Town Properties. Apparently a debenture was eliminated by a grant; what was the reason for that?"

REQUESTED INFORMATION

The Province of Manitoba received a total amount of \$13.4 million from the Government of Canada pursuant to an agreement respecting the Winter Capital Projects Fund of which \$10.3 million was approved for loan forgiveness. Included in the approved loan forgiveness was an amount of \$1,551,422.75 relating to the Leaf Rapids project. The \$1,551,422.75 was paid over to the Corporation who immediately applied it as repayment of their indebtedness to the Government. The funds had been received from DREE in March 1976 but the Government was unable to pass on the funds to the Corporation until November of 1977 when the loan forgiveness was finally approved by Canada.

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PUBLIC ACCOUNTS COMMITTEE MEETING

FRIDAY, NOVEMBER 24, 1978

RE. FLYER INDUSTRIES

QUESTION BY MR. MILLER:

"Is it correct to state that as of March 31, 1978 Flyer Industries has a surplus of \$6.4 million in cash money that they then turned over to Finance to invest for them and, you know, in the light of all we've heard about Flyer, I'm wondering how come they had this sort of cash surplus when in fact they've been receiving advances all along, or pretty consistently, because they needed working capital, and yet here they have a \$6.4 million surplus which they are turning over to Finance to invest? I find that strange. If they had that kind of money could they not pay back some of the advances?"

REQUESTED INFORMATION

The monies deposited with the Minister of Finance totalling \$6.4 million as of March 31, 1978 are a result of Flyer's normal operating cycle. Depending upon production levels Flyer must, through its working capital, finance inventories at various levels. At that period in its cycle, Flyer had no inventories and had received payment for most of the delivered coaches. Currently Flyer is producing at the level of 2 coaches per week, however, is tooling up to start producing at the rate of 2 coaches per day. The larger inventory level required from this change will be financed from its available cash.

UBLIC ACCOUNTS COMMITTEE MEETING

RIDAY, NOVEMBER 24, 1978

E: FLYER INDUSTRIES

QUESTION BY MR. CHERNIACK

"Would Flyer be required by some legislation to invest through the Minister of Finance rather than give the money back to the MDC to which it is indebted, I assume, and expect to draw from the MDC when it needs it."

ANSWERED INFORMATION

Flyer is not required by legislation to invest through the Minister of Finance. The Manitoba Development Corporation has instructed Flyer Industries to receive bids from the Minister of Finance as well as various banks.



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PUBLIC ACCOUNTS COMMITTEE MEETING

FRIDAY, NOVEMBER 24, 1978

RE: PUBLIC DEBT - BREAKDOWN BY PURPOSE

QUESTION BY MR. CHERNIACK

"How much of the public debt is for Hydro, how much for Telephones, how much for public schools, etc.?"

REQUESTED INFORMATION

Statement of the allocation of and the revaluation of public debt. (Includes both Direct and Guaranteed Debt)

	Canadian Dollar Book Value	Canadian Dollar Valuation as At 31st March, 1978	Foreign Exchange Fluctuation at at 31 March 1
(in thousands of dollars)			
Province of Manitoba Direct Debt	\$1,916,436	\$2,176,800	\$260,364
Province of Manitoba Guaranteed Debt	2,066,337	2,258,722	192,385
	<u>\$3,982,773</u>	<u>\$4,435,522</u>	<u>\$452,749</u>
<u>Purpose</u>			
General Government Programs	\$ 906,562	\$ 996,256	\$ 89,694
Manitoba Hydro- Electric Board	2,324,160	2,614,215	290,055
Manitoba Telephone System	427,409	500,409	73,000
Manitoba School Capital Financing Authority	182,000	182,000	-
Other Self-Sustaining Purposes	142,642	142,642	-
	<u>\$3,982,773</u>	<u>\$4,435,522</u>	<u>\$452,749</u>

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PUBLIC ACCOUNTS COMMITTEE MEETING

FRIDAY, DECEMBER 15, 1978

RE: PROVINCIAL FLEET OF VEHICLES

QUESTION BY MR. CHERNIACK

"Mr. Chairman, just to understand the trend. I see that at the end of the 1978 fiscal year there was an increase over the previous year so that there is no change in the consistency of increase year by year. I am wondering whether the Minister knows what the present fleet is, whether it is up or down from what it was in March 31, 1978?"

REQUESTED INFORMATION

The Central Vehicle Branch advises that, as of February 1, 1979, there were 2,410 vehicles in the fleet.

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PUBLIC ACCOUNTS COMMITTEE MEETING

FRIDAY, DECEMBER 15, 1978

RE: LEASED VEHICLES

QUESTION BY MR. PARASIUK

"Mr. Chairman, I was wondering if we could get a report on the number of vehicles that are leased."

REQUESTED INFORMATION

The general policy regarding U-Drive and Leased Vehicles is as follows:

- a) The term U-Drive refers to a vehicle leased or rented for up to seven days; the term leased vehicle refers to a unit leased or rented for more than seven days.
- b) A U-Drive may be rented outside of Manitoba on the authority of the Department involved. A U-Drive may be rented within Manitoba only when authorized in advance by the Central Vehicle Branch.
- c) A leased vehicle may only be arranged if authorized in advance by the Automotive Equipment Committee.

No central log was maintained of the number of vehicles approved until the Central Vehicle Branch began keeping the record in April, 1976. The following information is provided from their records:

<u>Fiscal Year</u>	<u>Number of Vehicles</u>
1976-77	442
1977-78	578
1978-79 (to Nov. 30/79 only)	271

However, the records do not segregate U-Drives from leased vehicles and there is no indication of the duration of the rental periods. Since the Central Vehicle Branch is not required to approve U-Drives rented outside of Manitoba, the rentals are not included in the above.