

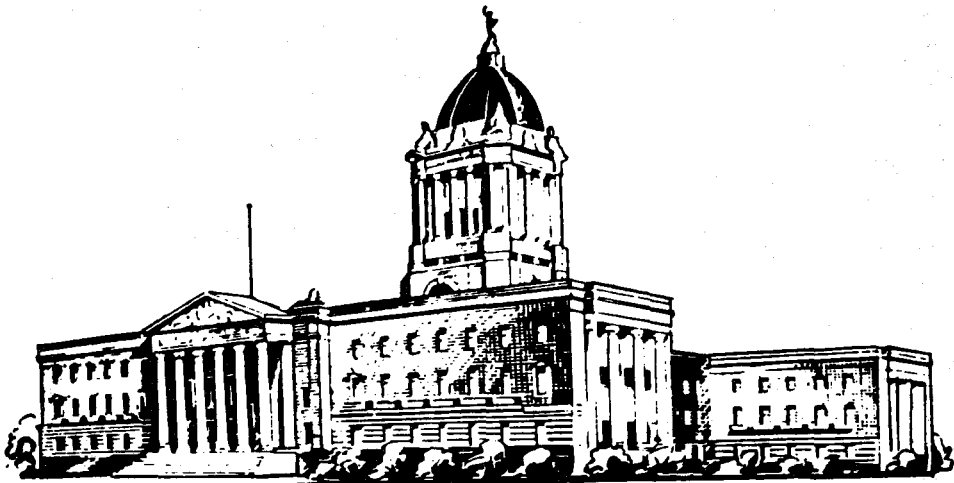


Legislative Assembly of Manitoba

**STANDING COMMITTEE
ON
PUBLIC ACCOUNTS**

Chairman

**Mr. D. James Welding
Constituency of St. Vital**



Friday, February 2, 1979 2:00 P.M.

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

Time: 2:00 p.m.

CHAIRMAN: Mr. D. James Walding.

CHAIRMAN: Order, please. We have a quorum, gentlemen. The Committee will come to order. Item 35, Liquor Control Commission. Mr. Cherniack.

CHERNIACK: Mr. Chairman, I was wondering — Mr. Ziprick told us that his staff man years for the Liquor Control Commission was fractionally over one staff man year, which means the equivalent of one person working all year, plus a little, and in addition I assume there will continue to be some supervision time allocated involved with the firm that's going to be doing the audit. Is that correct?

ZIPRICK: This one staff man year is the field time; it doesn't include any time of, like, Fred Jackson . . . isn't Provincial Auditor, or myself.

CHERNIACK: I see. So that you expect to save one staff man year.

ZIPRICK: That's right.

CHERNIACK: At what rate of charges were you making for that one year?

ZIPRICK: Well, there would be a variety of rates; I think that we had one rate for chartered accountants . . .

CHERNIACK: How much is that?

ZIPRICK: I don't have that —(Interjection)— \$16.60 an hour for chartered accountants.

CHERNIACK: And the next?

ZIPRICK: Audit accountant No. 1, \$9.90 an hour, and the audit clerk classification, about \$9.50.

CHERNIACK: Mr. Ziprick, are you familiar with the charges that are made by private accounting firms?

ZIPRICK: Well, there are a variety of charges; if they are working as a consultant that involves research, they charge one fee, and then the field work is another, and they will have different rates for different kinds of jobs because in off-peak time they can do it quite a bit cheaper than during their peak time. When they are real busy and during — let's say income tax period — and they need all the staff, well then if you wanted anything done you'd be getting it done at the peak hour and at peak rates. If it's in the summer time and in their instance, where their workload is very, very low, they will do it much cheaper for just the salary plus a small contribution to overhead; in the off-peak, this is the way I understand it.

CHERNIACK: So that in this case, are all audits for the Crown agencies as of March 31st?

ZIPRICK: No, some of these audits are December fiscal year, and the ones that are December audits don't start until — the start of the year just started now, so they won't be reporting until December 31st.

'79, and . . .

MR. CHERNIACK: But in the Liquor Control Commission case?

MR. ZIPRICK: It's March 31st.

MR. CHERNIACK: Did you complete that March 31, '78?

MR. ZIPRICK: Yes, that's been completed.

MR. CHERNIACK: When did you do it?

MR. ZIPRICK: We reported it about July, or — we finalized more or less July, or August — so time in August, I guess, of '78.

MR. CHERNIACK: Would you expect the same timing in connection with whatever firm is doing this?

MR. ZIPRICK: Yes, I expect the same timing.

MR. CHERNIACK: Will that be off-peak?

MR. ZIPRICK: A goodly portion of this work will be off-peak, because it's mostly after April, work.

MR. CHERNIACK: Is there a tariff of rates that are published by the accounting organizations?

MR. ZIPRICK: I don't know if there are tariff rates that are published, if people feel that they have a grievance against the rates charged by a professional can submit them to the institute as a grievance, and it would be looked into, but . . .

MR. CHERNIACK: That's for review, but in this case we expect all this will be contracted for in advance and agreed upon.

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

MR. CHERNIACK: So that what you say, your maximum charge for a chartered accountant's fee is \$16.50 an hour.

MR. ZIPRICK: That's right.

MR. CHERNIACK: \$16.60 an hour?

MR. ZIPRICK: Yes.

MR. CHERNIACK: Yes, I'm sorry. I'm sorry. So \$16.60 an hour is the highest price that you charged?

MR. ZIPRICK: Yes, there are some chartered accountants that would be getting more than \$16 an hour. What we do is put all the chartered accountants together, total up their salaries and divide it by a rate for all the chartered accountants because if we start individually, it gets too difficult.

MR. CHERNIACK: Then you have an overhead.

MR. ZIPRICK: 25 percent overhead on top of that.

MR. CHERNIACK: Above that, and that overhead applies to 25 percent of whatever the hourly rates are. **MR. ZIPRICK:** That's right. That's right.

MR. CHERNIACK: And with that knowledge you have a sound basis for your negotiation:

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I. ZIPRICK: Yes, that we will be negotiating from that base, but naturally they can't work for percent overhead.

I. CHERNIACK: Why not Mr. Ziprick?

I. ZIPRICK: Well, we calculate our 25 percent to purely cover supervision, secretarial, stationery and fringe benefits. There is no provision for office space accommodation or anything like that in that 25 percent.

I. CHERNIACK: I see. So you expect that a private firm will be charging more than 25 percent.

I. ZIPRICK: Oh, yes, they would have to because in our 25 percent, when we calculate it, there are no built-in charges as I've said for office space. We weren't accounting for office space, so we felt we weren't passing it on, so that really, I guess you could say that the firms were getting it out of a subsidy in that regard, but it's so inconsequential that by the time we could have tacked another 25 percent, I guess, but it was felt that we should just pass on the direct costs.

I. CHERNIACK: M'huh. And, then there is no markup for the partners?

I. ZIPRICK: No.

I. CHERNIACK: No. So that actually when you fixed your rate of \$16.60, it was actually an arithmetic calculation of the number of total hours that you paid chartered accountants in your department the total amount divided by the number of hours.

I. ZIPRICK: Number of working hours.

I. CHERNIACK: Yes. I see, and you have not yet negotiated with anyone I assume, this came to you much too quickly. You say you accepted the instructions from the government to accept a particular firm, whichever one it is. Do you know how many people work for them, the availability of staff to them to do the job? Do you know anything about that yet?

I. ZIPRICK: I have a pretty good idea. Some of them I know quite specifically, others not

I. CHERNIACK: But, relating this to some other Crown agency that will be done, which may be much more. For example, how many staff man years have you had on Hydro? Approximately.

I. ZIPRICK: It's less than two, about one and one-third.

I. CHERNIACK: So that one and one-third, would that be about the biggest that you have?

ZIPRICK: They all fall into about one and a third to one and a half category.

CHERNIACK: I see. I must admit to you some surprise to think that Hydro would not require more time than the Liquor Commission. You don't do less work on Hydro than you do on the Commission, do you?

ZIPRICK: No, the Liquor Commission is one and Hydro is one and a third, but Hydro has a very high-class internal audit system of its own.

CHERNIACK: And the liquor Commission doesn't?

ZIPRICK: It has but it's not extensive. The Liquor Commission is much more vulnerable to a number of things and requires more care and attention. The Liquor Commission merchandise is susceptible to . . .

MR. CHERNIACK: You mean to handling a product that is easily . . .

MR. ZIPRICK: Easily marketed, so we have to exercise more care in certain areas.

MR. PARASIUK: Mr. Chairman, I just want to clarify a few points in this regard from the audit. I would like to ask the auditor if he's been dissatisfied with the work done by his staff in doing the audit of the Manitoba Liquor Control Commission.

MR. ZIPRICK: No.

MR. PARASIUK: So that means you've been satisfied with what they've done over the past years?

MR. ZIPRICK: Yes.

MR. PARASIUK: Who did the selection of the present auditor or auditing firm that is going to do the audit for the Manitoba Liquor Control Commission. Did you do it or was it done by someone else?

MR. ZIPRICK: It was done by the government.

MR. PARASIUK: Do you know what criteria were used in the selection of this particular firm?

MR. ZIPRICK: No.

MR. PARASIUK: When you hire staff to your branch, I would assume that is done through the Civil Service Commission?

MR. ZIPRICK: Yes.

MR. PARASIUK: And that the the Civil Service Commission is involved and that you or a representative of yourself is involved in the hiring of that particular person?

MR. ZIPRICK: Yes.

MR. PARASIUK: So that criteria are established when you hire your own auditors?

MR. ZIPRICK: Yes.

MR. PARASIUK: And you follow this criteria in hiring them, but you do not know whether the same criteria were used when this particular firm was selected and given to you to use?

MR. ZIPRICK: Well, I know this, that each one of these firms has auditors on its staff that compare with any of our senior auditors in capabilities and they have a variety of auditors, I am satisfied that the firm is absolutely competent to provide the kind of expertise and capabilities that are needed or has that kind of expertise and capabilities that are and we will ensure that what is made available.

MR. PARASIUK: Well, what you are saying then is that every firm, basically, all the 13 firms that list, have the ability to carry out the auditing tasks that are required in your estimates?

MR. ZIPRICK: Yes.

MR. PARASIUK: Given that that's the case and given that there really isn't that much differentiation between the skills of those particular firms, wouldn't it be possible then to put any of these particular jobs for tender?

MR. ZIPRICK: I guess it would be possible.

MR. PARASIUK: Fine, because, you see what you are talking about is a situation where they are all offering the same type of product. You are confident that all 13 have the ability to do the job and therefore, in situations like that, the normal practice, it would appear to me, would be

putting it up for tender.

R. ZIPRICK: Well, it hasn't been the practice.

R. PARASIUK: But it could be because you aren't looking for a particular skill from this particular company to be applied to the Manitoba Liquor Control Commission or a particular skill from another company to be applied to the Manitoba Hydro. In your estimation, they all have sufficient skill to carry out the particular audit functions?

R. ZIPRICK: Yes.

R. PARASIUK: Fine. I say that because the Minister responsible for selection and allocation of these firms has said they haven't gone to tender because that hasn't been done in the past and that there seemed to be some type of an implication that you people are looking for specific skills to be used in relation to the audit of Manitoba Hydro or to the audit of the Manitoba Telephone System. I believe the Minister made those statements in answering some claims by a colleague of mine who called for tendering of these particular audits.

I'd like to ask you a couple of questions about overhead. I've been in your offices and they are very spartan. I have had the occasion of being in some of the offices of some of these companies on this list and they do not compare in any way, shape, or form, in the luxuriousness of their furnishings with your office, let me assure you. In fact, I see wood panelling, lush carpets, piped-in music, all of that, which I assume that we will now be paying for in these extra overhead charges. That, in addition to some of the points that you raise, Mr. Ziprick, will possibly lead to that higher level of overhead charge and I'm surprised that our watchdog of public expenditure here, who sits with us as a colleague on this Committee, isn't concerned about the luxuriousness of the furnishings. I mean, say, Arthur Andersen, or Dunwoody, who, we, as taxpayers, are now going to have to pay for, that I think there is a big difference in the furnishings of the offices of these private companies. Now, when we do start talking about overhead, do you have any idea of what the normal practice is in the industry? Isn't it the normal practice to charge at least 100 percent for overhead?

R. ZIPRICK: It could be, but I know this, that the rates vary quite substantially as to the timing and the kind of work, so I'm not making any pre-judgment. I'll wait and see what they come up with. If it's out of line, we'll deal with it then. At this point in time, I'm not making any kind of pre-judgment. And it's not going to be on a rate-basis I understand. We're asking for a package to do certain work with certain quality staff.

R. PARASIUK: I would like to ask one final question in this regard. You indicated that with respect to the five Crown Corporations, MPIC, Manitoba Forest Services, The Manitoba Lotteries Commission, the Manitoba Housing and Renewal Corporation and the Manitoba Liquor Control Commission, you are the authority, in fact, you are required by Legislation, to conduct the audit. The thing that troubles me in this respect is that since you have this authority and since you do have the independence that I think exists properly for the auditor who reports to the Legislature, I can't understand why you have agreed to have these 5 Crown Corporations audited by private firms, and, indeed, you have expressed satisfaction with the job that your staff have done to date.

R. ZIPRICK: Well, the point is that we need staff and the question arises how we obtain that staff, so in this case we are obtaining it by contract. Now, as far as I'm concerned, whether I have staff on salary or contract, as long as it is the adequate staff to do the job, that is all that matters, and of course, the price, that's something that we'll see.

R. PARASIUK: So what you are really saying, is that your independence can, in fact, be strained by a starvation of staff, that is by a constraining of the staff that you have to do the job and what you are telling me is that you have to use these private companies because you can't really have the staff at your disposal to carry out all of your particular tasks and that this is being done as a means of providing you with staff resources to carry out the jobs that are required by you, by this legislation.

R. ZIPRICK: No, the constraints are no different either way and, as far as I'm concerned, these kinds of constraints are appropriate, that I would not want to have the authority to go out and hire other staff or firms on my own without approval of the government. I think that if that happened it would put a person like myself, appointed as a legislative officer, to spend any amount of money that I want. My job is to indicate how much staff I need to do the job and explain it to the government,

and supposedly they will give me the staff. If they don't give me the staff I will report to the Legislature that I couldn't do the job. That's where the control is. I think it would be wrong to set up the situation whereby I could set my own budget. There again, I have the authority that if the amount requested in the budget isn't enough I could put it in my report and say that my budget is too low to carry out the work. Now, the new legislation that has just been passed in the other provinces in Canada has that kind of approach and I think it's a right one. I would say it would be wrong to create that kind of a situation where an auditor would have all the freedoms of going out and doing anything he liked, because it works both ways. It wouldn't take long, and there would be accusations against the auditor for favouritism and that, and you'd have to set up separate grievance mechanisms and everything like that. I think that working within this kind of system there are adequate protections and I have no objections.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Ziprick, on your last point, last year we did in fact, as a Legislature, approve an estimate item for yourself, which was sufficient to carry out the task that you had to do. Now that's what we were assured in the Legislature and that's part of the estimates review process of the Legislature. We now find out, though, that you really weren't allowed to exercise your function or fulfill your function because it was suggested to you that certain staff shouldn't be hired. That you weren't operating outside any limits given you by the Legislature. In fact, you had a budget that was approved; you had certain staff man years and you did have to hire them if you were going to fulfill your functions as required. At present, I gather that you are not quite fulfilling your function. You have a bit of a backlog because you had insufficient staff. You certainly wouldn't have been over-reaching your authority given you by the Legislature had you hired those staff as the vacancies arose, to undertake your functions. So I don't think you should feel that you would have been overstepping any legislative authority. You had a legislative authority. Indeed, I think that you have been prevented from operating within the bounds of the legislative authority that was given to you last year in the estimates.

I would like to clarify your statements with respect to how the private firms are considered by yourself. You say that these are contract people. Now, isn't it true that the people aren't contracted, the firms are contracted. You have a contract with Dunwoody, for example. You are contracting with the firm, and the firm is then saying that they will be providing these services for you. You are not, I assume, going to these firms and saying "we would like you to free up a person who in a sense will be seconded to us to work under our direction for this particular audit. Will the firm be conducting the audit, or will the people in a sense be seconded to you?"

MR. ZIPRICK: Well, the people will be assigned; we are going to be told what people are being assigned to the work and now as far as the kind of contracts so far, I have had both kinds. I had one about three or four years ago with a firm, and I've got one with a member of a firm right now, with regard to computers, so I'm not sure just exactly what form the contract will take it could be either, because one firm we've had contact with, we've been already told what people will be assigned to us, so it could be firm or people.

MR. PARASIUK: So you haven't set up any procedure for that as to whether it will be the firm or the individual?

MR. ZIPRICK: No, and looking back we've done it both ways and it works out.

MR. CHAIRMAN: MR. BOYCE.

MR. BOYCE: In this accountability, I wonder where I could properly raise the question of how the Provincial Auditor is reviewing the beef stabilization fund. I understand that there is some millions of dollars owed to the provincial government that perhaps should be recovered, and I want to raise the question with the Provincial Auditor if he has reviewed these contracts and been able to express an opinion as to the procedures used by the government to recover these funds.

MR. ZIPRICK: Which organization was it?

MR. BOYCE: Under the beef stabilization program of the government. But I was just wondering we are dealing with the auditing generally, but I just asked the question, where would this question properly be raised?

MR. ZIPRICK: Well, I guess under Department of Agriculture. We've probably passed that already, but I can comment here that there's been legal rulings and whatever rulings have been obtained, the collections are being proceeded on that basis and we will ensure that these things are complied with so that there is a collection process in effect now.

MR. BOYCE: Well, through you, Mr. Chairman, is the Provincial Auditor in a position to advise the House through this committee how this account stands at the present time, because as I said earlier, the information I have, it's in the neighbourhood of some forty millions of dollars which is outstanding on this account.

MR. ZIPRICK: Well I don't have it here, and that would be . . . working in a current situation, I think that you should get that information from the Minister, otherwise we'll get current year, last year all mixed up so that any information that had not been released and made public as yet, I don't release it, it's requested and obtained from the government.

MR. BOYCE: But if I understand the Auditor correctly, Mr. Chairman, he is satisfied that the contracts which are being proceeded on, or through or with, whatever is the proper preposition, the government is proceeding in a normal fashion in this regard to recover these funds.

MR. ZIPRICK: That's my understanding of it.

MR. CHAIRMAN: We're on page 35 gentlemen, the Liquor Control Commission. Mr. Craik.

MR. CRAIK: Mr. Chairman, perhaps on this rather wide ranging topic, I could answer, or not answer, it perhaps cast some information on the topic of tendering for the services; there was some comment made by a member of the opposition with regard to questioning whether they shouldn't have been tendered. Well not suggesting there was any real advantage seen in tendering, different from tendering for architectural services or engineering or legal or whatever, because that's the usual pattern, but in addition to that there is a section 214 of the Act of the Chartered Accountants Institute of Manitoba, that also prohibits it and I wouldn't be surprised if you find that in the—I don't know this, but I presume it wouldn't be surprising to find it in the Acts of any number of professional institutes, and I think the person who was raising it was a lawyer, so he may find that if he checks the legalities of it, that there is a prohibition in his own legal profession on it, that there certainly is if he wants to check Section 214 of the Chartered Accountants Act as well.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, with regard to that the law society, as I understand it, does have a fee schedule, and it's known and accepted. I am not sure, but perhaps Mr. Ziprick would know, whether the accountants do have a fee schedule of that kind or whether they are bound by their association to have a certain level of fees which they must charge. I know in the case of architects there is a percentage and the architects all abide by it. They can, and sometimes do, make special deals, but by and large it's accepted that architect fees are a percentage of the total contract and whether it's company A or company X the same fee would apply. Is the Minister saying that accountants operate in the same way, because I think earlier Mr. Ziprick indicated, as far as he knows, there was no fee schedule that accountants worked under.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: I'm not sure whether there's a specific fee schedule, but I know this that they cannot exceed reasonable limits and if they do you can register a grievance with the institute and the matter made the charge would be brought before the Disciplinary Committee and would have to explain their position, and if the Disciplinary Committee ruled that he made an excessive charge they would assess a penalty and require them to correct the situation.

MR. MILLER: That is in the event that an excessive charge is made over and above what is obviously accepted norm, or accepted figure. So the question really is, are you saying Mr. Ziprick, that all the accountants like the architects have a fee schedule which they as an association approve and that then becomes the fee schedule from there on in, it's adjusted periodically, but that all accountants, and I think you implied that, once they are CA's and they have the necessary recognition by their association, are all of equal quality, and so therefore they charge the same

irrespective of what firm with. Is that in fact the case that's my understanding of how accountants operate. My understanding is not like architects who work on the same percentage for contracts.

MR. ZIPRICK: I would doubt that the architects would — some of them would not charge low but higher. Although I don't know of any specific figures, it's clearly set out that the fees have to be reasonable within the terms of the assignment, and if they are not, the person can register a grievance with the Institute and get remedy, so there is a control in the same sort of way. Now as far as qualified, I said that not all chartered accountants were at the same capabilities, they all have to have a minimum standard before they are allowed to practice, but there are some that of course exceed that quite substantially and some are just at the minimum standard level. What I said was that each one of these firms has a variety of accountants at various capabilities, and they certainly have accountants that are of the kind of capability that could provide the kind of service that we would need to carry out this audit.

MR. MILLER: Mr. Chairman, I know the Law Society does have a tariff of fees, as do architects. I wasn't aware that the accountants had the same published tariff, recognized tariff as in the Law Society, but if in fact there is a standard tariff then I can see an argument that tendering rates doesn't make sense because they're all of equal skill and they can all handle the job. But the analogy with lawyers for example, they might be hired by government to do a specific job. The government whatever government it is, wanting a lawyer who specializes in a certain field to investigate something within his expertise will turn to lawyer A versus lawyer B, one is a courtroom lawyer the other is isn't and that's acknowledged because of his specialty, but in the case of accountancy I'm wondering do accounting firms specialize, let's say in utilities and therefore they are the logical ones to be chosen to handle the account of a utility, whether it be a Hydro or telephone system or what have you. Do they have that kind of specialization within the accounting profession, as they do let's say in the legal profession.

MR. ZIPRICK: Well I don't know whether they have specific specialties as such, now there are some firms that have done or are doing utilities more than others, but I am not sure that they have that much more specialty in that area because the basic audit doesn't require that much specialization. It would be if you were getting into more of the cost analyses for public utility enquiries and this kind of thing that you would have to get involved in the fine specialties of cost allocations.

MR. MILLER: All right, so in that case Mr. Ziprick, there is no need for this kind of specialization unless as you say it is a study of rates or something which takes a great deal of expertise. For a simple audit, let's say the Manitoba Hydro, you simply need good qualified accountants.

MR. BOYCE: With a lot of common sense.

MR. MILLER: In which case I ask the Minister what was the criteria in determining which firm will be given audits, or handed audits and which ones won't. What method was used to determine that it should be Arthur Andersen and not Clarkson Gordon, as between Manitoba Housing Renewal Corporation and Manitoba Data Service, was there any criteria at all?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, this deals with the estimates that cover seven-and-a-half months of the former government's operations and it's the auditor's report dealing with something that will be completely and adequately aired in due course very shortly that deals with the practice for the future and you know, we can spend all the time we want to on this, except there are people who would like to get at the accounts and the auditor's report dealing with the specifics of the past. The audit is a report of what has happened primarily, and people want to get at those things. I'd suggest that we move on. You've made the point that "why didn't we put it out to ten . . . you know, I'm beginning to think maybe I shouldn't have bothered answering that, because again we'd just go on and on and on and deal with this one matter. We've answered that you know, I suggest we move on and allow the members of the committee to get at the things they want to get at that deal with the background to some of the comments that are made here.

MR. CHAIRMAN: Mr. Miller.

MR. SAUL A. MILLER: Mr. Chairman, I thought we were on page 35, dealing with Liquor Control Commission. I referred to two other audits, but that was just an example. If the Minister would refer I limit myself to Liquor Control Commission, I will do that and ask what is the criteria used in determining that Abbott, Harrison and Company should be named as auditors for the Liquor Control Commission, rather than any other number of firms that are on this list and some that aren't on the list.

MR. CRAIK: Well, in that particular case it's confined boundaries, it's in Manitoba, they have no negotiations to do outside Manitoba and it is suitable to a Manitoba firm. In the case of the Hydro and the Telephone System, those are both strong international firms that have offices in the principal areas where we may want to be doing financial work, particularly New York, if you are doing bond issues on American bond issues and so on. They do have the offices there, and if there are things to do, interpretation work for SEC regulations or any other things where they can be of assistance, they are at least available. Now this doesn't mean that it becomes part of the fee, but it is a consideration in selecting an organization for a large corporation where you are doing issues outside of Manitoba and particularly outside of Canada.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, we're talking all of one and a third staff man years, that's all we're talking about.

MR. CRAIK: Perhaps you may wish to interpret it that way but having the involvement of these people in the audit is of value to the organizations and to their Boards and so on as they become involved in that, and it is certainly of value to the government to have them involved, to be able to know you have access to their offices if you want their services or their advice on things other than an audit.

MR. MILLER: Mr. Chairman, with all due respect to the Minister, when this is the question of going to the foreign market to raise capital, I suggest that the brokerage houses, the system that's been used in the past and will continue to be used are probably the best method of raising funds . . . the sale of debentures and it's not going to change whether Clarkson, Gordon is the firm or Thorne, Odell is the firm. I really can't accept that as the logic for determining that Hydro should be Coopers and Lybrand, when in fact Arthur Andersen and Co. I gather, are one of the very large accounting firms that handle utilities in North America. So you know, it's the reverse of what the Minister is saying, he is now saying to us that, in fact, certain criteria were used in naming certain accounting firms to certain agencies. Is that so . . . criteria were then used?

MR. CRAIK: Yes, in general terms, that's true, but for instance, Deloitte, Haskins weren't engaged in the one particular area that Mr. Ziprick has mentioned where he has used them on computer work. We haven't specifically involved them in Manitoba Data Service because they had you know, the particular person who is already involved, but in general, where there was some special consideration we took it into account. Now, I don't know that you can tie it to the number . . . that you are going to achieve in some cases is to have this external source on request or on tap, suppose, for purposes of gaining information. For instance, we will likely ask them when we are archiving for personnel chairmanship of Manitoba Hydro, which we are going to have to cross and we've already done. I have asked a couple of these firms to keep an eye out for good people in Canada that may well be the sort of people we should be looking at for that sort of job. Now, without having access to these firms you don't do it and that's on an informal basis. It's not a formal assignment for search of personnel, but they deal in those kinds of markets where they are likely amongst them to provide you with a much better cross section you are on a personnel search. They are not going to put a fee on that, but by virtue of the fact they are already involved and they have a National and an International office, they can at least give you a cross section of people from which to determine. It gives you a vehicle to get outside your own circle within the government, and that is good. Now this is complementary to what we've seen the Provincial Auditor saying in his reports in past, and it's not in any way detrimental to his operations, and the next chapter I think you are going to have to look at, which I have already said is in the making and I will be available for the Legislature . . . be one of the first few bills that are in the Legislature which is the Provincial Auditor's Act, will provide you with the background to see whether you think that a system is adequately set up where you are going to get the independence and control you want out of the Provincial Auditor and whether or not his influences in all of this is in any way

detractive from what you think should be done in terms of looking after the audit of the Province but at this point in time, I can tell you that the moves that we have made are complementary our opinion, to the business of providing a good financial and audit system for the Province, and certainly, you know, I think are alluded to as being a positive measure on page 46 of Mr. Ziprick report.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Well, Mr. Chairman, the Minister has indicated some rationale why Coopers and Lybrand were named for Manitoba Hydro, but he didn't answer the question with regard to the Liquor Control Commission as to what criteria he used to judge Abbott, Harrison and Compagnon as expertise for the Liquor Control Commission. Do they do audits for other Provinces, other commissions across the country? Are they particularly proficient or experts in the "liquor field"?

MR. CRAIK: They are a Provincial firm, to the best of my knowledge.

MR. MILLER: They are Provincial.

MR. CRAIK: They are Provincial.

MR. MILLER: They really don't know too much about what's happening elsewhere.

MR. CRAIK: No, but there's not a heavy involvement in that one with computer systems, and that was checked out. They didn't need to bring into the picture any particular computer knowledge and background in order to carry out that audit. Is that correct?

Now other than that, there has been some rationale applied to make sure. Most of the national and international firms are involved in these audits. The majority of them are either national or international in their scope. I think there is a list of them that are primarily provincial.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: I have heard reasons why Abbott-Harrison were not used on other ones, but I have not heard reasons as to why Abbott-Harrison aren't being used for the Liquor Control Commission. I've heard negative things, like they don't need to have computer expertise, they do need to have an office in New York, but I don't know why they have been picked for the Liquor Control Commission. What are the qualifications that made them be selected over other equally responsible, reliable firms?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, to go beyond this, I'll have to invite Mr. Cherniack down to my office and have him sit on my chesterfield for two or three days so he can see what time I have coffee and go to the bathroom.

MR. CHERNIACK: Mr. Chairman, it so happens that I never had time to sit on that chesterfield I was working.

MR. CHAIRMAN: Order, please.

MR. WILSON: I can't understand why we're spending the whole time dealing with the future.

MR. CHAIRMAN: Order, please.

MR. CHERNIACK: Mr. Chairman, does Mr. Craik suggest that the decision for Abbott and Harrison was involved with his going to the bathroom? The question was asked, is why Abbott-Harrison? What are their qualifications? How were they chosen from amongst others?

MR. CRAIK: Well, I gather you don't have any exception to any of the national or international firms, to any of their appointments, what you are worried about is the local firms.

MR. CHERNIACK: Mr. Chairman, it so happens that we're dealing with the Liquor Control Commission.

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Mr. Craik insisted that we do, so therefore Mr. Miller asked why Abbott-Harrison. I don't know anything about this firm, I don't know any of their expertise. I don't know whether they have 1 or 50 people working in Manitoba, but there must have been a decision made by Mr. Craik, or someone else that Abbott-Harrison should do Liquor Control Commission. Now he has pointed out why they were not taken for Manitoba Hydro but why were they taken for the Liquor Commission? That's the question that is being asked.

R. CHAIRMAN: Mr. Craik.

R. CRAIK: They are a good strong Manitoba firm. They don't need extra provincial connections.

R. CHERNIACK: That's exactly what they don't need.

R. CRAIK: You know the purpose was to bring in and in discussion with Mr. Ziprick, these were checked with him, suggested to him as a list, is there any reason to think that any of these could be unsuitable and arriving at that list, we covered off basically the ones that required either national or international type of office. It turns out that most of them are national or international, it is in that particular case there is no particular reason to have had that. We wanted to make sure that local Manitoba firms themselves had a place in distributing the accountancy work, and Abbott-Harrison is a good strong local firm. The Provincial Auditor did not have any reservations about their appointments, and that's the basis for doing it. This doesn't mean that there couldn't have been another local firm assigned, or asked to become involved in doing the audit work.

R. CHAIRMAN: Mr. Cherniack.

R. CHERNIACK: Mr. Chairman, what we are now being told is that there is nothing adverse to Abbott-Harrison doing Liquor Control Commission, that is they did not need to be international, they did not need to have computer expertise. They did not pose any problems in the mind of the Provincial Auditor. These are all negative. There must be . . .

R. CRAIK: I said they are also a strong provincial firm.

R. CHERNIACK: There must be 50 other strong provincial firms in Manitoba and I would have thought that Mr. Craik would say in a straightforward manner, we picked Abbott-Harrison because some way they were preferential to us than the other 49. Or, he might have said, we asked accountancy firms of the size of a local provincial nature, good strong firms, to let us know whether they were prepared to do the audit of the Liquor Commission and having reviewed them we for some reason or other picked Abbott-Harrison. It may be that the reason they picked Abbott-Harrison is maybe they are the first in the phone book with that name. But at least we are asking Mr. Craik how he found them, how he discovered that they were the ones to have that select, prestigious job given to them, and he has not given us that answer. I don't know if he picked them out of the phone book or out of the list of Mr. Wilson's . . .

R. WILSON: Well, I'd like a point of privilege or clarification.

R. CHERNIACK: Which one?

R. WILSON: I don't know. You tell me which one. I spent a lot of time reading these things. I can't understand how members opposite can twist this committee around to deal with futuristic things, and dealing with the particular firm that the government may or may not have chosen for the Liquor Commission. I don't see what that has to do with Public Accounts, and I would love somebody to explain it to me. I got the terms of reference of what the Provincial Auditor does here. I've got what Saskatchewan does, who happens to be a New Democratic province, and I have a report in front of me which I am supposed to read and I am supposed to examine the endures, and the report, and report on any deficiencies that I see, or any suggestions that would help the current government improve and make it more efficient. I can't see how this is relevant to the Public Accounts Committee. I just want an explanation how the committee be turned around questioning whether these people are Liberals, Conservatives or New Democrats, or whether they are chartered accountants or lawyers. That's what I want an explanation of why are we dealing . . . —(Interjection)—

MR. CHAIRMAN: The Chair doesn't see any point of privilege raised with those remarks. Mr Cherniack.

MR. CHERNIACK: Mr. Chairman, I'd only comment that Mr. Craik said that they did this, the appointed these firms, and this particular firm, on Liquor Control Commission, to ensure the further independence of these agencies, to enhance further the autonomy and responsibility of the Boards to relieve the Provincial Auditor from dealing with time-consuming auditing procedures and to give them time to deal with issues and practices bearing reporting in the Legislature. If that's not why Mr. Wilson is here then I have to tell him I'm here because I'm concerned in knowing the best kind of accountability that we're getting, and therefore, the question was very specific, dealing with the report on the Liquor Control Commission. Why did they take it away from Mr. Ziprick? — Well they told us why. Why did they give it to Abbott Harrison and Co. ? I don't know why. And if Mr. Wilson isn't interested in how they make their appointments that's his problem. Now he brought in the question of political adherence, I don't know why.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: I'd suggest Mr. Chairman that the members will have plenty of opportunity to discuss this further in the Legislature.

MR. CHAIRMAN: Any further questions or discussion on the Liquor Control Commission on page 35.

MR. CHERNIACK: Only to note that we have not received an explanation for their choice.

MR. CRAIK: Not the one you want.

MR. CHERNIACK: Not any honest one.

MR. CHAIRMAN: Manitoba Centennial Centre Corporation, Mr. Wilson.

MR. WILSON: Well, dealing with page 35, I had a question. I wondered if the Minister, or Mr. Ziprick would have available to us. One of the reasons I didn't study this particular organization further was that I had felt that October 11th would have changed the tide and I wondered if either the Minister or the Auditor could tell me what the 1978 disbursements would be for the Legal Aid Society because I would be interested, during this period of restraint, if we've changed the direction I would be interested in also, besides the figure which in 1977 was 3.4 million, if the Minister could indicate if there's in addition, any funds expended for advertising, like radio and TV spots and the things they used to spend money on under the former administration. I would be interested in basically where Legal Aid Services of Manitoba is going under the new government, and if there been any drastic reduction in the expenditures?

MR. CHAIRMAN: We are on page 35 of the Manitoba Centennial Centre Corporation.

MR. WILSON: You are on page 35?

MR. CHAIRMAN: Do you want to go back to 34 and the Legal Aid Services Society?

MR. WILSON: Well, they're questions, so what I'm saying is that they can take them as no and answer them.

MR. CHAIRMAN: Can you clarify Mr. Wilson who the question is to?

MR. WILSON: Well, what I want to know is if I can find out before their annual report comes what the current amount of disbursements ? In other words, when the new government was elected has the tide been stemmed of an increasing budget every year for Legal Aid. In other words, the so-called salesmanship or the team of staff lawyers that went out looking for business, if we got into a situation where we're indicating we're there to help people, and have we reduced the budget is what I'm saying, so that I can avoid further study on this particular subject.—(Interjection)— Well, you're the one that opened the door, I agree.

MR. CHAIRMAN: Do you have an answer to that Mr. Craik?

R. CRAIK: No, I can't give you a detailed answer, and I think on these things that, again, we're going to have to refer it to the Minister in the Legislature. You're really looking for current information in detail.

R. WILSON: Not in detail.

R. CRAIK: You'll have to really look towards acquiring it through the estimates process in the Legislature, or in Estimates Committee.

R. WILSON: Well, through you Mr. Chairman to the Minister, by then it is too late, because you've mapped out the game plan or that for the coming year, and the reason that I particularly did my research alone on this particular organization was because there was an indication that a number of staff lawyers had been reduced and that the budget was going to be reduced because of the restraint on their advertising budget on TV and radio and what have you. So, that detail can get out of the report, but is there somebody that could tell me if the 1978 figure is lower than 3.4 million?

R. CRAIK: It's the current year?

R. WILSON: Yes.

R. CRAIK: I'm just trying to think of the best way for you to gain the information. I think perhaps, again, the only way to really do it is to ask the Minister in the House and I'm sure he can get back to you with it.

R. WILSON: I'm asking on the 16th before the Orders of the Day.

R. CRAIK: I hope, Mr. Wilson, you'll be sure and use up part of that 40-minute question period with that question.

R. CHAIRMAN: Anything further under Legal Aid Services?

R. WILSON: No.

R. CHAIRMAN: Manitoba Centennial Centre Corporation. Mr. Wilson.

R. WILSON: Except that if, through this committee, that Cabinet doesn't get the message that a number of the members is concerned about the province, and whether it's arms-length or whatever, operating a restaurant at a deficit, then I would hope that at least it would be recorded so that there should be a reason given for why the deficit is over \$220,000 for operating this restaurant. Why did the taxpayers have to suffer this loss? I see nothing in that loss that pertains to rent or anything so possibly my observation or question is is there any explanation for the deficit position as of the date of the government-run restaurant?

R. ZIPRICK: What period are you referring to?

R. WILSON: I believe it's 115 — just a minute — 119; it's the \$24,100 loss in '77, but going back, it's . . .

R. ZIPRICK: We're going another year back.

R. WILSON: I don't know. It doesn't show this year's loss. —(Interjection)—

R. CHAIRMAN: Hold it, please. This is not going down on the record; if you want to speak for the record, would you come up to the table and then we'll have it on the record. Will you give your name and repeat that, please.

FRED JACKSON: I'm Fred Jackson. It's my understanding that the government isn't operating a restaurant these days at the Centennial Centre building, that it's been closed for some period of time, in fact, I believe since that loss of \$24,000 was reported, and they have been spending a considerable time to find a lessee operator.

MR. WILSON: Then what we're left with is the losses of the past and obviously a change of direction we are looking for a good operator to operate the restaurant. Thank you.

MR. CHAIRMAN: Centennial Corporation— pass; Manitoba Development Corporation, Flye Industries Limited — Mr. Wilson.

MR. WILSON: Reading what Mr. Ziprick had to say, that he wanted to, under Section D of his . . . what his duties and functions were, he wanted to sort of administer and watch procedures, safeguard and control public property and to identify weaknesses and deficiencies. Again I want to refer to notes that were sent to me by an ex-management person of the particular firm in question, in which it's alluded to why the . . .

MR. CHAIAN: Order please, are you about to quote from a letter?

MR. WILSON: No, I'm not.

MR. CHAIRMAN: Continue.

MR. WILSON: The notes that I have indicate that, changing the words somewhat, the reason the Flyer Industries became a particular disaster under the former government. . . what concerns me is the comment by the auditor that we are going to lose a million dollars in 1978, and I would hope that that blame could be placed on the former government because of the particular situation of production that was really quite appalling and apparently information that was suggested to me that the correct parts were not available, and this is of course a control measure and there is a comment about this in the Auditor's report, and because these particular parts weren't available production was ground basically to a halt and at the same time redundant, or other parts were accumulated in storage resulting in a high inventory, which of course is dollars and cents, and the particular notes that I have in changing the figures, it alludes to the fact that a particular competitor of theirs A.M. General last year produced 1,800 buses for 23 customers with the same facility, same like facility, and less staff and manpower. So, while having watched Marketplace W5 on television, it would seem to me that we have a like problem that I would hope that our current government would look at in getting the particular problem of production — I'm sure there isn't anything wrong with the Canadian work vis-a-vis the worker south of the line, because many of them are Canadians that were taken from our Flyer plant and moved south of the boarder because of the political interference under the former government.

So I want to make the observation that I am very unhappy that we are going to lose a million dollars in 1978, and the fact that our trolley bus business was destroyed through the efforts of the former government, and we wonder where their sales staff is because my information from the notes is that 600 buses are going to be ordered by Montreal, and 300 buses were sold to the Nigerian Government, which is a Commonwealth country, and I would hope that our new Conservative Government would become sales-oriented and get somebody out there to sell our product, which obviously the former government didn't do.

MR. CHAIRMAN: Is there any further discussion on Flyer Industries? Page 35, Page 35—Pass; Page 36, Morden Fine Foods Limited — Mr. Wilson.

MR. WILSON: I just wanted to make the observation that, since this company has been sold from the government to the private sector, that available at Safeway, Penner Foods and other chains you can now find the products that we were allegedly supposed to be selling that you could not find on the shelves before.

MR. CHAIRMAN: Morden Fine Foods—pass; Manitoba Health Services Commission, short period—Pass; Proprietary Personal Care Holdings— Pass; Page 36—Pass; Page 37—Pass; MH — Mr. Wilson.

MR. WILSON: Are there any figures available? Does our particular auditor monitor the housing authorities to see the percentage of unpaid rents and who monitors? Are these rents based on income? They are supposed to be, I guess, and what I'm saying, is there anywhere available the records the amount of write-off that we have for people not paying their rent? My concern is that these people are subsidized in the beginning and for them to be so unappreciative of government efforts, both past and present, to not pay their rent, if those figures were made public.

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ensure that there would be monitoring by not only government officials, but people in general.

3. ZIPRICK: I don't know whether the information is available publicly as to how much is outstanding, but as far as the control and monitoring procedures, The Manitoba Housing and Renewal Corporation has a branch that looks after this. They review the arrears and take whatever action is necessary. I reported last year in my report some difficulties in that area. It's now been speeded up and we find that they're trying to do a good job in getting as much money as they possibly can.

3. WILSON: Except on Page 38, carry on in the same subject' mention in your accounting records and related information, the collection action on other accounts not being up-to-date. I wonder you could clarify this. What would that have something to do with Page 38, dealing with accounting records?

1. ZIPRICK: This is another area of billing to the Central Mortgage and Housing Corporation. The costs are accumulated and when a package is developed, billing is sent to the Central Mortgage and Housing Corporation to transfer the money and this is what we're talking about here. The work is behind and it's not that it won't be collected, but if it was speeded up, then there would be some interest.

1. CHAIRMAN: Management Information and Control Systems — Mr. Miller.

1. MILLER: Mr. Chairman, on the Manitoba Housing Renewal Corporation, I was wondering if Ziprick could tell us whether the corporation has decided to sell certain lands that they hold, after he's satisfied himself with regard to the appraised value of the land and how that relates to the actual selling price?

1. ZIPRICK: I couldn't comment in any specific terms, other than to my knowledge the system is adequate but I'll take that as notice and we will take a closer look at it.

1. MILLER: Yes, I would appreciate that, because lands going on sale at a particular date, might command a price at a given date, but there is an appraised value and certainly there is an accumulative value which we all know is present in land and since those appraisals are available to the Provincial Auditor's office, as they are to MHRC, it would be important to know whether they are in fact being looked at.

1. ZIPRICK: Yes, I'll take that as notice and ensure that it's at hand.

1. MILLER: Okay.

1. CHAIRMAN: Any further questions on Page 37? 37—Pass; Page 38, MHRC. If there are no other questions on MHRC Manitoba Mineral Resources Limited—Pass. Manitoba Water Services Board—Pass. Manitoba Schools Finance Board. Page 38—Pass; Page 39—Manitoba Tools Limited. Wilson.

1. WILSON: Mr. Chairman, this is the one particular area that I'm surprised that our government is not issuing some formal statement, or something, pertaining to the most questionable comments that are made here by the Auditor, but also in having visited the site, I wondered if there is anywhere, where there will be some comprehensive information that would give some indication as to the total loss that this particular autonomous group that was wholly owned by the former government, and how that assesses itself as well, what the total loss to the taxpayers was. I have a newspaper clipping, which indicates that — of course, it's a 1975 clipping, but indicates at that time, that the total loss was \$300 million — and out of that article came some questions as to the type of control over inventories, whether it be liquor and all the rest of it. There seemed to be a particular problem and one of the questions I'd like to ask is: In the financial statement of Venture Tours, was there ever any consideration given to interest being charged in expenditure; by that I mean, any other person who takes over a hotel, takes over a capital debt, or something, and I wondered did the former government ever indicate that this particular hotel costs 3,000,000 dollars, so that the debt service would be 300,000 or 300,000 a year. Was that taken into consideration or would you have to take it as a loss in dealing with the Venture Manitoba Tourist financial statement?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Just going by recollection that the operations here just concern themselves with the operation of the facility in its usage but there was no capital cost allowance made to the corporation charge.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: Are they that far removed from the government that a particular person on the Committee could ask questions, such as: Was the sub-contractor who did the plumbing, which ended up being defective because it all rusted out. . . Is there any type of indication whether legal action was taken against this sub-contractor or what the loss was for this decision or lack of investigation? What I'm saying, is how far removed were they from your department? Did you investigate thoroughly? This report seems to say that your man went out there and spent a lot of time and while he found no evidence of criminality, he raised about 5 or 6 questions which indicate to me that he could not really balance anything.

MR. ZIPRICK: Yes, this deals with the operation of the facility. The construction of the facility was done by the province directly. The normal process of controls was in place. I don't recollect anything specific but if there is an item that you're aware of with some difficulties, we'll certainly take notice and check to see if there was a difficulty of that kind that it was properly handled.

MR. WILSON: Well what I am saying is because they operated, you mean to say for problem with construction decisions about construction would be best asked of the Minister? Or who would I ask those questions.

MR. ZIPRICK: Well, the construction, I don't know if it was during the period of these public accounts, but that construction would be in the Public Accounts. The construction was not carried out by this corporation, Adventure Tours. The construction of the facilities and the whole area was carried out by the Province through a department and the facilities were put in place and then this corporation only moved in and started operating it, in other words, operating the dining room.

MR. WILSON: Well, that part I knew, I guess what I was trying to do was it has been suggested to me, a sort of number of keystone types of decisions that were made by the people constructing that particular facility and since some have come home to cost the taxpayers a lot of money, lack of proper planning and that. I guess what I'll do is direct my enquiry to the Tourism Department and maybe they can dig it out or at least find out if these suggestions have any validity. So do that. Thank you.

MR. CHAIRMAN: Mr. Einarson.

MR. EINARSON: Mr. Chairman, Mr. Wilson has gone along with some of the thoughts that I have here but I was just wondering Mr. Ziprick when you say you experienced significant difficulties in the course of your audit and there are four reasons here you sort of give for your difficulties in doing this. I was just wondering, would you care to elaborate a little more on this, on the four reasons you have here? If I may start in that fashion?

MR. ZIPRICK: The operation was being carried on, there seems to have been a misunderstanding develop that it was being transferred to another corporation that was going to be operated under a new board and the Deputy Minister, I think then, of Tourism was highly involved. This particular board that was operating under the Manitoba Development Corporation were under the impression that they were finished and had nothing more to do with it so that it was being carried on under the direction of the Deputy Minister. There were all these various difficulties that had arisen in the operation and it just developed to that stage. When we got in there, there was nothing too much that could be done other than to explore the possibilities as to whether there was any criminality. So we did a substantial amount of work to ensure as much as possible under the circumstances that there was no criminality, that whatever had taken place was purely through mismanagement and lack of control and it was left at that. The staff that was there had all gone and then a new Board was set up and a fresh start was made in operating this particular facility. Prior to that the Lord Selkirk vessel was operated in conjunction with this motel facility. There was a lack of pro-

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counting between the two and we just couldn't determine as to what extent the loss had arisen from this, and to what extent the loss had arisen from the operating of the vessel. It's all been closed now. The vessel has been sold. This operation has been wound up in the way it was being carried on. It's now under a new Board and the last impression we had, it was reasonably well-controlled but we have not carried out an audit as yet.

1. EINARSON: Well, thank you. Mr. Chairman, through you to Mr. Ziprick, I can appreciate the frustrations that you must have had with this particular situation and if I understood you correctly the Board that was appointed by the previous government didn't recognize or didn't realize that they had a financial responsibility so far as the operations of this thing was concerned and as a result nothing was done or they didn't carry out their duties. Is that the correct impression I . . .

2. ZIPRICK: Yes. Our observations were that the Board thought they had discharged their duties and they were not acting any more, but their legal instruments were not followed through and legally they were, in effect, still the Board. But the operation was carried on by the Deputy Minister of Tourism with the intention of forming a new corporation and taking this over and it's during this process that the difficulties had arisen.

3. EINARSON: I see. Thank you.

4. CHAIRMAN: Mr. Blake.

5. BLAKE: Well, Mr. Chairman, thanks. I don't want to belabour the point because most of them that I had to cover have been touched on already, but there's no question about it when everyone says, "Where are the horror stories," that this is one that certainly can't be shaded over and as someone who has looked over auditor's reports from time to time, when you see an indication as a general observation the accounting records are in an unsatisfactory condition, we've only carried out the kind of audit which was practical under the circumstances, you read into that a great many things. In other words, it was almost impossible for you to arrive at any real solution as to the actual condition of the operation, that you took whatever records you had available to you and did the best you could in the way of an audit and I can see that during the course of such an audit it would be very very difficult to arrive at any conclusive evidence where you could really point the finger at anyone that might be to blame. But I don't want to, as I say, belabour the point. I think that most of the things that I had to ask have been covered by some of the other speakers, but let's hope that the operation is now under some type of control where we can have responsible accountability and maybe at the end of their next financial year-end we might have an indication just where we're going with this particular operation, whether it is ever going to be worthwhile going onto or whether it should be left to the demise that some of the other ones have been left to. But most of my questions have been answered, Mr. Chairman, during the course of the other speakers.

6. CHAIRMAN: Mr. Wilson.

7. WILSON: I think the fact that this is indeed one of the best kept secrets of the former government, is because the charges for interest I suggest, were not accounted for in the deficit which was quite high as it was, that the loaning of Tourism civil servants to operate the thing. I'm sure that their salaries were not also charged as a loss. And the very fact that you looked at the project which cost in its entirety some ten million dollars, but the lodge itself was much less than that. But when you ask questions like what is the staff house being used for and they tell you students out there and when you ask why there is no marina there and the power there, they tell you well because the hotel has to have its own generator because there's insufficient, somebody didn't plan for enough power to reach this particular ten million dollar facility. And when all particular plumbing rusts out because of the iron content or whatever in the water, when they had a fountain for 30 or 60 thousand dollars and because one of the ministers had the lake installation taken down, and this fountain is about six or seven feet above water level and can't take up any water, they have to then reconstruct the thing. And these are the kind of humorous stone cops type of things that I hope that the message will get to the proper department namely Tourism Department and that we will make use of this facility by running power into the marina, attracting river sailing boats and what have you. The plans were there under the former government to have marinas, to have sailing over to Grindstone Point, about some four miles away whatever, and the place is an absolute natural for water activity. But left to Venture Tours, I

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think there is a lesson to be learned and I hope our own government learns that you don't appoint people to boards because you know them, you appoint them because they are going to do a good job. The people that were on this board were extremely grossly negligent in leaving this thing on dry dock without any indication that when you get cheques that were issued and disappear and cheques were not cashed, cheques were burnt, or whatever, you just see the whole accounting system and you read into this not any impropriety, but you read into this somebody that was incapable of handling a project of that size. Again I don't want to fault Mr. Toupin or any of the former Tourism ministers, Mr. Hanuschak, but it seemed to me they were more interested in holding government conferences there rather than running the thing properly and I'm glad it has come to light.

MR. CHAIRMAN: Mr. Orchard.

MR. ORCHARD: Thank you Mr. Chairman. Mr. Ziprick, is there some place within the public accounts of Manitoba where we could put a total figure on the amount of money which has been lost, the deficit amount of Venture Tours during its existence?

MR. ZIPRICK: The operations. There has been financial statements issued each year on Venture Tours, audited financial statements including the year here that we are discussing. Now the financial statements to my knowledge have not been tabled or made available to the Economic Development Committee, but they have been issued and they certainly could be obtained. I have no reason why they shouldn't be made available and those financial statements would disclose the position as it is.

MR. ORCHARD: Well then Mr. Ziprick, could I make a request on behalf of the committee that we receive those statements for our own information. You know we've heard over the past two and one-half hours quite a lot of discussion about why the Minister of Finance chose a particular accounting firm for the Manitoba Liquor Commission which doesn't really amount to too many dollars, and strangely enough now when we are talking about one of the horror stories that opposition give us, that suddenly there is a great deal of silence over there. We're talking probably many thousands, tens of thousands of dollars of taxpayers' money that they frittered away through their management techniques such as they were. I think it would be very important to me as a member of the committee, and probably to all members of the committee, that we receive copies of Venture Tours budgets and losses.

MR. ZIPRICK: No, I guess it will be in the October 1977, when this October, 1977 book, or if I should say, book is published it will be in there.

MR. CHAIRMAN: Any further questions on page 39? Mr. Craik.

MR. CRAIK: I just want to add here that Mr. Cherniack has had trouble as recently as today saying that he found yet one horror story and I suggest he give some consideration as to whether or not this story does not qualify in that category. And it says such things as, there was no direction from the Board of Directors, budgeting was ineffective, there was no effective ongoing reporting on operations and the accounting records were not maintained in an appropriate manner, they were not up-to-date. In books of the present government that constitutes a horror story and if provincial auditor reports such on the current government, all except the accusation from even Mr. Cherniack, that would qualify as a horror story.

MR. CHERNIACK: Mr. Craik has invited me to comment and I would say that I think that many of these statements made are inexcusable on the part of whoever was responsible for the operation. I have to remind Mr. Craik that he came in on a beautiful flood of votes supported by all the gentlemen opposite who were so enthusiastic about the promises that he and Mr. Lyon made, that the horror stories were so extensive that they would not cut any services, they would cut taxes, they would just save all the money they needed out of all these horror stories in order to accomplish all the things they've promised and they turned out to be completely empty promises because the result is they've cut services, they've cut taxes, they have benefited the people who are — (Interjection) and now Mr. Orchard, who invited me to speak is interrupting, because Mr. Craik invited me to talk about this. This is to my mind a horror story, and this is about the only thing they have come up with, Mr. Chairman, of any magnitude and this is not of magnitude. This kind of money drop in the bucket compared to the money that it will probably cost to finance all these audit fees that are being taken, but there is no comparison.

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I don't accept this as not being a bad story, but let me tell you, Mr. Chairman, that in no way Mr. Craik going to be able to convince anybody that there is enough horror stories which he n correct which will justify all that he has done in terms of reducing services at the expense the poor, at the expense of the sick and at the expense of those that are not able to organize themselves to speak up and protest. So if he wants political speeches, he can get them any time, y place, and he will not find me trying to justify something which does not support ification.

So, by all means, Venture Tours as reported, and I don't know enough about what is behind s, but as stated by the auditor, shows a completely inadequate form of control, and I've never d otherwise.

CHAIRMAN: Mr. Craik.

CRAIK: Thank you.

CHAIRMAN: Mr. Wilson.

WILSON: Well, the comment is there, but you know, somebody yelled what about the Hydro es, but I mean, I'm not dealing with those. What I wanted to talk about very quickly, is that re is a lot that is not in the Auditor's Report. I've got a particular \$480,400. What about the 4 million in travel and related conferences and all that, that we will cut down to possibly \$5 \$6 million? These are the kinds of things that I am saying, that with the 4. or 5. million we save not having all the civil servants globe trotting around and all these conferences and what have I, we're going to save that kind of money and we're going to keep our people at home, that y're going to be more productive. I have one here taat I haven't been able to find out where out it. I've got a \$480,000 human waste management program in dealing with composite toilets he north that was a flop, and these are the kinds of things that you can't get on the record. I can't see them in public accounts in the Auditor's Report. The Auditor's Report is very charitable he government. He doesn't talk about a lot of things in here but, again, he makes the observation, auditor does about Legal Aid going from its original \$400,000 to over \$3. million, and sure re going to cut taxes, cut services I don't agree. Some services have to be cut because of the ror story that was left our government, i.e. the deficit that we are facing and I hope that this ticular committee . . . I mean' there was so much waste on the government, you can go all way from about a \$5,000 order of matches that are for employees only, and you talk about overnment that was concerned with the little people, and very conveniently, they've got a red lane on it, which used to be the Red Air Force, I guess, but the government air force is a horror y, the usage of it, the waste management dealing with composite toilets in the north, the travel civil servants and politicians; and you can go down the list and if we don't save a substantial unt of money just by trying to be a little more sort of observant of these things going on, I ld hope that our committee, that our own members would be watching the particular government hat this Public Accounts Committee . . .

CHERNIACK: Mr. Chairman, I am sorry. On the matter of order, I can't hear Mr. Wilson. Pearls wisdom escape me because Mr. Orchard is making such a noise. Please control one of the

WILSON: Well, I'm just responding, Mr. Chairman, to say that we discussed early in our meeting ie public accounts of looking at when Ontario holds about forty-six meetings dealing with public ounts, when Saskatchewan holds a meeting and calls the officials of the Saskatchewan Liquor rd, the Department of the Attorney-General, why if we could get the Attorney-General to bring. . . ouldn't have to have that expensive review, he could have this committee deal with his particular rtment and we could air and ask questions. You can look down the list of what the people askatchewan did at ten . meetings and the different boards and commissions that they had out of them, and that's what public accounts committees in other provinces are doing. I was sed of wanting to conduct a board of inquisition when I found one of the ministers had a month a half at the Olympics, and these are the kind of things that I'd like to get him here.

CHERNIACK: That's not true.

WILSON: It is, because I have the record right here.

CHERNIACK: Mr. Chairman, a matter of privilege.

MR. CHAIRMAN: What is the matter of privilege?

MR. CHERNIACK: Mr. Wilson said a minister had a month and a half at the Olympics. That means to me that a minister spent a month and a half at the Olympics somewhere. I believe that untrue and he says it is true. I would like him to support that statement.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: No, I'm only going by the expenditure that this particular suite of rooms was rented for a particular period of time. Now, it would seem to me that if I rented a hotel room for 10 weeks, it would be expected that I would spend a large part of my time there.

MR. CHERNIACK: A matter of privilege, Mr. Chairman.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: I believe it is on the record of this very Committee that it was stated to the Committee that the premises were rented - I don't know whether justifiably or not but the premises were rented for use of members of the department but that the minister spent very little time there but that members of the department were there at all times. Mr. Wilson must have heard that because I heard it, and he's been here, and I think that he should again at least withdraw the accusation that "a" minister spent a month and a half at the Olympics because he must know that it is not true.

MR. WILSON: Well, I can't comment. I would imagine if he himself personally did not spend a long length of time, but he put the taxpayers to the expense for that suite for some \$800. Renting particular premises for a particular federal function. The whole point that I was trying to get is that we are doing something, and if this Committee is what it is supposed to be, is to examine the current government expenditures, then you can turn around by creating some doubt or possibly giving factual information, that possibly was this decision right, then Cabinet has to take a look at it. You know, it's amazing how many coffee machines disappeared out of this building and Woodsworth building after I raised a simple thing about coffee. I'm sure that our government is not ordering huge amounts of matches for employees only that says "Use your Manitoba Government Air Division. Plan your flight - share it." That's the kind of thing that I raise questions about even though it is small. I think what you do on this Committee by raising things, big or small, is you cause the current government to make policy changes that are for the betterment of the taxpayers, and if it means bringing out horror stories or small things that the former government did that are brought up to a form of questioning that may be considered dredged up minor scandals, or whatever, then I don't cherish this job. I'd like to be doing something working on Autopac or something, without having to be on Public Accounts where I am constantly having to say "why did we spend \$480,000 studying how to get rid of human waste", when that information, in my opinion, was available from the Americans, was available from the manufacturer was available from the Federal government, and these are the kind of questions that I would like to ask. —pass;

MR. CHAIRMAN: Any further questions on page 39? 39 Page 40. Mr. Cherniack.

MR. CHERNIACK: Page 40-41. I would like to confirm with Mr. Ziprick that he was involved in the review of the audit process of the Manitoba Development Fund in relation to the CFI.

MR. ZIPRICK: Yes.

MR. CHERNIACK: And are you familiar, Mr. Ziprick, with the comments made by the Commission about the auditors of the Fund. What I read earlier was about auditors of CFI and their inadequacy. Are you familiar with the comments made in regard to the auditors of the Fund itself?

MR. ZIPRICK: I don't recollect exactly what the Commission had said. It's been quite a long time ago.

MR. CHERNIACK: Could you confirm that the auditors appointed by either the Fund itself, or the former Conservative government?

3. ZIPRICK: They were appointed by an order of Lieutenant Governor in Council.

3. CHERNIACK: So the former Conservative government appointed the auditors for the Fund for the period of time that is covered by the CFI Inquiry Commission that you now have before you.

3. ZIPRICK: That's right.

3. CHERNIACK: The comments made there would indicate a very superficial and inadequate audit done by that firm, which I believe is one of the recognized large firms in the province, and the country, I think, and which firm I believe is on the list — or the successor's firm is on the list that we have before us of the 13 picked by the Provincial Cabinet. Is that correct?

3. ZIPRICK: That's right.

3. CHERNIACK: Well, then Mr. Ziprick, since that firm is given one of the major audits to do, did you just glance through that and assure us how you will be able to protect us for the deficiencies that might become apparent if that firm repeats that kind of inadequate audit?

3. ZIPRICK: When we carried out the investigation, we did it on the basis of our standards and responsibilities, and on those bases the kind of audit procedures and controls were completely adequate. Now, I did not do an investigation with or within their terms of reference as attest auditors certifying to the financial statements as to what extent they have complied with the requirements haven't complied with the requirements. The Institute of Chartered Accountants, I think on the recommendation of the Commission, has been looking into this. The report of the Institute of Chartered Accountants of Manitoba, on this firm, is not out as yet so I don't know whether they are going to assess them in any way as having not carried out their work effectively or not, so I am not going to comment as to how they carried out their obligations in accordance with their responsibilities at that time. I know that from what we saw on the basis of the terms of reference that I have, or that we have within the Provincial Auditors Act, this whole control and audit approach is completely inadequate. Now, just to carry on further with your question, I presume that when you are carrying out an audit now, it would be carried out in accordance with accountability standards as provided by my office, and they have qualified Chartered Accountants that are very able, and these particular Chartered Accountants I would think would carry out that work within the laid down standards. So on this basis, I do not prejudge and make the assumption that these people will be able to carry out whatever is required of them within these kind of terms of reference.

3. CHERNIACK: Mr. Ziprick, I believe you are assuming that the change in legislation that we have not yet seen will entitle you to lay down the terms of reference for all of them, but as of the moment there are several over which you have no authority as far as the scope of audit is concerned. Is that correct?

ZIPRICK: That's right, I would say that if the other legislation didn't follow through I would have this accountability as being inadequate to the legislature.

CHERNIACK: So that you would say that concurrent with the removal from you of the audit function, that it would be essential that you be given complete review authority over all of the audits that are being done by contract audits.

ZIPRICK: That's right, I would . . .

CHERNIACK: Yes. Now, coming to the task force recommendations, they recommend that the Board establish an audit committee to perform functions parallel to those carried out by audit committees in the private sector — and may I remind you, I don't know whether you were present when I had discussions with Mr. McFee, your predecessor, about the change in audit function, that learned from him that the terms of reference, and the approach of a public auditor, is quite different from that of a private auditor, and the accountability to a Board of Directors or to shareholders in private enterprise is less broad and less extensive than that of a public auditor. Is that a fair description of what might have been my discussion with Mr. McFee, assuming you were not present, I don't remember whether you were or not?

MR. ZIPRICK: Yes, the legislative responsibilities of the Provincial Auditor on the Provincial Auditor's Act, is considerably broader than attest responsibility on an auditor to certify that financial statements present a fair financial position.

MR. CHERNIACK: Mr. Craik has agreed that the government has not accepted the recommendation of the Task Force, that the Board of each corporation should select at its discretion either an external auditor firm or the provincial auditor. I assume the government did not agree with that, Mr. Cr confirmed that and I would guess that you would not agree that either.

MR. ZIPRICK: I would not agree with it, no.

MR. CHERNIACK: Well, then the next sentence in the Task Force report is, in either case we would expect the report and comments of the auditor to be made public as is now the case — now when you are involved. Would you say that it would be a requirement of the private audit firm to make public its comments on the audit?

MR. ZIPRICK: No, the only thing that is made public is the certification on the financial statements. Now if there are any reservations as to the adequacy of the disclosure in the financial statements it would be in this report and made public but it is not customary to publish any internal observations that the private auditors make to the Boards of Directors.

MR. CHERNIACK: But in your report that we are dealing with now, you do make all sorts of comments.

MR. ZIPRICK: I have an obligation, any matters that I feel warrant the attention of the Legislature I must bring to the attention. If I don't . . .

MR. CHERNIACK: Will you insist that this be done by any private auditor that is hired by the Provincial Government?

MR. ZIPRICK: Well, within the context, if we realign our Legislation along the lines that Carleton Place has and the other provinces that I referred to, then my office will be taking a look at these decisions as to what they are and if there are any matters of a kind that we feel should be brought to the attention of the Legislature we certainly would, in this report.

MR. CHERNIACK: Well, the Orders in-Council appointing these firms do not set out any terms of reference whatsoever as far as I can see, and makes the appointment subject only to negotiation as to fees. Again, we need other Legislation to assure us that these firms will not just do an audit as a private audit such as was done apparently for the Manitoba Development Fund as conducted by the CFI Enquiry Commission. That's correct then, isn't it?

MR. ZIPRICK: That's correct. Now, under the Manitoba Hydro Act, as I mentioned before, there is another section that ties the Provincial Auditor into the Manitoba Hydro so we would have to act on that, but I wouldn't consider that a good arrangement. I'd consider that the accounts to the Legislature would be effective but then there would be too much duplication. The work would be co-ordinated and through this amendment that's where the co-ordination would come in they would then be an agent. In addition to working this attest they would be an agent to the Provincial Auditor to carry out the work assigned to them on an agency basis.

MR. CHERNIACK: Would you expect that you will be certifying the statements?

MR. ZIPRICK: In those instances I wouldn't be certifying the statements.

MR. CHERNIACK: You will be certifying the statement of the Liquor Control Commission.

MR. ZIPRICK: That's right.

MR. CHERNIACK: You will not be certifying the statement of Hydro.

MR. ZIPRICK: No.

1. CHERNIACK: But you: do now certify the statement of Hydro.

1. ZIPRICK: I do, yes.

1. CHERNIACK: That means then that, although you have an obligation, it will not go the extent your own certification, your stamp of approval.

1. ZIPRICK: As far as the financial statement disclosures are concerned, I won't be certifying it will be their responsibility, but I will have an interest to ensure that anything that is in there it warrants the attention of the Legislature, I will elaborate on it and bring it in this report.

1. CHERNIACK: If you become aware of it.

1. ZIPRICK: Well, the way the Legislation is drawn up they will have an obligation to make me aware of it and if they don't they would be then in default of the law.

1. CHERNIACK: What would be the penalty?

1. ZIPRICK: Well, I guess there is no penalty provision, but it would be the same kind of situation my staff, that they would not be retained any further.

1. CHERNIACK: But in your case, we have already dealt with the fact that you're independent such, that you are not accountable to any existing government, you are accountable to the legislature and therefore, that no one may put pressure on you to vary your approach or the effectiveness of your work. Whereas in the case of auditors appointed by Order-in-Council, fired Order-in-Council that would not apply, would it?

1. ZIPRICK: Not at the present, but this Legislation is drawn up along the lines of Canada and other provinces, there would be a relationship and they would have a obligation. Now whatever result in their firing, they would certainly have a recourse to me and I would make a public disclosure that they were removed because they disclosed certain information. So it goes back to same as officials and officers, if they try to suppress information from me there are penalties that they would come under the same umbrella, so we are talking about a serious situation.

1. CHERNIACK: So you expect to see that in the new Legislation.

1. ZIPRICK: That's the way I understand that the others would work and that's the way this would work; that any information you know, them not becoming aware of, well, that will always happen. There can always be errors, but, deliberate suppression of information, there would be penalties.

1. CHERNIACK: Mr. Chairman, I would like to move to another aspect of these pages, and that have you had access to the Spivak memoranda which received some prominence in the last or two?

1. ZIPRICK: No, we haven't done any work in that area at this point in time.

1. CHERNIACK: In your report you do say that there was significant interaction, in your . . . report and you would . . . I am putting my own words, you would monitor implementation of movements suggested. But are you aware of the criticism of the lack of implementation after the seven or eight months of government?

1. ZIPRICK: I have seen what's been reported in the newspaper and of course we are doing ongoing monitoring as it is going, but I don't think I can get involved in it at this stage in any way, I'll be reporting next year and bringing the position up to date and to the extent that any these items have not been followed through and are not working effectively I would comment. I wouldn't want to try to update by recollection what's going on . . . it's fairly important areas, there's a lot of, as Mr. Craik pointed out this morning, there's a new management information system being worked on. It's at a certain stage. We have not assessed exactly how the progress is and assessment of it as to its completion and I wouldn't want to comment on this at this stage. something that we will certainly do before the next report is out and we will comment and provide complete and comprehensive assessment of our view on how the situation stands.

MR. CHERNIACK: Well since there is no longer any Task Force at least I believe there isn't a will you be able in some way to have access to these memoranda which are the product of a review apparently of one of the Chairmen of the Task Force?

MR. ZIPRICK: I don't know how much these memoranda will help us. We are actually looking at what was needed, what we had recommended, what they reconfirmed, other recommendations that we feel are appropriate recommendations and we will trace the progress of the work and give the Legislature an assessment of its effectiveness in what the work is, not what somebody else might think it is.

MR. CHERNIACK: In effect then you will be looking at it as apparently Mr. Spivak was looking at progress when these memoranda were prepared by him.

MR. ZIPRICK: Yes.

MR. CHERNIACK: But independently of what he is doing.

MR. ZIPRICK: That's right. We have looked in certain areas already, we are looking at other areas and when we get to the stage of the cutoff on this report we'll bring the position up to date, we will review it, study it, refer it to officials, see if they feel we don't understand some areas after it's worked up . . .

MR. CHERNIACK: What do you mean by the cutoff of this report? When will that happen?

MR. ZIPRICK: Well, usually about some time in August, towards the end of August.

MR. CHERNIACK: You mean your next report will contain comments on the Task Force recommendations and the extent of implementation?

MR. ZIPRICK: Just exactly the way the position stands when we close off, at what date, we'll bring everything up and then when you see it next year you will see our assessment of it at that time.

MR. CHERNIACK: So you will keep the recommendations of the Task Force alive for us by bringing it forward.

MR. ZIPRICK: Not all, some of the recommendations are outside of my responsibilities. There are other recommendations that I don't agree with but the recommendations that reconfirm what we said and other recommendations that we feel are worthy of pursuit we will bring them up to the position on it.

MR. CHAIRMAN: Any further questions on page 40? Page 40 pass. Page 41. Mr. Cherniack.

MR. CHERNIACK: I'm sorry. Page 42.

MR. CHAIRMAN: Page 42. Mr. Cherniack.

MR. CHERNIACK: I just want to know whether the government has considered Mr. Zipr's recommendation with regard to this committee, and is now prepared to indicate whether or not it is prepared to accept his recommendations, including the bringing of managers before the committee to deal with their accounts.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well again, I think, Mr. Chairman, since we're going to be dealing with the functioning and operations of this committee and of the auditor's role and also the Finance Administration Act, I think perhaps we should deal with it at that time because we are going to be going over much of the same ground as we'd be going over on this at this time.

MR. CHAIRMAN: Mr. Cherniack.

1. CHERNIACK: I accept that comment of Mr. Craik's. May I ask him whether there is any situation in undertaking that the auditors appointed by this department of the government as to private auditors, whether they will be present to present their reports like Mr. Ziprick has been doing, in connection with the same agencies. Is there any hesitation in answering that question?

1. CRAIK: I think that that is something we ought to deal with in dealing with the Auditors Act. I think that the role of the Provincial Auditor as opposed to external auditors has to be quite clear there and also that would be the logical place to deal with it.

1. CHAIRMAN: Mr. Cherniack.

1. CHERNIACK: I point out only that the government has already appointed these firms and do not yet know what are the terms of references nor do we know whether or not they are going to be coming here to account for their audits.

1. CRAIK: Well, in terms of the total tying, Mr. Chairman, the amendments to the Provincial Auditors Act, as I indicated earlier, are intended to be into the session, as some of the first legislation during the session. The year-end, on the other hand, is rapidly approaching March 31, the current year, and in order to schedule all of these things, there is some necessity to get external auditors as far along before there was any more time gone towards the year-end, and to get the amendments to the Provincial Auditors Act underway, so all of this was going to be applicable for the next few months.

1. CHAIRMAN: Mr. Ziprick.

1. ZIPRICK: I would just point out, Mr. Cherniack, that the recommendations for amendments show the lines of Canada and the other provinces . . . in those other jurisdictions the private auditors report to the legislative auditor. The legislative auditor puts all the information in his report, then in a certain item comes up he will use them and put them forward as backup material and they appear in that way, but each one of them does not present an individual report to the legislature.

1. CHAIRMAN: Mr. Cherniack.

1. CHERNIACK: No, that's fine.

1. CHAIRMAN: Any further questions on Page 42? Page 42 — Pass. . Page 43 — Pass. Page 44 — Pass. Mr. Wilson.

1. WILSON: Well, I'm going to be looking, as I say, whether I'm on this Committee, or not, in my next report that comes out, because we now have the complete horror story, which the year before was 10.4 million, now this book deals with four months of the Conservative Government; four months of the former government and the total is 15.3 million dollars in things related to travel expenses and conferences and all the rest of it. That to me, seems to feel that the information we deal with is past information and when you deal with it in such a manner as we did and we only hope that the message got to the new government to cut down this figure because it represents what I was alluding to that too many civil servants are travelling around in these conferences so are politicians, and it's supposed to be called on-the-job training. It seems in many cases, when you look at the Attorney-General's department, you hire the lawyers out of law school; they stay with us for a year and then they go into the private sector, or they stay with us for a year or two years. The staff turnover is almost unbelievable because we seem to be a post-graduate seminar in sending these people all over to these conferences in Washington and all over at a huge cost to the taxpayer, does not relate the true salary conditions of these people, because, in fact, Public Accounts tells you they are making a certain salary, but it doesn't get into all the freebies they enjoy under the guise of on-the-job training. I think an evaluation has to be done that the people that are going to go to these upgrading and conferences and what have you, that they are answerable to the Minister and that somebody, the Deputy Minister or somebody assures himself that the people that go will be the type that will be career civil servants and not the type that just going to sign up with the government and travel for two years and then give us their notice saying that they are going into the private sector. I think \$15.3 million is something that the former government should not be proud of and I look for a substantial savings, or I will be giving the criticism to our own government.

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MR. CHAIRMAN: Any further questions on Page 44? Page 44—pass; Page 45—pass; Page 46—pass; Page 47—pass; Page 48—pass; Page 49—pass; Page 50, Exhibit 1—pass; Page 51—pass; Pages 52 and 53. Mr. Wilson.

MR. WILSON: I would like to know where in this book that we might deal with something that may not appear in this particular book. I notice that under "Organization of Activities" the Audit sort of encourages, and I've underlined several things from past Hansards in which he wants to ask the politicians to submit observations to the committee. I wonder where I might be able to do this in this — at the end of this Auditor's Report, or where?

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, on all of these tables, exhibits, with the exception of 9, 10 and I think are all in the grey books — well the financial statements here are all in the grey book at least. I'm wondering if we shouldn't deal with them as we go through the grey book.

MR. ZIPRICK: I think that would be advisable because this is just listed here for convenience as a reference, and the backup material is all in the Public Accounts so most of these schedules are reproductions of public accounts. Now, with regard to your observation, Mr. Wilson, any question that you may have, if you pass them along we will look into them and provide a reply.

MR. WILSON: As you know, Mr. Ziprick, and fortunately for me I didn't sign the letters, but I directed about four or five to you which, of course, I'll get the information eventually, but there's the particular concern that I have that I would like to record without getting off the subject, for record, so what I'm saying is there any area that you can envision where I might bring a new matter that you may have thought was not important, or overlooked, in your Auditor's Report.

MR. ZIPRICK: Well, it would be a procedure of the Committee to put it on the record and it doesn't matter where it is, we'd certainly look into it and report back.

MR. CHAIRMAN: The Chair does note that the Public Accounts, when we get to it, does cover every department of government. Probably you can fit in your inquiry under the appropriate department and bring it up then. Pages 52 and 53, the Balance Sheet, any further questions? Page 52—pass; Page 53—pass; Page 54—pass; Page 55—pass; Page 56—pass; Page 57—pass; Page 58—pass; Page 59— Mr. Miller.

MR. MILLER: Just one question. With regard to Page 59, the Trust and Special Division, the Service Superannuation Fund, the Cash Investment, Sundry Assets there is a considerable surplus of \$15 million deficit versus \$11 million surplus not a surplus but a plus, an increase. What accounts for that sort of drastic swing within a given year?

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: There's a change in the method of recording. At one time all the assets shown on the balance sheet were just taken in, now the items taken in are only the items that are actually lodged with the Minister of Finance, investments. So that such things as mortgage investments which the instruments are not bonds and not lodged for safekeeping in trust with the Minister of Finance, are not shown in there, and because of this change has created these swings.

MR. MILLER: Oh, I see. It's because of the change in the method itself then.

MR. ZIPRICK: That's right.

MR. MILLER: I see. There is really no drop in dollars or . . .

MR. ZIPRICK: No, it has been a continuous steady growth of roughly around \$10 million or million.

MR. MILLER: That's what I thought, yes.

MR. ZIPRICK: Yes.

MILLER: I see. So it's a bookkeeping change, really.

ZIPRICK: That's right.

MILLER: . . . or accounting.

ZIPRICK: That's right; that's right.

CHAIRMAN: Any further questions on Page 59? Page 59—pass; Page 60—pass; Page 61—pass; Page 62—pass; Page 63—pass; Page 64—pass; Page 65—pass; Page 66—pass; Page 67—pass; Page 68—pass; Page 69—pass; Page 70—pass. Page 71. Mr. Miller.

MILLER: Mr. Chairman, I'm sorry, 71 — go ahead.

CHAIRMAN: Page 71—pass; Page 72. Mr. Miller.

MILLER: On these, these are the Provincial Auditor's suggestions to government with regard to amendments, so in passing it I hope it's not misunderstood that we are approving these or not approving these. We are simply accepting these as having been read, that's it.

MEMBER: No, no, you're passing everything.

CRAIK: I agree with Mr. Miller on this.

MILLER: Does the Minister agree with me?

CRAIK: I agree with you.

MILLER: That's right; you have to . . . Okay.

ZIPRICK: As a matter of information only.

MILLER: Fine, a matter of information only. Don't concern yourselves . . .

CRAIK: Mr. Chairman, perhaps I could move, seconded by Mr. Miller, we accept Exhibit 11 as information. These are the essentials of the Act that we will be dealing with in fairly short order.

MILLER: I thought it should be on the record just so that Harry Enns wouldn't misunderstand.

CHAIRMAN: Exhibit 11, then, Pages 72 to 77 inclusive received as information—pass.

MEMBER: Move Committee rise?

CHAIRMAN: That then concludes the Committee's discussion of the Auditor's Report. Would it be a convenient time for the Committee to adjourn?

CHAIRMAN: Mr. Craik.

CRAIK: Mr. Chairman, the next step would be into the grey areas, book the details of the accounts. Under the procedures for further information if perhaps we could ask the members of the committee to make some documentation or notation of the specific requests for further information when we deal with them. As is the case usually, always, we have to take away the request and generate the information, so maybe we could ask the members of the committee to detail it . . . particularly as Mr. Anderson points out, when we come to the supplement book, it would be helpful if we could get some sort of . . . in some cases, prior indication, we can give you some information if you want to even when we're dealing with them — at that time you'll table your request in writing so we know specifically what items you want.

CHAIRMAN: Are you suggesting that the members send you their questions in advance of

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the next meeting?

MR. CRAIK: Well, that's possible. That won't deprive you of asking questions as we go through but if you have any that you want provided information for at the next meeting, you could give some advance warning and we will try and have it prepared for you.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Yes, well that seems reasonable enough, Mr. Chairman, providing it doesn't preclude questions being asked on the spot as something arises.

MR. CRAIK: . . . When we do arrive at it, there was one other question we were going direct for soon. Periodically, as the salary levels go up in the government, the base at which they are reported is moved up. I think the last time was several years ago when it was moved up from \$5,000 to \$7,500, so that all people at a salary level now that are in excess of \$7,500 But they are shown the supplement. That's probably five years ago, or six years ago — maybe more. It was during the period of the former government. I recall being a member of the committee . . . of the opposition at the time. I am wondering if you want to give consideration as to whether it isn't time to move that cutoff limit up and reduce the volume of the supplement.

MR. MILLER: Mr. Chairman, perhaps the Minister could undertake to look at it and bring a recommendation into the next meeting. We might examine it there. If we had an idea of the scales and were certain . . . the mass of civil service people are the large bulk in the clerical ranks assume and perhaps the cutoff could be found somewhere to accommodate that large group.

MR. CRAIK: Well then, perhaps the next time we meet we can do that. I would think probably we — the Auditor's Report is done now. The Auditor is going to be away for a couple of weeks I think. . . .

MR. ZIPRICK: Yes, from the 12th to the 26th of February . . .

MR. CRAIK: He'll be back in time to have his act in the Legislature, and by the time we get into the grey books I assume the Session will be in and the Committee will be reconstituted probably accordingly. Unless the Committee is disposed to sit next week, I won't be able to be here myself — it's up to the Committee — if you wish to go into the grey books, into the detail, it's your prerogative. I won't be able to be here myself, the Constitutional Conference is on and I'll be up the remainder of the week.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Chairman, I think it's best that the Minister is here. Certainly the committee can meet without him, it's been done before if the Minister is not available, but in this case I know that he is not going to be available and to convene the committee knowing he's not going to be here is not the wisest course.

MR. CRAIK: In that case then, we'll meet after the new Session is started and after the Committees are constituted. Are my recollections correct that the committees aren't struck some time after . . . —(Interjections)— This one stays the same, the Standing Committee yes.

MR. CHAIRMAN: Committee rise.