



Second Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

36 Elizabeth II

Chairman
Mr. David Blake
Constituency of Minnedosa



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature

Members, Constituencies and Political Affiliation

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 2 June, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. D. Blake (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Kostyra, Mackling, and Storie
Mr. Blake, Mrs. Carstairs, Messrs. Maloway,
Manness, Santos, Scott, Smith (Ellice)

APPEARING: Mr. F. H. Jackson, Provincial Auditor
Mr. C. E. Curtis, Deputy Minister, Department
of Finance
Mr. J. Singleton, Assistant Auditor
Mr. J. Bothe, Director of Public Accounts

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor for the fiscal
year ended March 31, 1986

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MR. CHAIRMAN: Ladies and gentlemen, we have a quorum, so we'll open the meeting on the Public Accounts Committee.

I believe the Minister has a few opening statements and remarks he would like to make concerning some documents that will be distributed. So with that, Mr. Minister.

HON. E. KOSTYRA: Thank you, Mr. Chairman.

First of all, just on procedures, I had talked with you and also with Mr. Manness about possibly adjourning the committee by about 12:15 p.m. today because of a conflict I have timewise - I believe that's agreed - and then the committee would continue at a subsequent sitting.

MR. CHAIRMAN: Is that agreeable with the committee? (Agreed)

HON. E. KOSTYRA: In terms of the documentation, there is the report of the Provincial Auditor which will be, as tradition, our first item to deal with and then the two volumes of Public Accounts.

I'd just like to remind members of the documentation that I sent out to you prior to the sitting of this committee. One was detailed information with respect to changes that have been made in the presentation and accounting policies, which include a document from the Canadian Institute of Chartered Accountants, and also an information piece prepared by the department.

In addition, there was a submission to the committee suggesting some changes in the detailed statements

of cash payments in Public Accounts, and I suggest that be dealt with as possibly the last item of business for this committee after we conclude the Auditor's Report and Volumes 1 and 2 of the Public Accounts.

In addition, as a result of the recommendation of the Provincial Auditor, I did provide again for you, Mr. Chairman, a report to all members of the committee of the government's response to the major recommendations or major concerns contained in the Provincial Auditor's Report. I believe all committee members have a copy of that, and I would urge them to review it as we go through the specific recommendations.

With that, I would just like to introduce - not that he needs any introduction - my Deputy Minister, Mr. Charles Curtis. I'd also ask him to introduce the other staff of the Department of Finance who are here to provide information to the committee.

MR. C. CURTIS: Mr. Chairman, I'd like to introduce staff of the department: Eric Rosenhek, who is the Acting Comptroller; Gerry Gaudreau, who is in the Comptroller's Division; Wayne McIntosh, also in the Comptroller's Division; Barry Thornson and Gloria Kilosky, in the Treasury Division of the department.

I could maybe ask Mr. Jackson to introduce his staff.

MR. F. JACKSON: . . . Mr. John Bothe, Director of our Public Accounts, Audit, and in a seat next to the wall is our Assistant Provincial Auditor, John Singleton.

MR. CHAIRMAN: Thank you, Mr. Jackson.

It is customary to proceed with the Report of the Provincial Auditor for the fiscal year ending March 31, 1986. If you wish to pass the Preamble and then go page by page, Preamble—pass; Page 1—pass; Page 2—pass.

Page 3 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, before we move into some detailed questions with respect to the summary of matters of concern and recommendations that are laid before us, before the Provincial Auditor, I would like to ask the Auditor firstly a few questions with respect to how it is this report was released.

It seems to me that this passed copy, the one we're considering, '86 fiscal year-end, was released sometime in late January. I'm wondering if the Auditor can tell me if it's released the day that it's returned to him from the printer in a completed fashion.

MR. F. JACKSON: I can't say for certain that it was released the same day, but it's my understanding that it would have been released within 24 hours of us getting it.

MR. C. MANNES: Is that the general procedure? Indeed, is it released as soon as you receive it, give or take a few hours?

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MR. F. JACKSON: Yes, that's our intention.

MR. C. MANNESS: At release time, is the government given any advance notice of it, or is it released publicly to all concerned at the same time.

MR. F. JACKSON: It's released at approximately the same time, i.e., it would be released the same day to all concerned parties.

MR. C. MANNESS: Mr. Jackson, you're hedging a little bit. Does the government have advance notice of that release, even if it's a few hours?

MR. F. JACKSON: No, the procedure is to deliver the copies to the Minister of Finance and to the Clerk of the Assembly at the same time for distribution. The reports leave our office at the same time and there may be a difference in cycle as to who would get them the first in the building, but it's the same one trip.

MR. C. MANNESS: Mr. Chairman, I have asked Mr. Jackson over a series of years whether this report is more or less coming in at the same time, whether it's in a completed form, whether we continue to receive it later on in December. Is that date falling back over time? Could he give us some general comments as to . . . ?

MR. F. JACKSON: My understanding is that our release of the 1986 report was in advance of the time of the release of our 1985 report by one or more weeks. Historically, it's come out sooner than that.

MR. C. MANNESS: Well, compared to the historical period of time - and as Mr. Jackson indicates, it used to come out sooner - I think late in November or early December may have been more the norm. Can that historical goal or objective, can that be met? What are the reasons why, over the last couple of years maybe, it hasn't been met?

MR. F. JACKSON: Well, from recollection, there have been a number of reasons in different years why it was delayed from the ideal situation.

One of those reasons has been the absence of key employees through illness. Another reason has been, in certain years, some of the work that was involved was additionally complex and more time-consuming than it was in other years just because of some of the accounting changes that were being made.

MR. C. MANNESS: Mr. Jackson, you appear here today at the invitation of the Minister of Finance or the Government House Leader, or what's the process by which you come to the committee today?

MR. F. JACKSON: I come to the committee today as a result of information relayed to me by the Clerk of the House.

MR. C. MANNESS: Mr. Chairman, through you to Mr. Jackson, would you, as the Auditor, be prepared to discuss the contents of this report immediately on you making it public?

MR. F. JACKSON: We do in effect discuss the contents of the report the same day or the next day after it's released, in that we meet with the press and answer any questions that the press has.

MR. C. MANNESS: Yes, I'm aware of that. I'll make my question then a little bit more specific.

Could you come to a Public Accounts hearing and be prepared to ask specific questions from members of the committee immediately after that report has been tabled?

MR. F. JACKSON: Yes. As a matter of fact, we feel that would be advantageous. It would make for greater efficiency in the use of our office's time.

MR. C. MANNESS: I would ask the Minister of Finance, last year, I think we spent some time questioning the Minister as to why this Public Accounts Committee could not or would not be called before the Session, certainly at a time previous to the month of June. I'd ask the Minister of Finance again why this committee was not convened either in January or February of this year.

HON. E. KOSTYRA: As I understand the past practice of this committee, going back through the time that we've been in government and during the time when Mr. Manness' party was in government, this committee has been called during House time, during the normal sitting of the House, as are other committees called during the current sitting of the Legislature, to discuss reports that are tabled, such as the Provincial Auditor's Report, such as Public Accounts, such as annual reports of various Crown corporations have been traditionally called during the sitting of the Legislature.

The recommendation to change that past practice of both this government and the previous Conservative Government is something that I think maybe respective House Leaders should review to see if they can accommodate that.

MR. C. MANNESS: Well, Mr. Chairman, those are almost exactly the same words that the Minister of Finance put on the record last year. Who then is to take the lead in suggesting to our respective House Leaders that this attempt to be accommodated because indeed, as Mr. Jackson has said, from an efficiency standpoint, indeed if these reports are to mean an awful lot, it would be wise to consider them forthwith upon their being made public.

I can sense that, over the last few years, the time of the House sitting of course has changed. It used to be that this House rose in the month of May, and it's no longer doing that. These reports used to be - and I've been told, I can't document it - but I've been told that these reports used to be considered in the first quarter of the calendar year. Yes, the Sessions seem to be drawing out longer, and that then allows the government to maybe push back again the calling of this committee.

I would like the Minister to make some commitment to members of this committee another year to have the Auditor's Report and the Public Accounts scrutinized before the month of June and, I dare say,

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in the month of January or February. Would he undertake to make that commitment?

HON. E. KOSTYRA: Well, let's just make one point clear. The calling of this committee, as has been the case with all other legislative committees that have been called during this Session, as I understand it, has been something that has been discussed with the respective House Leaders and there's been agreement on the timing of various committees, the order in which they are called and the time in which they are called.

So the fact that this committee is sitting on this day is something that is not only the responsibility of the government members on this committee and the Government House Leader, but also the Opposition members on this committee and the Opposition House Leader, because the time for committees and the accommodation of those committees have been done to not only accommodate the availability of Ministers and staff and information, but also the request of members opposite for their priority of committees to be called.

In regard to the future, as I indicated, I guess that's something that both caucuses and the respective House Leaders should discuss and then take it from there, if there is agreement to have it meet before.

But make it clear the fact that this committee is sitting on this day is not because the government was not willing to come to Public Accounts and to deal with the issues. It was because of the joint agreement between the respective House Leaders for the timing of the legislative business and the calling of various committees to deal with all of the reports that come before, not only this committee, but other legislative committees.

MR. C. MANNES: Well, Mr. Chairman, let's save a step. On behalf of the Progressive Conservative caucus, I am formally requesting the Minister of Finance to have the next sitting of this committee considering the next year-end fiscal report or Auditor's Report to be held in January or February in 1988.

I'll let the Member for River Heights give her own impression as to whether or not she would support that, but certainly the official Opposition would want this committee to sit January or February. I'm asking the Minister of Finance if he will direct his House Leader to accommodate that request?

MR. H. ENNS: It seems reasonable enough to me.

MR. C. MANNES: Thank you, Harry.

HON. E. KOSTYRA: I will take the position of Mr. Mannes and his caucus to my caucus and to my House Leader. I do not direct people to do things, certainly not the Government House Leader and certainly not my caucus, but I'll certainly take that position and it'll be discussed.

MR. CHAIRMAN: Mrs. Carstairs.

MRS. S. CARSTAIRS: Thank you, Mr. Chairman.

I'd like to lend my support to the Conservative caucus request so that, when the Minister takes it, it is taken as a united Opposition to his caucus.

MR. C. MANNES: Mr. Chairman, moving to the top of page 3, Revenue and Expenditure, and this is the first of many recommendations put forward by the Auditor. I do have in my possession a copy of the government's response to the recommendations, as provided by the Minister. First of all, let me compliment the government in heeding the advice of the Auditor and giving comment in response to the recommendations as so presented by the Auditor.

The first recommendation again dwells on the subject of net operating deficit and the fact that the NDP Government, over the last few years in presenting their budget, have attempted to again highlight something called the net operating deficit from the whole area of budgetary shortfall. I would ask the Auditor whether or not he is satisfied with the government's response. I think the government said that they wanted to show the words, "net budgetary requirement." I would ask the Auditor: Is that another word for "deficit"?

MR. F. JACKSON: Well, there seems to be many words for "deficit" these days, but I'm satisfied that the response of the government is a reasonable step and a step to improve the situation.

MR. C. MANNES: Mr. Jackson, you said that the net operating deficit, "does not" - and I'm using your words - "does not represent the excess of expenditure over revenue, as determined in accordance with government accounting policies." You go on further to say: "This type of presentation has not appeared in the province's prospectus used for borrowing funds." You further go on to say, "We recommend the presentation of the amount called 'Net Operating Deficit' be discontinued." Now the government comes back in response to that and says that they will now bring forward a new dual presentation, which will include two descriptions: (1), a net budgetary requirement; and also, a net operating position. The only word that has changed is "net operating deficit" versus "net operating position". What makes that better?

MR. F. JACKSON: On page 3 is the summary of our major concerns. The detail on page 29 indicates that, whilst we have concern about the presentation of something called the "net operating deficit," we realize that there have been comments made by lending agencies that they consider that capital expenditure is useful information and that, in the eyes of some, it is a different type of expenditure as opposed to other operating types of expenditures.

So on the detailed level, we in fact support the position that the capital expenditures be disclosed and that, in effect, additional information be provided so that one can better understand the position of capital expenditures that are being made by government and the position that the capital assets are, in fact, in the government, i.e., are they new, are they nearing obsolescence, are they at a state that required additional maintenance expenditure might be needed to keep them in a useable state? A great deal of information can be helpful in regard to capital expenditures to really assess the actual position of the government.

So we're not geared to eliminate capital expenditures. It's just that in accordance with the government's own

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accounting policies for a statement presentation of the net operating deficit, we consider they should best be treated as an expenditure such as other expenditures that the government makes, such as salaries; and that while they can be emphasized on another schedule for the main operating results schedule, they shouldn't be shown the way they have been in times past.

HON. E. KOSTYRA: I just wanted to make a further comment with respect to the change in looking at dealing with the concerns of the Auditor, the Provincial Auditor, as stated in his report. We also reviewed this issue in context with what is taking place in other provincial jurisdictions in Canada. And as I understand it, the new changes that we made with respect to this in the last Budget, and that will also be reflected on the quarterly reports as they come and in this year's Public Accounts is the same that is in place in the Province of Ontario under a Liberal Government, and the same format that's in place under Conservative Governments in the Provinces of New Brunswick and Nova Scotia.

MR. C. MANNES: Well, Mr. Chairman, I ask the Minister, why the reluctance to use the word "deficit"? I mean it's so obvious. It used to be called, deficit was first qualified by the term "net operating deficit," and now the word "deficit" has been totally removed. Now what we have is net budgetary requirement, or net operating position. Why the reluctance to use the word "deficit"?

HON. E. KOSTYRA: I would ask the Deputy Minister to answer that.

A MEMBER: Well, you know, the member smirks and laughs.

HON. E. KOSTYRA: I am not a chartered accountant, Mr. Mannes, I don't know if you are. I am told the correct terms are the terms that are being used, that the term "deficit" is a commonly-used term which is not correct from an accounting standpoint.

So if you don't want to hear from the Deputy Minister on that, then say so.

MR. C. MANNES: No, I didn't say I didn't want to hear from the Deputy Minister at all.

MR. C. CURTIS: Mr. Chairman, I just made mention of the fact that this issue has been reviewed in some length by the committee of Canadian Institute Chartered Accountants, and the major objective is an attempt to have similar wordage used in financial statements.

What we are trying to do is utilize the kinds of descriptive terms that have been recommended, and that is what we have done.

MR. C. MANNES: Well, why was the word "deficit" acceptable in the past, Mr. Curtis, and now is no longer acceptable?

MR. C. CURTIS: I would best say that it's a consensus of representatives on the Public Sector Accounting Committee that this is better terminology. It's not that

the other is necessarily inaccurate or improper, it's just that this is better terminology.

MR. C. MANNES: Then I'll ask Mr. Curtis, is it still a deficit?

MR. C. CURTIS: I happen to prefer the present terminology.

MR. C. MANNES: So it's not a deficit then?

MR. C. CURTIS: I think it's a question of what you perceive as being a deficit. I think the committee felt that deficit had a connotation that was different from what was attempting to be portrayed in the statements.

MR. C. MANNES: This is very important. I listened to the Minister's admonishment. I'm not a chartered accountant. What is the difference in definition?

MR. C. CURTIS: What the statements are trying to do is portray a statement of financial position. If you look at the term "deficit," many people will take the connotation of operating deficit. As Mr. Jackson mentioned, we're also trying to include the financial assets, fixed assets, other costs that aren't necessarily current operating deficits.

MR. C. MANNES: Mr. Curtis says there are other assets that are included in the statement which are not properly reflected, or items that are not reflected properly if you use the words "net operating deficit."

I then would ask Mr. Jackson how accurately can the government, in his view, and how accurately can the Provincial Auditor properly maintain the accounting as between those other items which may be considered capital and those which may be, for a better word, called wages and other easily identifiable expenditures over a period of a year?

MR. F. JACKSON: Maybe I can indicate my own preference in this regard.

As a member of the Public Sector Accounting and Auditing Committee, I was one of the people who spoke against the term "deficit." To my mind, it was too simplistic a term and it didn't reflect the changes that were being made in the accounting statements to move away from strictly a cash method of accounting.

Over the years, a number of changes have been made so that the simple cash-in and cash-out was no longer the only requirement to determine the operating results of the government, not just this government, but many governments.

I continue to prefer the term "excess of expenditure" over "revenue." That tells the story to me, because that's what the government is trying to do, is to match the requirement for the expenditures that are being made against the revenues that have been incurred in any particular year. If there's a shortfall, that means basically that we have to borrow money. That's, I think, the way that we in our office find the simplest way to keep the overall objective in mind.

As far as do we find it difficult to keep track of those things that are assets and those things that aren't, we look to the government to establish accounting policies

so that those at a senior level and those at a more junior level and those across all government departments have a similar accounting approach to whether it's an asset or whether it's an expenditure. Just as in any large organization, there are differences of opinion from time to time. Some of those differences of opinion result in qualifications coming from our office as to whether or not the financial statements do, in fact, project operating results in accordance with our understanding of the accounting policies. This year there were a couple of qualifications in that line.

MR. C. MANNES: Well, Mr. Chairman, a further question, then, to Mr. Jackson. He said he would prefer to use the term "excess of expenditure over revenue." The government prefers to use the word "net budgetary requirement," who ultimately makes the decision as to what term is used?

MR. F. JACKSON: One of the things that we're all a party to is change. What we see happening now, for the first time in Canada, is governments across Canada, i.e. every province and the territories as well as the Federal Government, working together to have more uniform, more meaningful accounting statements than what we've ever had before. One of the thrusts for that is so that somebody, objectively, that's trying to get a picture as to how Saskatchewan is doing as opposed to Manitoba, can arrive at a more meaningful result than they ever could before.

MR. C. MANNES: That's a laudable goal, I'm sure, accepted by us all.

I would ask Mr. Jackson then how he can ensure that the government doesn't begin to move into the capital side, items that rightfully shouldn't be there.

I'll use an example. I know of a jurisdiction in the United States, for instance, on the eastern seaboard that within their accounts, which show education for instance, all the expenditures associated with education as a capital cost because it reflects an investment, very much an investment. And I guess I would ask - (Interjection)- of course the Minister of Education says, he loves that idea, but there are members of the Treasury Bench who would love that idea too for another reason.

But the point being, Mr. Jackson, what safeguard do we have, as Manitobans, that type of situation wouldn't occur within the Province of Manitoba because I feel that, if education were considered or is considered an expenditure, or a capital expenditure, quite frankly, then everything could be considered a capital expenditure?

MR. F. JACKSON: In response to your question, one of the points that you just made is one of the reasons that I have difficulty with the term "deficit," because to my mind there are long-term benefits to the citizenry of Manitoba through the education program, just as there are long-term benefits to the citizenry of Manitoba through the health care system that we have, and to eliminate . . .

MR. C. MANNES: Natural Resources.

MR. F. JACKSON: Sure, exactly. There are all kinds of expenditures that aren't just for the benefit of the

one year. And if you use the term "deficit" in its simplistic way, those are all regarded to be lost costs and I can't feel that they are lost costs.

So we have a problem with what is capital and what isn't capital. In fact, there are many who advocate that some of those softer capital costs be reflected somehow in the financial statements. We're not in favour of that because it would be an unending difficulty indicating in a non-arbitrary way consistently which were capital and which aren't.

Further though, one of the things that, from an accounting perspective and even in the tax world people have a problem with, is what's the capital expenditure in the true capital sense, i.e., a new building that's going to be used to generate economic advantage in the year ahead, as opposed to something that's maintenance and repair, to keep a previous building going just another year or two.

So there's a great deal of difficulty between capital expenditures and non-capital expenditures. That's why we thought the government had wisely chosen, in their accounting policies, to not differentiate between capital expenditures and other expenditures in the matching of the expenditures and the income process.

MR. C. MANNES: I'm intrigued by the new term, softer capital. That may be a longstanding term within the accountancy profession, but it begs the question, I feel, as to why the profession would want to find itself into the area of politics, of public policy, as to how these terms are defined and who ultimately makes the decision as to - and bears the responsibility, I might add - how they're accounted.

MR. F. JACKSON: Just as in any other profession the accountants develop terms and usage over time. One of the terms that's used for accounting terms generally are the terms "generally accepted." It's only after a period of time that there's widespread acceptance of the recommendations that are being put forward by an institute, such as the Canadian Institute of Chartered Accountants, that they get to be generally accepted accounting terms and policies.

MR. C. MANNES: Mr. Chairman, a final question on this point.

Will you, Mr. Jackson, continue to use the terms "excess of expenditure over revenue" in your Provincial Auditor's Report?

MR. F. JACKSON: We will be planning on using those terms when we're analyzing and understanding the operating results of the government.

MR. C. MANNES: Does that mean yes or no, Mr. Chairman?

MR. F. JACKSON: That means yes, as far as the auditors are concerned. The financial statements are not the product of the Provincial Auditor's Office but, when we're analyzing and interpreting those operating results, we will continue to use "excess of expenditures over revenues" as our bench mark.

MR. C. MANNES: Well, Mr. Chairman, that's what I'm talking about. I'm talking about this document here

which is your report, and you will continue to use those terms.

Thank you.

MR. CHAIRMAN: Page 3 - Mr. Manness.

MR. C. MANNESS: Well, Mr. Chairman, don't be in quite that much of a rush, if you don't mind, thanks.

The second recommendation is to do with the means of funding and disclosing losses on Crown corporation operations and allowances for non-recovery of other amounts.

You have recommended, Mr. Jackson, that Crown corporation losses be reflected in some fashion in the Main Estimates, within the main appropriations of government. Could you expand that viewpoint to the committee? Could you tell us specifically the method that you would envisage that might provide for that greater disclosure? And/or when you brought forward the recommendation, were you suggesting that the government bring forward some plan to show how it thought it might be able to better account in the manner that you have suggested?

MR. F. JACKSON: Well, in response to that, we as auditors do not generally try and be prescriptive. We try to point out difficulties and problems that the government and/or management should take in hand and come up with solutions. If we become too prescriptive, then we think that we're too involved in the management process and are usurping other people's responsibilities.

We felt for some considerable time that the Crown corporations were a distinct part of government policy and that they were there to implement government policy. We also felt that, if those Crown agencies were going to incur losses, those losses should be planned for and budgeted for, so that they could compete up front with appropriations for government departmental expenditures; that they shouldn't be unknown and a big surprise.

As a consequence, we have been recommending that they be reflected through the operating statements of the government so that one can better interpret what the operating results of areas of government influence really were, not just government departments, but those Crown agencies that are implementing other areas of government policy so that a reader of the financial statements could get a clear indication of what the overall impact of government policy and practices were for that particular year.

MR. C. MANNESS: Mr. Jackson, you then lay out the general principle as to your concern and your recommendation. The government, in the 1987 Budget Address of course, indicated their intention to make provisions for losses in future years.

I would then ask the Minister of Finance the method for the procedure that is envisaged to bring forward some of the losses that do occur, to bring them forward into appropriation.

HON. E. KOSTYRA: The government has indicated that it will be putting that in place with respect to the 1988-89 year in appropriations. It will be based on the

experience of the Crown corporations in the previous year. So losses that are incurred in the previous year will be reflected in the Estimates in the subsequent year, estimates of spending.

I might also add that there are a number of Crown agencies that presently do have their losses covered through appropriations such as Moose Lake Loggers, whereby there is an appropriation set aside for, in effect, the subsidy or, i.e., the loss on operations for those Crowns.

But we are in the process of developing the procedure for that, to have it in place by the end of this fiscal year into the next year's expenditures.

MR. C. MANNESS: Mr. Chairman, the Minister seems to indicate that the total loss of the Crown that is experienced the year previous will be reflected in the appropriation of the present year.

Can the Minister indicate, firstly, whether the full loss will be reflected? Secondly, will it then have its own itemization, that being Crown corporation losses that will be an aggregate of those losses, and will it be shown as such, as a single-line entry in the appropriations or under the Department of Crown Investments?

HON. E. KOSTYRA: Well, the simple answer is we haven't decided on the specific mechanism or the way that it will be portrayed in the Estimates. I guess there are two ways of doing it. One would be through a department or an agency like Crown Investments or through the specific areas that are responsible to a Minister. As an example, the situation with Moose Lake Loggers is that it appears in the appropriation of the Minister of Northern Affairs.

I might also just add that, when we're talking about losses, we're talking of losses that are anticipated to not be recoverable or not be able to be covered by the specific Crown corporations in their ability to generate profit or surplus in subsequent years.

MR. C. MANNESS: Mr. Chairman, I would then ask Mr. Jackson: Is that your understanding then also when you highlight Crown corporation losses? I use an example, if for instance Manfor were to suffer, which it did suffer, a \$30 million loss over 15 months a year-and-a-half ago, if indeed the government convinced you that might be able to be recouped through profit, expected profits in the future, that you as the Auditor would not feel it necessary to reflect that loss in the present year.

MR. F. JACKSON: I'm not just sure how I should answer that. But auditors generally tend to be a little skeptical and they have to be convinced that there's a good basis for something turning around from being a loss situation to being a profit situation.

One of the matters that we're trying to come to grips with, with one of the committees that I'm working on, that's the government has a reporting entity that deals with when should Crown corporations be consolidated or when shouldn't they be.

One of the tests is whether or not Crown agencies are in fact profitable or only intended to be profitable. There's a world of difference between an intention and the reality of it achieving its profitability.

So the short answer is we'd have to be convinced.

MR. C. MANNESS: Well, that's where obviously a difference then would lay between the government and the Auditor.

I have listened to Ministers on several occasions tell us in response to a question dealing with the major shortfall of the year, very quickly move in to a dissertation as to how that Crown corporation was going to do much better the year following and then, of course, make a lot of money the second year following that, and I've heard that over and over and over again, Mr. Jackson.

Who's going to make that decision as to whether or not that Crown corporation should have a loss in the year previous, reflected in the present appropriation?

MR. F. JACKSON: Maybe let's just relate to what the situation is now.

The situation is now that the government and the Department of Finance are doing a very respectable job in the valuation of the Crown corporations and the results of the operations of those Crown corporations. So that in the Statement of Financial Position of the government, the losses that have been realized are being reflected, but they're not flowing through the operating statement. They're going through the Statement of Excess of Liabilities over Assets, and we don't think that's as fair a presentation as it might be, but the losses are being reflected appropriately.

My understanding is that, in the years ahead, the losses that are reported after the fact will be flowing through the statement of income, the operating results statement. It's also my understanding that we won't lose what we've already got and that the valuation process will be continuing for the current year.

MR. C. MANNESS: I need a little further explanation of that, Mr. Jackson, I don't quite understand that.

I know what you say when you say, in your view, the government does a fairly good job in providing valuation allowances, because I don't see where you, over many years, have drawn issue with that point.

But you're saying that something will show up on the income side of - are you saying of the Budget?

MR. F. JACKSON: It's my understanding that there will be an approach taken whereby the recognized losses of Crown corporations will be budgeted and show up through the Statement of Revenue and Expenditure, and they will be part of that statement and be built into the operating results.

MR. C. MANNESS: I'd ask the Minister of Finance why this new policy, to include Crown corporation losses, reflecting that either within the appropriation or within the summary of income and expenditures, why that new policy could not have been implemented for this past Budget, given the fact that this recommendation was made, I believe, a year previous, in the 1985 year-end Auditor's Report. Why would the government not reflect the losses of the Crown corporations a year ago in this year's Budget?

HON. E. KOSTYRA: I would just ask the Deputy to make a comment first and then I'll add to that.

MR. C. CURTIS: I've just made the comment, Mr. Chairman, that there are a number of factors that are under consideration, that might have an effect on the manner in which we would show losses.

If you consider showing, for example, only the operating losses of a specific Crown corporation, you may well not take into account the fact that there are major enhancements and assets. So if a corporation, for example, writes off substantial amounts of assets as an operating expenditure, that may not reflect the true financial position of the Crown corporation.

We want to look at that aspect of it.

HON. E. KOSTYRA: The reason that it hasn't been implemented for this time, is that simply these kind of issues take some time to work out the different mechanics and work out some of the issues that Mr. Curtis and Mr. Jackson raised. That is the simple answer that the government is committed to, as it is in a number of areas, improving the financial statements and the financial information that's presented to the Legislature, and thereby to the public. And this is an area that we agree should be improved on and we're working on it. It's just a matter of working it through. There's no other reason why it has not been implemented before this.

MR. C. MANNESS: I would ask Mr. Jackson, who I know dialogues with many other individuals in his position in other provinces, can he tell me if other provinces today at this point have those procedures in place? And are they reflecting Crown corporation losses that occur within their jurisdiction?

MR. F. JACKSON: I would say that there's no general standard across the country, and this is one of the areas that the committee on the government as a reporting entity is trying to come to grips with, so that the operations of the government really do reflect the operating results of Crown corporations, and there's no uniformity at all at this point.

MR. C. MANNESS: I then ask the Minister, which of our 18 or 20 Crown corporations that we have are candidates, if they show loss at all, to have that loss reflected in the Main Estimates of Expenditure and Revenue?

For instance, is Manitoba Hydro, should that corporation assume a loss, would that be reflected in next year's Budget?

HON. E. KOSTYRA: Well, the specific example the member used is one that I think I can respond to easily. However, if one, instead of going down through the whole list - I cannot provide a specific response to each one because, as I said, we're developing the policy and until such time as we get it in place, it would be difficult to be able to say exactly which ones would be in.

But if you wanted to look at the extremes, if you will, I would anticipate that Manitoba Hydro if they had a loss as they do from time to time on yearly operations, that they would not be a candidate for this. Or if you look at the other extreme, if we were again dealing with that Flyer Industries situation, I'd say that would be a candidate and would be one that would be covered by this.

Now obviously, as we move towards the centre, there may be some grey areas, and that is what we're attempting to do in working through this policy here, as they are in other parts of the country.

MR. C. MANNES: Well, Mr. Chairman, obviously we're going to be very interested in the policy that is developed by the government and the criteria used to determine which of our Crowns are candidates for showing, or more accurately reflecting their losses in the yearly Budget.

I'd then ask Mr. Jackson, because he uses as examples three Crowns or three situations, one of them being a Crown, that he feels should have had their loss more accurately reflected within the Budget.

Manitoba Development Corporation of \$50 million and also the Co-op Implements of \$3 million, but there was another - oh, \$16.9 million - and he was talking I guess about a valuation allowance that he was a little bit concerned about. So there was only one major Crown then, that being MDC, that he highlighted. I would ask you then, Mr. Jackson, why would the Manitoba Development Corporation loss of \$50 million be highlighted, and yet Manfor's loss of \$30 million over 15 months not be a candidate for your special attention?

MR. F. JACKSON: My response would be that Manfor would be a candidate for write-off, as would Flyer. And in fact it was Flyer that gave rise to the MDC, the Manitoba Development Corporation write-off.

In our response, here we use the term \$16.9 million, and that really flows through the asset valuation situation and covers the whole spectrum of things where advances or loans have been made, but the operating results looks like there's been a diminuation in value.

MR. C. MANNES: So what you're saying, of the \$16.9 million, a component of that could be Manfor, could be McKenzie Seeds?

MR. F. JACKSON: It was.

MR. CHAIRMAN: Mr. Mannes, were you going to change your line or are you still on the same? I think Mr. Scott wants to go on.

Mr. Mannes.

MR. C. MANNES: One final question to the Minister.

When will this policy be made by government? When will it be released and will it be public in its entirety?

HON. E. KOSTYRA: A study from the end to the front of the question, yes, it will be made public. We expect to have it in place prior to finalizing decisions related to next year's expenditure appropriations. When that will be specifically, I can't tell you at this point, but it will be prior to the beginning of the next fiscal year.

MR. CHAIRMAN: Mr. Scott.

MR. D. SCOTT: Mr. Chairman, my question is on the same item in regard to two Crown losses, in providing for them in the year following the actual occurrence of that loss. Is that not what the proposal is in the fiscal year of the government following the year auditing

the Crown that the losses occurred? In other words, '86 losses would be reflected in the '87 budget?

HON. E. KOSTYRA: I'm sorry, I thought the question was to Mr. Jackson. Was it to me?

MR. D. SCOTT: Okay. I think it's probably you who makes the policy.

HON. E. KOSTYRA: I'm sorry, could you repeat the question?

MR. D. SCOTT: Okay, sorry, Mr. Minister. Is it the proposal to provide for the losses in the year immediately following their occurrence?

HON. E. KOSTYRA: Yes.

MR. D. SCOTT: Okay.

Maybe this to Mr. Jackson then, a little handy-dandy general stance of financial presentations for government, November '86, item 72 under Expenditures - this is out of the CICA Manual - "Expenditures should be accounted for in the period their goods and services are acquired and a liability is incurred or a transfer of payments are due." Now I suppose one could read, "transfer of payments are due," being the transfer of payments from the government to the Crown.

I guess the reason I raise this is I think one of the reasons that the government is perhaps deciding to reflect these, it's not only the urging of the Provincial Auditor, but also to show a fair, as the Provincial Auditor mentioned a few minutes ago, competition for funds.

And my concern with this is, if we're reflecting a loss or a consumption of funds in the year following the actual loss of those funds, the competition isn't quite the same for the same dollars between basic services, health, social services, education and Crown's losses, because the Crown's losses have already occurred. I wonder perhaps if the Provincial Auditor has any suggestions for the committee or any opinions in regard to whether we should be reflecting in the year following or that the government should be trying to make some provision and forecast of what the potential losses may be when introducing Supplementary Supply during the year, to have them reflected in the year the losses have occurred, rather than in a year following.

MR. F. JACKSON: Well, what we're in is a period of transition, and my understanding is that the Department of Finance felt that there would be some significant difficulties in the early years in being able to come up with firm figures for the losses, because the Budget is often working 18 months ahead of the actual results being achieved.

We considered what the department is doing as a step in the right direction and, as they have some experience in this field, it may be easier for them to do what you are suggesting.

However, we view it as being a positive step nonetheless.

MR. D. SCOTT: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Downey.

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MR. J. DOWNEY: Mr. Chairman, the question to the Auditor dealing with the Communities Economic Development Fund - and I note this year again, in the Annual Report of the Provincial Auditor, the words of warning to the . . .

MR. CHAIRMAN: What page is that? We're on page 1 - or page 3, sorry.

MR. J. DOWNEY: Well, that's where I am, Mr. Chairman, dealing with the Communities Economic Development Fund, which is an overview I understand of the Crown corporations, which is this.

Mr. Chairman, I may make reference to another page in the report dealing with the Communities Economic Development Fund and just trying to be helpful to the committee and the Auditor.

Again in this year's report, we have warnings from the Auditor to the Communities Economic Development Fund to the government dealing with the accountability of the Communities Economic Development Fund, and I'll just read again to jog the memory of the committee and the Auditor as to what was said. Again this is about the third year in a row that the same warning appears in the Auditor's statement.

"Last year, we reported that there were certain deficiencies in the Fund's documentation and monitoring policies and procedures with respect to the loans it makes. It was our view that, if these deficiencies were not addressed, the Fund's management might be precluded from taking appropriate action on a timely basis to protect public funds. Consequently we recommended that the Fund's board strengthens its documentation and monitoring policies for its loan portfolio."

Mr. Chairman, the concern that I have is - and I ask the question of Mr. Jackson - what action is he taking or have there been any formal responses from the Communities Economic Development Fund and, in particular, seeing that all loans of \$200,000 and upward have to be approved by Cabinet, has there been any documentation or any addressing of the concerns raised in the Auditor's Report for, I think, the third year in a row?

MR. F. JACKSON: I'm going to ask the assistant Provincial Auditor to respond initially to that question as he is more familiar with the details.

MR. CHAIRMAN: Mr. Singleton.

MR. J. SINGLETON: Mr. Chairman, we have been in contact with officials of the Communities Economic Development Fund from the period since this report was issued, and there are a number of specific concrete steps that they are taking to address the concerns we've raised.

In particular, they took steps to develop the manual that we recommend in there with respect to having explicit instructions to their staff and also they took steps about a year ago to hire a comptroller who is a professional accountant to bring their procedures more into line with the way we thought they should be, to provide appropriate control over the monitoring of loans.

So at this point in time, we're satisfied that they're taking reasonable action to address the concerns that we raised.

MR. J. DOWNEY: When did you indicate the manual was prepared and put into effect, or supposedly put into effect?

MR. J. SINGLETON: The manual was, I believe, developed within six to nine months ago, about six months ago.

MR. J. DOWNEY: Approximately six months ago. So it was developed after the loan which was made by the Communities Economic Development Fund last April to Mr. Norman Gunn by the government dealing with the \$350,000 loan, which I again note in your recommendations that we recommend that the Fund's Board take appropriate action to continue to strengthen its researching," which I understand, if there's been any research done at all in that particular loan, no one would have proceeded with it on the basis of sound business judgment. They may have proceeded on it for political reasons, but not on sound business judgment, and that, "recommending approving monitoring of documentation procedures for the loan."

Has there been a follow-up as far as the Auditor's department is concerned, dealing with the assurance that this manual will be lived up to, or would there not still be reason to doubt whether or not the recommendations will be adhered to by the Cabinet process?

After all, this works well up to the \$200,000, which is within the capacity of the board and the corporation to loan. What would the Auditor's department expect to come from the Cabinet? Would you expect the same kind of acknowledgement of the recommendations in the manual, or would you expect that the government will be left to make the decision on however governments make their decisions, based on what information that is available to them?

MR. F. JACKSON: Whenever decisions are taken that affect public funds, we expect that there be appropriate documentation. Whether it be a Minister that takes that decision, we expect that there be appropriate documentation as to the reasons for the decision and that there be a trail left behind as to who is responsible for what decision.

MR. J. DOWNEY: I thank Mr. Jackson for that answer.

Then can the Provincial Auditor give us the assurance - we're having some difficulty in getting some of the information and the documentation which approved the loan of \$350,000 to an individual who, in a very short period of time afterwards, went into receivership or on the verge of receivership - that he will check into that loan of last April dealing with \$350,000 and provide for the committee documentation or the paper trail which he refers to?

MR. F. JACKSON: We provide the committee with our concerns as a result of our audit work. However, the Provincial Auditor's Office has never been the source for Crown agency or departmental documentation.

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We feel quite strongly that, if any information requests come in the way of documentation, it is not us that should be the source for that information but rather the agency or the department concerned.

MR. J. DOWNEY: Mr. Chairman, I can appreciate what is being said. However, would it be possible for the Auditor's office to make comment as to the availability of information and where this committee could proceed to get it from? I think that would be a fair position for the Auditor to take, that there could be some assistance in the accountability of public funds by identifying source areas where that information could be available.

HON. E. KOSTYRA: Mr. Chairman, I believe the answer to the questions that the member is raising rests with another committee of this Legislature that it still sees of the matter that the member is raising.

The Annual Report of the Communities Economic Development Fund is still a subject of deliberation of a legislative committee. That particular issue is best addressed through the deliberations of that committee, not this committee. You're dealing with the Annual Report of the Provincial Auditor for the last fiscal year.

MR. J. DOWNEY: Mr. Chairman, the Minister may try to deflect. The Provincial Auditor, who is the overseeing agency of the Crown corporations and the expenditure of public funds, there is specific comment in here dealing with - and I again go over it for the Minister's benefit. "Take appropriate action and continue to strengthen its research." After all, from what we're able to obtain, there was very little research, if any, done on a \$350,000 loan by the government with the use of taxpayers' funds. I mean, who made that decision based on what? It was the Cabinet, and we would like the information on which they based their decision. After all, it is hard-earned taxpayer's money. Recommending, approving, and monitoring and documentation procedures for loans, it's right in the report dealing with the Auditor. I don't think it's an uncalled for question at all.

Mr. Chairman, maybe Mr. Jackson would like to respond by helping to source some of the information or identifying where some of the information may be found.

MR. F. JACKSON: We would consider that the initial source for that information should be the Communities Economic Development Fund and possibly the chairman of the board.

MR. J. DOWNEY: Mr. Chairman, I realize that Mr. Jackson cannot force that information to come from those sources. However, I do appreciate his assistance in this matter, far more cooperative than the government Ministers dealing with this kind of situation.

There's another area in the report dealing with the act. I notice - I'm not going to get into the subject matter of it - but I notice under Workers Compensation, the recommendations are there that government should adhere to or that Workers Compensation should live up to the provincial act.

As well on the Communities Economic Development Fund, Mr. Chairman, it indicates here - and again it seems the Auditor is concerned as well that the act

be lived up to here, I'm sure, as he is with the Workers Compensation. I'll quote what they've indicated: "The act authorizes the fund to provide financial assistance including loans, where an applicant cannot obtain sufficient funds from other sources. In providing the financial assistance, the act requires the fund to do so in a manner that will encourage other lending and financial institutions to assist in financing the enterprise and to take into consideration the terms upon which similar financial assistance is normally provided by the institutions, and the risks involved."

There's another portion here which I will add as well. I meant to include it in that comment. "The Communities Economic Development Fund Act empowers the fund to provide financial assistance to individuals, companies, and others to encourage the economic development of remote and isolated communities within the province."

To the Auditor, Mr. Chairman, would he not agree that the Communities Economic Development Fund is bound by that act and that's where those loans should be applied and shouldn't be applied to, other than remote communities? Should the act not be lived up to here as well as the Workers Compensation Act, or any other act of the Legislature?

MR. F. JACKSON: We believe that the acts of legislation provide the only authority for Crown agencies to undertake operations and transactions. So, we look to the act to find the authority for transactions to be undertaken. Yes, we feel very definitely it's the acts of legislation that provide the authority for operations.

MR. J. DOWNEY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Manness.
Mr. Downey?

MR. J. DOWNEY: No, that's fine. I'll yield to Mr. Manness.

MR. CHAIRMAN: Back to Mr. Manness.

MR. C. MANNES: Mr. Chairman, moving down to the bottom of page 3, the Auditor refers to a change in the basis of funding in the Manitoba Agricultural Credit Corporation and some of the concerns he has with respect to a new procedure. Mr. Jackson, are you telling me that money that was lent by the government to MACC as a Crown corporation, which they subsequently lent out to some client, which in due course was - and then an evaluation allowance made against those loans, in other words they were write-offs and then some of that in due course was paid back - that the government directed those paybacks into income of the government rather than reducing the indebtedness of the province?

MR. F. JACKSON: It's one and the same to some extent.

Yes, that's what we're saying. One of the concerns that we have here and one of the things that has to be appreciated is the formal process that takes place. In determining the operating results for a particular year, there is an evaluation process that takes place within each Crown corporation as to the likelihood of the

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collection of the accounts or loans receivable and they establish a provision for doubtful accounts.

Historically, the government funded the corporation to the extent of the provision for doubtful accounts. In 1986, there was a change and the government said, we're willing to fund accounts that you formally write off as bad debts, but we're not willing to fund any longer accounts that you think may be doubtful. So, there's a difference here.

In determining the operating results of the Manitoba Agricultural Credit Corporation, the government previously matched, if you will, the operating results of the entity with funding. In '86 it stopped that and it allowed the corporation to accumulate deficits up to the extent of the provision for doubtful accounts that had not yet been written off. So, there's a change here. We thought that it was important to highlight the change to the Legislature.

MR. C. MANNES: I'd ask the Minister or the Auditor then whether that policy change has been reflected in text somewhere.

HON. E. KOSTYRA: I don't believe it was done as such. I'd have to really research that issue with the Department of Agriculture and the MACC to provide a specific answer, unless the Auditor can shed more light on it than I can.

MR. C. MANNES: Well, Mr. Chairman, that impetus for change came from some source. Did it come from Finance or did it come from MACC?

HON. E. KOSTYRA: As far as I know, it was a policy change with MACC and the Department of Agriculture. Again, I'm afraid I don't have that specific answer.

MR. F. JACKSON: It's documented in the Manitoba Agricultural Credit Corporation but, as far as the government goes, it's not really considered to be an accounting policy change as much as it is a funding change.

MR. C. MANNES: Related to this, Mr. Chairman, is repayments another area - and I'm thinking of the Manitoba Development Corporation. There's a Crown corporation that still has active accounts where payments are coming in on those loans and where the proceeds of those loans, even though there have been massive losses associated with the Manitoba Development Corporation, the proceeds of those loans that are returning to that Development Corporation are going into paying the wages of development officers, who indeed are not attending to the activities of the Manitoba Development Corporation per se. They are attending to development agreements that really are programs in government.

I'm going to ask the Auditor, Mr. Chairman, I'd like to ask Mr. Jackson whether or not this type of process is something that is acceptable to himself and indeed to the Provincial Auditor's Department.

MR. F. JACKSON: We have no concern whatsoever as far as staff of agencies undertaking departmental or government responsibilities, as long as there is still an

appropriate cost centre for both the department and the Crown agency. For all of the programs that the Manitoba Development Corporation have undertaken for government, there continues to be an appropriate cost centre, with one exception. That one exception has been highlighted in our report. It deals, I believe, with about \$100,000 in each of the last two years, where the Manitoba Development Corporation, in accordance with its legislation, should bill the government for the activities it's undertaken on their behalf. It didn't. It's not reflected in the Manitoba Development Corporation's operating results, and we believe it should have been.

HON. E. KOSTYRA: That specific area is under active review right now by the Development Corporation and the Minister responsible to look at that particular issue as it relates to the Manitoba Development Corporation being, in effect, the financial institution to look after the loans and agreements that have been entered into through the development agreement process. It's also being reviewed vis-a-vis any further undertakings that may flow out of the recent Tourism Agreement, because again the Development Corporation will act and has acted as the financial institution to monitor that loan portfolio.

It would be the government's intention to deal with that concern of the Provincial Auditor, hopefully, coming out of that review.

MR. C. MANNES: Well, Mr. Jackson, the general question though still is, loan proceeds that come back to any agency, whether it's Housing, whether it's the Manitoba Development Corporation, whether it's MACC, and there are probably other lending authorities in government, should those proceeds firstly go to the general expenditures of the people who are servicing the clientele? More importantly, should those proceeds in excess of the valuation allowance go into the working capital of that Crown corporation, or should they be returned to the government to reduce debt? Because really, they show up somewhat of a debt figure.

MR. F. JACKSON: It's my understanding that the Department of Finance has made arrangements with most of the active Crown agencies in the lending field to reschedule debt payments so that there is an overall long-term plan for debt payments to be made by those agencies. For example, the Manitoba Agricultural Credit Corporation has debt payment arrangements with the Department of Finance, as does the Manitoba Housing and Renewal Corporation.

However, when one appreciates that an entity has been created to carry out certain government policy functions, there's an administrative charge and the money that's advanced to those corporations are for two things. They're for the administration and for the loans. It's considered that there be sufficient funds come to the agency in the way of service charges, interest charges, etc., for it to maintain its operations or that there be appropriations set up to recognize that there isn't. If there are those appropriations, again there's an appropriate cost centre, and the government's Budget and appropriations reflect that the fees have not been sufficient to meet the administration charges.

MR. DEPUTY CHAIRMAN, D. Scott: Mr. Manness.

MR. C. MANNES: Then one final question, does Mr. Jackson accept the government's response on this matter when they say in their view, since this money had been paid from - I'm talking about the MACC situation - since this money had been paid from an appropriation in prior years, it did qualify for this special treatment which you highlighted, of course, as being of some concern to you.

MR. F. JACKSON: Technically, the Department of Finance is correct. However, what we're dealing with in our view is substance over form. Ours is a substance, we think theirs is the form.

MR. DEPUTY CHAIRMAN: Mr. Manness? Pass page 3?

MR. C. MANNES: Page 3.

MR. DEPUTY CHAIRMAN: Pass.

Page 4.

Committee, take a five-minute adjournment.

(RECESS)

MR. DEPUTY CHAIRMAN: Okay, call the committee back to order.

Mr. Derkach.

MR. L. DERKACH: My question to the Auditor is, I would like to know whether there has been a different organizational structure to the Jobs Fund in the last . . .

MR. DEPUTY CHAIRMAN: Mr. Jackson.

I'm sorry, Mr. Bothe.

MR. J. BOTHE: Yes. In our report we have indicated that we're recommending some changes be made to the level of documentation regarding Jobs Fund. As indicated in our report on page 35, there's an indication that the Minister of Finance is receptive to our recommendation and is proceeding to have the actual issue resolved.

HON. E. KOSTYRA: Just to provide some additional information in terms of the government's position, it's laid out in the report to the committee and that is that, No. 1, in this year's expenditure documents, the information for the Jobs Fund has been expanded. Commencing with the next year, delivery departments will be incorporating in their detailed supplementary information, which is provided for all departments, each department will be providing for the information on their Jobs Fund programs in those detailed supplementary materials that is provided to members prior to the commencement of the review of Estimates of each department.

MR. L. DERKACH: To the Minister of Finance, I wrote a letter to the Minister responsible for the Jobs Fund who indicated that the change has been made already.

I gather that, in his response, he said that I could get this specific information from the various administering departments. Now you're saying that change is going to be taking place in the coming year. Has that been implemented now, was that in effect before, or is the Jobs Fund as it was a year ago?

HON. E. KOSTYRA: As I indicated, the information is provided for and the main expenditures document has been expanded over what was provided for in previous years. There's additional information in the Jobs Fund appropriation in the expenditure documents.

Next year, each of the departments will provide, in their detailed supplementary information, information related to their Jobs Fund expenditures.

MR. L. DERKACH: Does that mean that the Jobs Fund department per se will be phased out?

HON. E. KOSTYRA: Well, the Jobs Fund is not a department as such and never has been. The delivery of Jobs Fund programs have always been the responsibility of specific departments.

There has been a coordinating group which has been attached to the Department of Industry, Trade and Technology that provided the support to the Cabinet committee. That Cabinet committee is now dissolved with the change in Cabinet committee structure with the Planning and Priorities Committee of Cabinet and the enhanced Treasury Board functions. That Cabinet committee no longer exists.

The staff who were providing the support on the overall Jobs Fund programs of expenditures are largely the Department of Finance and the Treasury Board Secretariat. The staff who are responsible for delivering specific Jobs Fund programs, as an example, the development agreements, are largely in the line department. In that case, it would be the Department of Industry, Trade and Technology.

MR. L. DERKACH: It still doesn't clarify the situation though. Will there be a separate appropriation designated as Jobs Fund, or will that now become a part of various departments and handled through Cabinet or through a committee of Cabinet?

HON. E. KOSTYRA: The situation, as it presently exists right now, is in the expenditure documents where there are the appropriate expenditures shown there for Jobs Fund. At this point, there's no intention to change that. Whether or not it will be changed next year, suddenly it would have to be determined once we deal with the expenditure Estimates of government next year.

MR. L. DERKACH: For purposes of information then, Mr. Minister, where can one get the information on what amounts of money have been spent through the Jobs Fund or allocated? Does one then have to go to the various departments, or can that information still be obtained from the Jobs Fund staff?

HON. E. KOSTYRA: I don't know what information the member is referring to, but it would be through the normal fashion, through the Minister responsible. Any detailed information would be available once the review

of that area is in Estimates. The Jobs Fund Estimates are the next up in Committee of Supply sitting in the House, so that information will be available. The usual practice has been that area is discussed in Committee of Supply and other Ministers responsible for particular programs are present to provide detailed responses.

MR. L. DERKACH: To the Auditor, in the Estimates each year, there is a specific amount of money given under the Loan Authority for the Jobs Fund. This year, that amount is \$54 million. Can the Auditor tell us how much of the Loan Authority in the past year was repaid, or has there been any kind of a repayment schedule set up from the various projects or programs or departments that are receiving money through the Loan Authority?

MR. J. BOTHE: In terms of the loan monies that are made available to the Jobs Fund, as I understand it, monies are provided for subsequent loans to other entities. Such loans and advances would be reflected then as part of - the loans and advances would show up in one of the schedules to Public Accounts. I'm just looking for the specific reference right now. It shows up on pages 2-8 of Volume 1 of the Public Accounts. As the loans are made, they would be reflected in the government accounts in this type of fashion.

MR. L. DERKACH: The amount of money that has been allocated in the Loan Authority, if that entire amount isn't used in a specific year, what happens to the amount of money that was allocated but not spent?

MR. J. BOTHE: As I understand it, the money that isn't spent is allowed to be carried over because it is Loan Authority as opposed to appropriation money, and it can be applied for to continuation, typically the previous loan that hadn't been fulfilled or some further expenditures in the form of loans.

MR. L. DERKACH: How long is the amount of money allowed to be carried over, from how many previous years?

MR. J. BOTHE: As I understand it, there is no limit. It can carry forward for a number of years, until a subsequent other decision is made.

MR. L. DERKACH: Can the Auditor tell us what the total amount of Loan Authority which has been allocated but not spent is at the present time in the Jobs Fund?

MR. J. BOTHE: No, I'm sorry, I don't have that information.

MR. L. DERKACH: Can that information be made available to us in the next while, at our next meeting?

MR. F. JACKSON: If that information was going to be made available, it would be made available through the Department of Finance.

MR. C. CURTIS: Mr. Chairman, did the member want the outstanding authority available at the end of this fiscal year?

MR. L. DERKACH: Yes.

MR. C. CURTIS: We have a schedule in the Public Accounts, on page 3-20.

MR. CHAIRMAN: Pages 3-20, Public Accounts.

MR. L. DERKACH: Can we have a current amount for the year-end '87, what is outstanding?

HON. E. KOSTYRA: We can have that information available once the Jobs Fund is reviewed by the Committee of Supply.

MR. L. DERKACH: The Jobs Fund provides a variety of grants and loans to a variety of organizations or departments. Do the Crown corporations receive Jobs Fund monies?

MR. J. BOTHE: Monies are made available to a variety of entities. I believe there are Crown corporations that are eligible.

MR. L. DERKACH: Do you know what the criteria are for the Crown corporations that are eligible for Jobs Fund money?

MR. J. BOTHE: There are a variety of criteria, depending upon the particular program for which it is intended, some of which may be a wage subsidy type of program. There may be a whole variety of programs, and each program would have its own criteria.

HON. E. KOSTYRA: I think these questions are best put when the Estimates of that particular area are reviewed, because obviously the Provincial Auditor or his staff are not the ones who are in a position to respond to the programs of the Jobs Fund in terms of what criteria is in place. That is something that is normally dealt with through the Estimates process.

MR. C. MANNES: Mr. Chairman, the Minister is more than partly right, but what is being reflected here by my colleague is the fact that we cannot in any way put together what has happened in the Jobs Fund, however defined, over the last three or four years. We are totally frustrated. We get bits and pieces from one Minister who is willing to give us a little bit of information and when we try to put together the large puzzle, we can't do it.

We can't help but see where the Auditor lays out his concerns with respect to the Jobs Fund, too. He may be more concerned about the fact that the area of discretionary spending is so large and it isn't brought before the Legislature in all proper detail before authority is granted. We're concerned about that also.

But more so, it seems to us that this Jobs Fund is a nebulous structure, first of all, at best and, secondly, it's constantly changing. The Minister says, well the Jobs Fund is coming up and we'll be given an opportunity then to ask these questions. Well, quite frankly, Mr. Chairman, we do not receive satisfactory responses to those very detailed questions that we've put over a series of years.

Now, I would ask the Auditor if he would share with us all the information he has on the Jobs Fund in his shop, up to year-end, fiscal '86?

MR. F. JACKSON: We've shared the concerns that we have from an audit perspective with the Jobs Fund, with the members of this committee, through our annual report. However, to function effectively we need to be able to continue to access information at every level with a feeling that information is being made available to us and to us only. If we start acting as a source of information to other individuals or members of certain committees, I think we will start running into problems with information being made available to us. So, I think that the best place for that information to be requested from is the department or agency responsible in government for it.

HON. E. KOSTYRA: Again, I think we're doing work, getting into areas here that are not related to the issues before this committee. If there are requests for information with respect to expenditures, there is a process to deal with that. The Estimates of that particular department will be coming up in the Legislature and, while the member may say he doesn't get satisfactory answers to his questions, I guess that's a matter of debate in terms of whether or not answers are sufficient to meet the needs of the members opposite. Any and all questions obviously can be entertained at the appropriate time when that area is before Committee of Supply for review.

MR. C. MANNES: Mr. Chairman, it's very hard at times to ask the proper question, the dead-on question, when you have difficulty even understanding the structure of the Jobs Fund. I think the Auditor, in some respects, is having difficulty with the structure also. So, consequently, if we're doing our job as Opposition, I wonder why we should be prevented from having access to the Auditor's information which, in my view, is public information on the Jobs Fund, a department of government, one that the government has lauded for many years now as being so significant as far as the contribution it makes to the economy.

Mr. Chairman, I think we're being hamstrung, a little bit, in this whole area and for the Minister to say, well, the opportunity is arising once you go into the department, isn't totally fair. That's why we're trying to access another area, another avenue of information.

I would like then, Mr. Jackson, to spell out why it is, as a public policy or as a policy of his department, that we shouldn't have greater access to the information that he does have?

MR. F. JACKSON: I'm not saying at all that you shouldn't have access to a similar type information that I have. We have, over the years, indicated that to properly understand the operations of the Jobs Fund more information should have been made available to the members of the Legislature. I understand that the Minister of Finance is responding to that and is indicating that the level of information we've been recommending will be made available to the Legislature.

I think the concern that you're expressing is now not the budgetary type of information, but the actual results type of information.

MR. C. MANNES: Mr. Jackson, with respect, these are monies that are being directed in a whole host of different directions, different programs.

We are having great difficulty reconciling all these programs, indeed, taking the sums that have been spent that, first of all, have been proposed to be spent; secondly, that have actually been spent, and somehow coming up with a sum total that makes any sense whatsoever.

There are also Loan Authority provisions. There are also grants being given - some of them in due course, or loans which are forgivable, and quite frankly, as an Opposition, we just don't know. We can't get a handle on this area.

I'm reaching out to you as the Auditor to give us some direction as to how we can do a better job in understanding that whole department because, quite frankly, all our requests of the Minister in charge, the response to those questions have not at all been satisfactory.

MR. F. JACKSON: My response would be that I've always considered it a responsibility of the Minister of Finance to have information available that takes information from the budget process through to the actual expenditure process. Perhaps what you're looking forward to getting is a summary statement that indicates the vote, the capital, and the actual expenditures.

HON. E. KOSTYRA: Let's just review what has been taking place with respect to information that's provided to members of the Legislature. It's been during this government's term in office where the information provided to members of the Legislature has been expanded considerably to the point now that just about every government department has a detailed Estimate supplement which is provided to members prior to the commencement of review to the Committee of Supply of those departments. We have expanded that year by year to ensure that members have detailed information. As was indicated in respect to this area, that information will be incorporated into the departments next year.

The government has also moved to provide, on a timely basis, annual reports for all of the departments to the point that virtually all, other than one or two departments, have provided that information so there can be some discussion on the results of actions of those departments related to what's in the present Budget and the detailed Estimates supplement so one can review the activities of those departments.

So, this government has moved to provide more information and will continue to provide more information and will do so in this area, as I indicated. We moved one step in terms of what was provided in this year's expenditure review where additional information was provided with respect to the Jobs Fund, and that'll be incorporated in detailed Estimates of the department. So we will continue to provide additional and more information to attempt to satisfy the needs of all members of the Legislature.

MR. C. MANNES: Mr. Chairman, the Minister's response is not satisfactory. For the Minister to come forward today and say that they've provided more information in some of the line departments and use that as an example as to how more open this government is, is totally misleading in terms of the

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questions we pose with respect to the Jobs Fund. Yes, I'm aware that additional supplementary information has been provided and certainly it's been well-received. But again, Mr. Chairman, those are in main line departments which give greater detail as to programs that have existed for some period of time in some cases, and/or staff numbers.

Mr. Chairman, what we're talking about here is the Jobs Fund, a very highly politically profiled program made up of many, many, many different programs. Mr. Chairman, this was a new initiative of government, and yet the Opposition has not been given a statement of reconciliation or a summary that has shown how the monies have flowed. It's not that we haven't asked. We've asked over and over again. We don't understand the structure. The structure keeps changing as to who administers it, who has the final authority, where the sums of money are and to what various departments.

Again, I think it's incumbent then on the Minister of Finance, because this program has been in place now for four years, to tell us when he's going to give us this summary, if he'll consent to do so for this year. Secondly, if not, then I again appeal to the Auditor to provide the information on past years that he has available to him.

HON. E. KOSTYRA: As I indicated, we have moved in this year's expenditure to increase the amount of information portrayed in those Estimates with respect to the Jobs Fund. We have indicated that next year each of the departments in their detailed Estimates supplement will provide for a similar degree of information related to their area of responsibility for Jobs Fund programming. We'll insure that information is available when that area is reviewed by the Committee of Supply, which I would anticipate would be in the next week or so, and attempt to provide the kind of information that the members are attempting to ascertain or receive.

MR. C. MANNESS: Why was this information - and I'll use the word - deliberately withheld years previously?

HON. E. KOSTYRA: This information wasn't deliberately withheld in years previously.

MR. C. MANNESS: Well then, will the Minister provide that information for years previous at the next sitting of the Department of Jobs Fund?

HON. E. KOSTYRA: The information can be requested and dealt with when we deal with that committee in Estimates.

MR. C. MANNESS: Mr. Chairman, we've requested that a year ago. We were told then by the Minister in charge to put the request in writing early in the sitting of the new Session. My colleague did that. We have received no information of any input, and again I'm asking the Minister if he'll undertake to provide that information for the sitting of the Jobs Fund.

HON. E. KOSTYRA: I'll review any outstanding requests for information with the Minister responsible prior to the commencement of those Estimates reviewing Committee of Supply.

MR. L. DERKACH: There even seems to be some confusion in regard to who is really responsible for the Jobs Fund, whether it's the Minister of Finance or the Minister of Industry, Trade and Technology.

I'd like to ask the Auditor whether he's got a listing of entities from departments and programs who received money through the Jobs Fund?

MR. F. JACKSON: We don't have a listing per se. Our experience has been that there are procedures in place for the allocation of funds. The Department of Finance records are as such that the funds get allocated, get spent and get accounted for in accordance with the allocations that have been made and are reported as such through Public Accounts, but we don't have separate lists of our own.

MR. L. DERKACH: So the Auditor has not received any kind of detailed information with respect to where monies have flowed from the Jobs Fund?

MR. F. JACKSON: We haven't got specific information as to where monies have moved from for the Jobs Fund.

We understand generally the process that takes place and, as part of our sampling and testing, those transactions are tested and audited the same as all others. We haven't found difficulties with either the allocation process, or the recording process or the expenditure process but, because this area is of concern, we will review the records that we have and ensure that they are appropriate.

MR. L. DERKACH: Can the Auditor's department provide any further information with regard to where monies have been allocated?

MR. F. JACKSON: Excuse me, I missed the question.

MR. L. DERKACH: Can the Auditor's department provide any more specific information as to where monies are flowing from the Jobs Fund?

MR. F. JACKSON: My understanding is that the actual expenditure of funds is very detailed in Public Accounts, and does account for all the expenditures of the Jobs Fund. Again, we will review that. We will undertake a review on our part to satisfy ourselves that there is appropriate disclosure for expenditures.

MR. L. DERKACH: When that review is done, would the Auditor consent to making that available to us?

MR. F. JACKSON: Sure.

MR. D. SCOTT: I have a couple of questions in regard to the second item on page 4, in Pensions.

Mr. Jackson, you report there - in the middle of the paragraph, it says, ". . . we estimate the pension costs for the year ended March 31, 1986 of approximately \$92 million . . . have not been reflected in the Public Accounts."

Is that \$92 million the liability or the approximate amount of funds that have been contributed by the employees of both the province and the teachers, or

is that the total amount of the unfunded liability of those pension plans?

MR. F. JACKSON: I'll ask Mr. Singleton to respond to that question.

MR. CHAIRMAN: Mr. Singleton.

MR. J. SINGLETON: That is not the total amount of unfunded liability. The \$92 million is basically an accounting estimate that we made, which is determined by comparing the total liability at the beginning of the year with the total liability at the end of the year, and the difference results in the \$92 million in increased liability during that year. As such, it becomes a period cost of a particular year.

MR. D. SCOTT: What is the total amount of the province's commitment on the actuarial basis for the pension fund now? Is that reported in the Public Accounts?

MR. J. SINGLETON: Yes.

MR. D. SCOTT: Which page would it be on, Mr. Singleton?

MR. J. SINGLETON: Page 1-11 is where that information is contained.

MR. D. SCOTT: So at December 31, you're looking at a figure of approximately \$285 million?

MR. J. SINGLETON: Yes, that's correct. That's for the province, for the Civil Service.

MR. D. SCOTT: That's for the province, and the teachers is \$413 million, on the next page?

MR. J. SINGLETON: Yes, that's correct.

MR. D. SCOTT: And the \$92 million represents the increase over those of both of those for the year '86.

In some of the other government agencies and more, I guess, in concert with the provincial legislation, this of course is exempt from this past couple of years ago. We, in Telephones, have attempted to try and fund the liability, setting out a target of just after the year 2000. In the Public Utilities Board's report just issued, they stipulate that they want us to be fully funded by the year 2001.

I'm wondering what the Provincial Auditor's opinion on the advisability of trying to fund the pension system as one goes along and also on reducing, if one was to do that, about the idea of reducing the unfunded liability so, in time, the program or the plan is fully funded? Or do you even think that is worth doing, given that it's guaranteed by the province in any . . .

MR. J. SINGLETON: There are two issues with regard to the reporting of pension costs that need to be kept fairly distinct. One is the issue of accounting for the actual cost in a particular year and reflecting that in the operating results of an entity or the government in a particular year. A separate issue is the issue of

whether or not cash should actually be put aside to pay for those costs in future years.

As accountants, we tend to focus more on the accounting side of it. The funding issue is one of deciding what's the best cash-flow management in terms of maximizing the benefit to both the employer and the employee.

What we're particularly concerned with, though, raising this issue, is that the costs of pensions, if they are not reflected in the operating results of an entity or a government, tend to be ignored for decision-making purposes. It's a fairly significant liability that's building up over time. The Canadian Institute of Chartered Accountants currently has a committee reviewing this issue and they hope to, within about a year, come up with recommendations as to how pension costs should be more appropriately reflected in the statements of both Crown entities and the government itself.

MR. D. SCOTT: So I guess we're waiting to see what the CIA's pocketbook is going to recommend . . .

A MEMBER: I don't think it's the CIA.

MR. D. SCOTT: . . . in a couple of years time before we - CICA. Did I say CIA? I think the CIA has a significant . . .

A MEMBER: A little Freudian slip, there.

MR. D. SCOTT: So, we'll await their report. I would also like, when the report does come out, to see what you as Provincial Auditor in consultation perhaps with some actuarial people feel what is appropriate for we, as a province, to do, whether we should be starting to fund it on a current basis or whether we should do anything towards the unfunded liability that has built up over time.

At the same time, I would not want to see people try and distort this as has happened, I would say, with the unfunded liabilities that other agencies tied at arm's length to the government have, and to say that this is a deficit of the government and that sort of thing, of all this funding. I'm trying to raise as an issue of both reporting and to make sure that the pension systems are going to be, in 20 years time, adequately secured for the benefactors of those who are contributing funds today.

I don't raise this as an issue of trying to get panic anywhere or to have various individuals run around raising flags saying this is added to the deficit of the province or anything of that nature at all, but rather just to try and have a clearer accounting policy on it, at the same time out of interest for those who have contributed to the pension plans and security of the system.

MR. CHAIRMAN: Are there any further questions on page 4?

Mr. Manness?

MR. C. MANNES: Mr. Chairman, one question on this point.

Have the pension changes reflected in the bill dealing with teachers' pensions that was passed in the House,

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I believe, a year ago, has that been reflected in any of the figures presented in the Auditor's statement, the \$92 million?

MR. J. SINGLETON: To the extent that they would have been reflected in the year-end liability of the teachers' retirement fund, they would be reflected in the \$92 million. I believe the timing was such that they are fully reflected in that \$92 million.

MR. C. MANNES: Mr. Chairman, I don't know if you'd like to have committee rise now. I'd like to move into the multiyear financial plan, another one of the

recommendations. Whatever the will is of the committee.

MR. CHAIRMAN: What is it the wish of the committee? There were arrangements to rise at 12:15. The Minister has another commitment so, if it's the wish of the committee to . . .

HON. E. KOSTYRA: Do you want to start now? Committee rise?

MR. CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 12:08 p.m.