



# **Legislative Assembly of Manitoba**

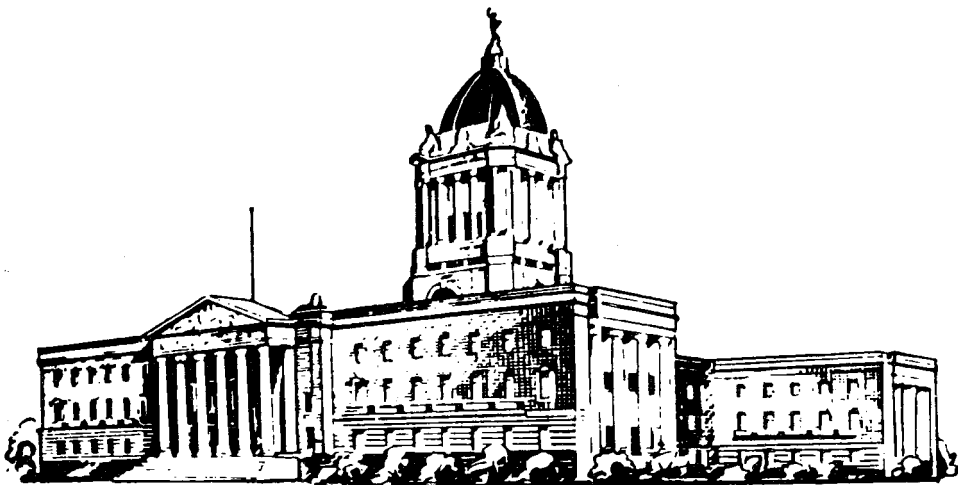
**STANDING COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Chairman**

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



**Tuesday, June 5, 1979 10:00 A.M.**

**Hearing Of The Standing Committee  
On  
Public Accounts  
Tuesday, June 5, 1979**

Time: 10:00 a.m.

**CHAIRMAN:** Mr. D. James Walding (St. Vital).

**R. CHAIRMAN:** Order please. We have a quorum gentlemen. The committee will come to order. Matters before the committee this morning are the Public Accounts and Bill No. 2, An Act to Amend the Financial Administration Act.

**R. CHERNIACK:** Mr. Chairman, when we were dealing with the Auditor's Estimates, the committee on Supply insisted that certain questions that were being asked should be held over the Public Accounts, and I wonder if we could get those dealt with now.

As I recall it, there was a question of the method in which the Manitoba Agricultural Credit Corporation sets its reserve.

**R. CRAIK:** Well, Mr. Chairman, on a point of order. The procedure this morning, I would recommend to the Committee, is that we deal with Bill No. 2, and then we'll return to the Grey Book Accounts, and if there are questions emanating with regards to those matters at that time, they should be dealt with under that.

**R. CHERNIACK:** I assume that was the point of order, Mr. Chairman, and on that point of order I like to point out two things. Firstly, the meeting is called and the notice reads that it's called in order to deal with the accounts for the year ending March, 1978, I think. Yes, we're still dealing with March 1978, and therefore that's the purpose for the meeting, as published by the notice which was received.

Secondly, clearly we were told that Public Accounts would be called soon, and we would be expected to deal with the questions asked. Now, frankly it shouldn't take too long to deal with it, although I can tell from The Financial Administration Act that it is urgent. I'd like some sort of an understanding that if we don't finish today that we will adjourn for a period very soon before the session ends to complete the Public Accounts or at least to deal with the questions that were raised. The minister isn't present when these questions were dealt with just this last week, and I think that if we deal with Bill 2 first, we're entitled to an understanding that we will meet again to get these questions answered before the session ends. Is the minister prepared to give that kind of an undertaking?

**R. CRAIK:** Well perhaps I can ask, Mr. Chairman. The items in question, are they items that are contained in the Grey Books? You made reference to Agricultural Credit Corporation.

**R. CHERNIACK:** Well, the Agricultural Credit Corporation is probably in the year . . . I'm not sure. Let me clarify for the minister, who wasn't here for the Supply Estimates. Firstly, there is simply the question of how does the MACC establish a reserve bid when it offers property for sale? And I believe the answer is available, and that's probably it. The other is, what arrangements have been made by the Auditor for the audit, the audit by state auditors of the Crown corporations which come under his legislative responsibility. I think those are the only . . . I think there was a third; I don't remember, so I'm not sure that it will take half an hour to deal with that — not even that.

**R. CRAIK:** Well, probably, Mr. Chairman, I'll go back to my original comment. My recommendation is that we deal with The Financial Administration Act first and then we deal with the Grey Book the many items that are open in the Grey Book in going through the Grey Book. I think that (objection)— well, I don't know how long. Let's have a go at the Financial Administration Act, I don't know how long it'll take, but I would like to get it under way. It's critical from the point

of view of government administration; the other certainly is important from the point of view of the members, and then we'll take it from there.

**MR. CHERNIACK:** Mr. Chairman, I mentioned that the Minister wasn't present last week when we discussed the Estimates of the Provincial Auditor, so he doesn't know and, therefore, I want him to be aware of the fact that we had certain questions to ask which were ruled to be matters that should be dealt with at the next meeting of Public Accounts. We were also assured that that would be a meeting soon of the Public Accounts; now it's here.

Now, following through from the Estimates Committee, it is the logical thing to deal with the matters that were laid over from Supply for Public Accounts.

Now, I suggested to the minister that, understanding as I do that he's anxious to get this through and I don't want to hold that up, that if he gave us an undertaking that we would deal with these matters before the Session ends, that I would support his suggestion, but he hasn't dealt with that proposal of mine at all. So, I would like to ask him now: Is he prepared to undertake that we will deal with the question, the answers to the questions we raised in the Estimates which were deferred for this Committee, deal with it immediately after Bill No. 2? That would take care of any problem of urgency in relation to Bill No. 2.

**MR. CRAIK:** Well Mr. Chairman, Mr. Cherniack is certainly correct that I wasn't present in the discussions that he's making reference to. The Auditor's Report has been dealt with; the matters before the Committee are important matters that other members have to look at, which are the contents of the Grey Books.

We've had I don't know how many meetings starting, I believe before Christmas, that started into the Auditor's Report. We've had many meetings dealing with it. Mr. Cherniack's now suggests that we revert back to that open forum to deal with questions that he thinks that have come up since that ought to be dealt with.

I'm suggesting that as far as there are some other priorities that we want to deal with; some members want to deal with the Grey Book; the government wants to deal with Bill No. 2 because of the urgency involved, and I would set them as a priority.

When we are into the Grey Books, if the matters referred to by Mr. Cherniack are an appropriate place to look at them, we'll look at them then, but we're not setting aside the precedence to revert back to the form where we had three or four meetings, a wide-ranging discussion on all these matters plus the Estimates process, to set aside the other items, and in particular The Financial Administration Act, for that purpose. I have no intention of suggesting that there's any reluctance in discussing the matters that are raised. All I'm saying is that the intention here would be to recommend that the Committee deal first with the Financial Administration Act.

**MR. CHAIRMAN:** Mr. Pawley.

**MR. PAWLEY:** Mr. Chairman, and to Mr. Craik, if Mr. Craik would read Hansard dealing with the Estimates of the Provincial Auditor, I believe he will be satisfied that again and again government members urged that this matter of the Manitoba Agricultural Credit Corporation be dealt with in the Public Accounts Committee, and there was, I believe, a very clear, very definite commitment on the part of the government that the entire matter pertaining to the Manitoba Agricultural Credit Corporation be dealt with in the Public Accounts Committee. So Mr. Cherniack is not in fact suggesting it; it was members of the government that suggested that this matter be dealt with in the Public Accounts Committee.

Now, in saying that, surely Mr. Chairman, it is not too much then, in view of the representations that were made by government, the urgings upon opposition members, that Mr. Craik, as Finance Minister, commit himself to satisfy members of the Legislature that in fact this matter will be dealt with in this Committee prior to the conclusion of the Session. If it can be dealt with through the Grey Books, fine. There's some doubt in that respect. But if not, I believe that, in view of the representations, the urgings, the interjections by government members while the Provincial Auditor was before the House, that there's a very clear moral commitment on the part of this government and all we request so we can proceed on with the business, it seems to me, is a very clear unequivocal commitment by Mr. Craik, that indeed this matter that was raised when the Provincial Auditor was before the Assembly, will indeed be dealt with in this Committee prior to the conclusion of the Session.

I believe that to be very clear, and I believe that Mr. Craik, and I don't — the Member Wolsey's beginning to interrupt — Mr. Craik has acknowledged he was not there. I believe if Mr. Craik will read the tenor of the debates while the Provincial Auditor was before the House, he would be satisfied that there was in fact a commitment, that the whole thrust of the interven-

on his side was, "Hey, this matter can be dealt with in Public Accounts Committee. Let it be dealt with there."

**R. CHAIRMAN:** Mr. Wilson, Mr. Einarson, and Mr. Cherniack are on the list. Mr. Wilson.

**R. WILSON:** Mr. Chairman, I had considered this somewhat of an apolitical committee in a sense at we were examining the Grey Books today after Bill 2. I was instructed that because I had so raised a number of matters. Some of the concerns that I had raised, just in the last several months; I wanted to know about the fur trappers, I had talked to the Auditor about that, about the snowmobiles the former government had bought and what have you, and the loans that are outstanding, and I had also wanted to talk about the tendering and purchasing matters. I had been over and I sat through all the meetings on these eight or ten parcels of land that were tendered for it, and I, too, had encouraged a wider range of advertising, but I see nothing wrong. I have gone through all that thing pertaining to MACC, I sat through all the meetings, I see nothing to be gained deviating from the Grey Books which was the game plan for today.

You know, all of a sudden it seems to me that we're throwing up the roadblocks of getting on with the job of selling Crown land, which I've been urging for for a long time. And I would like to see us continue with Bill 2 and then the Grey Books, and I'm sure that within the Grey Books there may be a section there which members opposite, in their skillful manner, can bring up the subject of MACC.

I hope to be able to bring up my concern about the level of government use of taxis under the Grey Books. I expect to bring up a number of concerns that I have under the Grey Books, because I think there are expenditures in those books which relate to those, and I think we'll be able to see an opportunity once we get into them to fit that in.

But if members opposite, like the Chairman of this committee, had attended the MACC meetings, they would have the answers that they are seeking. Those also are in Hansard. So with all due respect, I came here this morning to deal with Bill 2 in the Grey Books and I feel as a member of this committee that's what I was told we were dealing with, and I wouldn't want to deviate from that.

**R. CHAIRMAN:** Mr. Einarson.

**R. EINARSON:** I would like to concur with comments that Mr. Wilson has just made, and if my collection is right, that while we were dealing with the Provincial Auditor's report, we on the government side, did bring up some questions of some things that we thought were important, but I don't deny that, as Mr. Pawley has stated. But I thought we came in here with the understanding that we were going to deal with Bill No. 2, and having done that, then if Mr. Cherniack wants to deal with the MACC, I know they've brought this up a number of times, we have in the Grey Book Page 86 where that item comes into play and I think we could deal with it at that time. And I don't see any reason why we have to delay the proceedings, Mr. Chairman, because I think time is of the essence and it's as important to the opposition as it is to us to get on with the job of dealing with Bill 2, and then following that, I suggest, Mr. Chairman, that we could deal with the matters that the opposition feel are important to them.

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

**R. CHERNIACK:** Mr. Chairman, let's clarify what we're talking about. Mr. Wilson said, "the game plan." The game plan was that we deal with the Public Accounts for the year ending March 31, 1978. It's on the notice, that was what we were brought here to deal with. After notice was given at his meeting, the Minister of Finance referred Bill 2 to this committee. If you're going to follow the game plan, and I'm not saying you shouldn't, but if you're going to follow it, then we should be dealing with the Grey Books and the Public Accounts and then Bill 2. But the Minister, for good reason, wants to move Bill 2 ahead of everything else, and I don't object, I agree. But, all I asked was an undertaking by the Minister that the questions raised in Committee would be dealt with before the end of the session. That's all I asked, a commitment and it was not given it. Now we are fortunate that we have the chairman of Supply Committee with us today in this committee, and he is the one who ruled against the questions that we are asking, saying that it should be a matter for Public Accounts. I don't have therecord but he has a memory. I think that he will support the fact that we were told that we would be able to deal with that Public Accounts.

I am willing to co-operate with the Minister in having Bill No. 2 first, providing he undertakes to see the questions that we raised in Supply would be dealt with by this committee before the end

of the session. That's not unreasonable, Mr. Chairman, and he has not done that. If he would that there wouldn't be any more problem. But if he doesn't make that commitment then it appears to me as if we were blocked in Committee of Supply from asking questions, which we thought very legitimately posed, by being told that they would be dealt with this at this committee, and if the Minister does not commit himself to our being able to deal with it during the session, then we are being frustrated again. And I don't think it's necessary and I think he could make the commitment and I don't think it will take as long to get the answers as it did to discuss this matter of order and procedure.

**MR. CHAIRMAN:** Mr. Parasiuk.

**MR. PARASIUK:** Thank you. The Member for Wolseley says that we had an opportunity, and even, Mr. Chairperson, had an opportunity to raise questions about MACC when we had the MACC meeting. Well of course the question is, when did we have the MACC meeting? We never recall it did. The MACC has not appeared before a legislative committee and if you recall, Mr. Chairperson, when we were discussing the Minister of Agriculture's Estimates, the Conservative majority stopped questioning in that Estimates' review. They called the question. They used their majority, and they prevented the New Democratic Party opposition from asking further questions about the MACC. That was closure. It was brought in right in this room, and it was done twice in a row, one stoppage in the evening, and they used the tyranny of the majority to get their way at that time. We then went into Supply. We were asking questions there when the Auditor's Estimates were up before the House. That was our other opportunity to ask questions. The chairperson of that committee ruled that our questions were not in order. That ruling was sustained by the Conservative majority. So we are now in Public Accounts with the session coming to an end very shortly and we are trying to use this opportunity to raise very legitimate questions that we have been prevented twice from raising before.

Now that's why I think it is imperative that we do get a commitment from the Minister that we will have an opportunity to raise these questions. Otherwise what you will see happening will be very strong filibusters in other committees which didn't take place because there were no opportunities. But I don't think the Conservatives can cut off opportunities in every alternative. And then say, well you have those other opportunities, when they know darn well that those opportunities aren't there. This is our last opportunity to raise critical questions relating to the MACC, and I think it's necessary that we get that undertaken, that we get the opportunity to do so the next week or so.

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

**MR. CRAIK:** Well, Mr. Chairman, maybe it will straighten things away at least partially if I indicate that the intention is to go through the Grey Books entirely, and this has not always been the practice in recent years as some members here will realize that in many many of the years the Grey Books were never completed. The members were never given the opportunity to get through a multi list of items that they would like to have reached. The committee was not called and the Grey Books were never approved. It is the intention of this government and determination of this government that the committee will be called and the Grey Books will be gone through and that every member will have an opportunity to raise whatever questions they want to from items in the Grey Books. Whether or not it will be all completed during this session, I don't know, but we will attempt to call the committee as frequently as possible. There are other committees still to be called, but it's after the session, it's after the session, but the committee will be called and the Grey Books will be dealt with.

**MR. CHAIRMAN:** Mr. Pawley.

**MR. PAWLEY:** Mr. Chairman, I believe that what Mr. Craik is indicating is fair enough insofar as it proceeds. I believe that we could come to agreement in respect to this matter if Mr. Craik could, in addition to indicating that the Grey Book would be completed, could undertake to move that item on Page 86, to the commencement of the discussion. This ought to be clearly the matter of most concern and priority to opposition members, to leave it on Page 86, could very well mean that the matter will be dealt with at some time after the completion of the session. To us it is a matter of top priority and time is of the essence, and I believe it would be only reasonable in the view of the Minister's declaration that the Grey Book will be completed, to move that item ahead and I believe that if Mr. Craik could agree to do that, that I would think that we could commence an undertaking and proceed on with Bill No. 2.

**R. CRAIK:** Well there is of course any number of other items that other members of the committee may wish to raise too that they may consider to be as equally important as the items raised by the Leader of the Opposition. The Grey Books, after all, still cover in the majority the final year of the former government, and when he makes reference to the opposition wishing to examine a particular item that we should bring to the front, there may be other items in the Grey Books that members may wish to also consider a priority. So I think that if we get into this, setting priorities within the Grey Books, we're into a procedural harangue that's going to last much longer than this committee is prepared to devote the amount of time to.

So, all I am telling the member is that it's the intention of the government to deal with the Grey Books and if these items can be dealt with, which appear to be contained therein, they'll be dealt with.

**R. CHAIRMAN:** Mr. Pawley.

**R. PAWLEY:** Mr. Chairman, I believe that the aspect that is quite different in respect to this item from other items that might be of concern to other members of the committee, is the fact that at this particular matter was not dealt with when the Provincial Auditor appeared before the Assembly. It was indicated by government members that it would be dealt with within this committee. That fact closure was moved twice in the Assembly with the argument that this matter could be very well dealt with in this committee. I know of no other item that's within the Grey Books in which there was so much effort, so much debate, so much concern that was expressed to the extent that closure was moved twice to prevent a discussion of this item. I would think that the very nature of the surroundings that relate to the Manitoba Agricultural Credit Corporation item would demand that this item receive the earliest attention, and by that, Mr. Chairman, it would mean moving it in Page 86, to Page 1.

I know of no other item in answer to Mr. Craik that is as current, that's been expressed with much concern and anxiety by members of the Legislature, as this particular item, and to leave it at a point towards the end of the discussion of the Grey Book, or half way through the discussion of the Grey Book — so we deal with it some time in late summer, fall, or whenever it would be early and surely lose the importance of this matter due to the current nature of the concern.

**I. CHAIRMAN:** Mr. Cherniack.

**I. CHERNIACK:** Well, Mr. Chairman, I differ from my leader to a slight extent only. He is accepting the fact that if we deal with the grey books we will deal with the points we have raised, which are not only the question of reserve bids on MACC but also the employment of private auditors, of which took place after March 31, 1978, and the strict interpretation of what the Minister has said would possibly justify, in the future, a refusal to deal with those matters as being matters that do not come within the time period of the grey book.

So, Mr. Chairman, I come back to what I believe was an understanding or a commitment or statement in Committee of Supply to the effect that the questions that were raised were out of order in that Committee but would be in order and properly posed at Public Accounts, and I have urged the Minister several times if he will make a commitment that those questions will be dealt with. And, sort of unlike my leader, I would say I would like a commitment from the Minister that immediately after we complete Bill 2 we will deal with the questions raised in Supply only last week.

And, again, you know I actually would ask the Chairman of the Committee of Supply, who ruled out of order, to confirm the fact that it was stated that we could deal with it when we came to Public Accounts. I think we have a right to call on him for support of our contention that we are elected, and have a right to expect that it would be dealt with by this Committee and, as I say, I wouldn't want to ask him to do it if the Minister would only agree that we will have those questions dealt with immediately after Bill 2. But if he won't agree to that, then I think we ought to go on with the purpose for which the meeting was called, which is Public Accounts for the year ending March 31, 1978, which is the first order on the agenda.

**I. CHAIRMAN:** Mr. Craik.

**I. CRAIK:** Mr. Chairman, Bill 2 is automatically referred to the Committee when it's passed and there is nothing procedurally that in any way prevents us from dealing with Bill 2 ahead of the Public Accounts and, back to square one again, I suggest we have given you the undertaking that

the grey books are going to be dealt with. It's an undertaking, Mr. Chairman, I will remind you that we were never able to get, period, from the former government. Members for years were denied the opportunity to get through the grey books and when they did get to them they didn't waste the time on the grey books that they did have rehashing the Auditor's Report.

There is one other procedure that if the member has a grievance that he thinks requires attention of the Auditor, he has the full right to go to the Auditor and ask for an examination. I think the members here all recognize that full well; that has been the time-honoured procedure used from time to time but not too frequently. It is there. It's not like there are not avenues to proceed with a grievance, other than the procedure that has already been followed.

So, Mr. Chairman, I suggest that we move on with Bill 2.

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

**MR. CHERNIACK:** Mr. Chairman, in the first place it doesn't help the Minister one bit to keep talking about the previous government and what was done before. It won't help him. I could refer him to the government before the previous government, the government of which he was a member where Public Accounts were dealt with in one half day once a year and completed, and the Opposition then accepted it. I was in the Opposition at that time. But that doesn't do any good. The Minister is careful to keep saying, "deal with the grey books." He has not answered directly my point is that is that questions asked in Estimates were referred to this Committee, and he has not yet even once that those questions would be dealt with by this Committee. What he has said is that the grey books will be dealt with, and I point out to you, Mr. Chairman, again, that the questions asked in the Estimates Committee dealt with items which occurred subsequent to March 31, 1978. So a strict interpretation of the grey book matter is that those matters didn't occur in that year therefore somebody could move that it's out of order.

Now, if the Minister would give an undertaking, which I think is in accord with the discussion in Estimates Committee, then we could go on to Bill 2 by agreement. If the Minister won't give the undertaking and if the Chairman of the Estimates Committee will not confirm my statement or deny my statement, then I say, Mr. Chairman, then we must proceed with Public Accounts because they are the purpose for which this Committee was called. The Minister is right that Bill 2 was referred to this Committee. It was not referred to this Committee in priority to the business of the Committee and if you want to stick to the business of the Committee then Public Accounts or the grey book comes first, unless the order is changed.

Mr. Chairman, I really would like to call on Mr. Kovnats to give us his comments, because he was the Chairman of the meeting which moved it over. Now, he doesn't have to . . . Of course he doesn't have to respond at all, but he is here and he was there and I think that we ought to have clarification from him.

**MR. MINAKER:** Mr. Chairman, on a point of order. I think it would be out of order, Mr. Chairman, for a Chairman of another Committee to be called upon because he happens to be attending another Committee of the Legislature, to comment on his decision that he made while chairing another committee. I think that's out of order, Mr. Chairman, and I would like —(Interjection)— No, I think it's out of order, Mr. Chairman.

**MR. CHAIRMAN:** Yes, I have just been advised by the Clerk that it's out of order for any member to question or to reflect upon the ruling of another Chairman of any other committee —(Interjection)— May I finish? However, any member of the Legislature is entitled to attend any meeting and to so participate, if he wishes to.

Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I want to make it clear — and it is a matter of privilege — did not reflect on the decision of the previous committee. I may not have agreed with it, but I'm not saying it's wrong. I'm saying that because of the decision made at that committee there was a clear understanding that the matter would be referred to this committee. Now, it's not in any way a criticism of Mr. Kovnats as Chairman. All I'm saying is, since he was there, he will have heard and could confirm the understanding that I received that that matter was a matter that would be dealt with in this committee rather than his committee. I want to make clear I am not criticizing his decision nor am I criticizing the fact that the committee voted in his support. I'm just saying it happened. Do we have to deny that it happened or are we not entitled to ask if it happened? Mr. Kovnats does not have to do anything. He is here as a member of this committee and does have to do a thing.

**R. CHAIRMAN:** Mr. Kovnats.

**R. KOVNATS:** Mr. Chairperson, and I will take the opportunity of calling you Mr. Chairperson, really felt that it would have been out of order for me to respond to Mr. Cherniack. I am here as a Member of the Legislature; I am not a member of this committee and to reflect on and discuss the rulings that I made in another committee would have been strictly out of order and at's the reason I have just kept quiet about it, and I'm here just as an observer this morning. It that if I had made any comments that they would have been out of order. Actually, my comments are in Hansard for everybody to read. So I don't think that I really have to reiterate on what I have said in committee.

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

**R. CRAIK:** Mr. Chairman, Mr. Cherniack is right when he says that the order of business is optional. Bill 2 was referred after the committee was officially called, but very obviously, as he has acknowledged, is part of the committee's responsibility to deal with and the procedure of dealing with the matters is optional. I suggest that we get on with Bill No. 2.

**R. CHAIRMAN:** Mr. Pawley.

**R. PAWLEY:** Mr. Chairman, I believe that we can't help but be increasingly concerned. Twice, the Member for Transcona has indicated, discussion of this matter has been blocked in committee. Twice in the House a closure was moved in order to prevent a discussion on this matter. A great deal of time was spent both in the Committee and in the House attempting to obtain information pertaining to the entire process of tendering by the Manitoba Agricultural Credit Corporation, and now, the Minister of Finance has not seen fit to provide us with any undertakings.

I had assumed, Mr. Chairman, when I had made my earlier suggestion, that we would move this item to the beginning — that in so making, the Minister might (a) concur, and (b) might in concurring, clearly acknowledge that the item in question would be dealt with within the context of the discussion that had taken place in the House, and would not, by a technicality, attempt to prevent a discussion. I believe the Minister would be prepared to do that. I don't think the Minister really would be prepared to, through the means of a technicality avoid that discussion. But I believe the Minister should clearly indicate and in so indicating, Mr. Chairman, we'd be able to proceed. In view of the Minister's refusal, refusal to provide any undertaking, I believe it's clearer and clearer that the government does not desire that this matter be fully dealt with either in Committee or in the House, that there not be an exploration through the assistance of the Provincial Auditor as to what has happened. I think it's a very deplorable state of affairs that we have arrived at respect to this item, Mr. Chairman.

**R. CHERNIACK:** Well, Mr. Chairman, the Minister has clearly not agreed that the questions asked should be dealt with at all. He keeps talking about the Grey Books and I keep saying that the Grey Books need not necessarily carry this subject — there are two subjects, there's also the private litigations for Crown corporations.

Mr. Chairman, we're at a sort of a standstill. You have the agenda, you read it to us, you said that if we deal with the Public Accounts and with Bill No. 2, and I suggest that we proceed in accordance with the agenda which you read to us.

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

**R. CRAIK:** Mr. Chairman, then we're down to the business which we came here to do an hour and as I suggested to you when we sat down that we proceed with Bill No. 2. Now, if you have any motions to that effect, then we should have a motion to the effect that we proceed with Bill No. 2.

**R. CHAIRMAN:** Mr. Minaker.

**R. MINAKER:** Mr. Chairman, I move that we proceed with Bill No. 2.

**R. CHAIRMAN:** It's been moved that the Committee deal with Bill No. 2 as the first item of business.

Mr. Cherniack.



**MR. CHERNIACK:** Mr. Chairman, I just want to say, in regard to the motion, that it is wrong force the Bill ahead of the undertakings, and I believe that they were undertakings and if undertakings, they were clear understandings, that the matters raised — I think it was last Friday in Committee of Supply — would be dealt with by Public Accounts. We've not received undertaking from anyone that those matters would be dealt with by this Committee at all. All we received in undertaking is that the Grey Books, that is March 31, 1978's Public Accounts will be dealt with. No undertaking as to when, no undertaking as to how quickly, no undertaking that questions raised last Friday, I believe it was in Estimates, would be considered as part of the Public Accounts. We are completely blocked again with our efforts to get at fact and truth which we come from the Provincial Auditor. We're blocked from getting the questions on the record. On that basis, I really feel that the proposal by Mr. Minaker is obstructive of our efforts to get at fact and obviously, I must vote against the motion to set aside the order of business by setting as Public Accounts in preference to the Minister's Bill No. 2.

**MR. CHAIRMAN:** Any further discussion? Mr. Craik.

**MR. CRAIK:** Mr. Chairman, this doesn't deprive any members of any options that may be forthcoming. All we're doing is setting the order of procedure and the order of procedure is Bill No. 2, and the Public Accounts. We'll deal with the matters raised in due course when they arise.

**MR. CHAIRMAN:** Any further discussion? Are you ready for the question? Those in favour say aye, and those against say nay. In my opinion, the Yeas have it. I declare the motion carried.

**QUESTION put, MOTION carried.**

**MR. CHERNIACK:** Sir, could we have a count for the record?

**A COUNTED VOTE** was taken, the result being as follows: Yeas 5, Nays 4.

**MR. CHAIRMAN:** The motion is carried.

### **BILL NO. 2 — THE FINANCIAL ADMINISTRATION ACT AMENDMENT**

**MR. CHAIRMAN:** For the record, I will ask if there are any members of the public present who wish to make representation on Bill No. 2? If not, we will proceed with the Bill, clause by clause. Section 1—pass.

**MR. CRAIK:** Maybe, Mr. Chairman, it might help if I indicated that the combining of the revenue in capital divisions — really, the sections that pretty well exclusively deal with that are Sections 1, 2, 3, 4, 5, 7, 12, I can give you these numbers slower if you want them — 13, 14, 15, 17, 19, etc., —(Interjection)— Yes, if you want to make a note, I'll give them to you. They really deal primarily with unifying the revenue and capital divisions.

**MR. CHERNIACK:** Could you do it slowly, one step at a time.

**MR. CRAIK:** Okay, up to 5. 1 to 5 are all — 7, 12.

**MR. CHERNIACK:** 12.

**MR. CRAIK:** Yes, 12 to 15 are all — 12, 13, 14, 15 and then 17, 18, 19, 20. And then 23, 25 and then 30, 31, 39 and 49.

**A MEMBER:** 39 to 49?

**MR. CRAIK:** No, 39 and 49. They deal primarily with the combining of the revenue in capital divisions.

**MR. CHAIRMAN:** Are you ready to proceed?  
Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, on this point, the Minister in introducing the Bill, stated that eight of eleven governments in Canada have converted to this system. I intended to if I didn't, but I think I asked that we have some kind of concordance, which would indicate to us the changes being proposed here and how they relate to the other eight governments. In other words, if the Minister uses them as an example, could he clarify for us the differences between them and the differences between their legislation and our proposed legislation, so that we would know whether indeed it is the same or will differ in any important respects?

**MR. CRAIK:** I think I'll ask Mel Anderson, the Comptroller, to sit in on the discussion as well, because he's dealing primarily with the intricacies of the types of question that are asked. The differences that may exist or the similarities in the detail.

I think, Mr. Chairman, I'll ask Mr. Anderson to reply directly on questions such as this.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Thank you, Mr. Chairman. Mr. Chairman, we have a lot of data available on the reporting practices by all governments and the territories. It's in draft form at present, but it's probably not quite in the form that Mr. Cherniack has asked for as it relates to all the legislation. We would be prepared to take the practices as outlined here. We've discussed them with the Provincial Auditor from time to time, but we haven't related them to various sections of everybody's legislation. If that task is requested that would take a little bit of time to go through and cross-reference to everybody's legislation.

What we've done is determined their policies and related our policies to theirs and translate those with the Legislative Counsel and discussions with the Auditor into a legislation that would therefore provide the kinds of policies we wish to have in the province. Now I can make those available.

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

**MR. CHERNIACK:** Mr. Chairman, I wonder if the Minister would give permission for me to ask direct questions related to that and then we can see if we can just summarize the thing. What I have in mind is to ask whether there are any particular differences between the manner of presentation in these other eight governments and proposed here in relation to presentation. Any significant differences. I'll take Mr. Anderson's word. You know, if he says there aren't, okay, but the same time if there are, I think we ought to know that.

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

**MR. CRAIK:** Mr. Cherniack's first question was with regard to directing questions directly. I think it's a quite acceptable procedure. We're going to run into it repeatedly through the Act.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Significant differences in every section of the Act: I would say that what we have here is attempted to conform to the majority of the provinces. There are certain differences between Quebec and Ontario, for instance, as in the accruals which you had raised from time to time. We discussed with the Minister . . . what we presented in the Act is a starting point on issues like accruals and the wording that we have in the Act, as discussed with the Legislative Counsel, was to vary and ensure that we conform with the majority of other provinces. However, if it's interpreted by members from either side to have other meanings, then I think those are areas we can discuss in particular as we hit the areas. In general — and I would like to have Mr. Ziprick, perhaps if he would like to take a minute to confirm it— what we've tried to do is to conform and in some cases to provide better reporting as we've read it from a study that was done in the province itself — by which I have here with me of all study that was done across Canada — the government reporting practices.

We are not trying to get out of synchronization with other provinces and we're trying to get the best reporting practices we can for the Legislature. Mr. Ziprick, I think that you've been involved in terms of at least us discussing some of these items with you. There are perhaps one or two items, as I say, in the accrual area that there is discussion warranted, but in general, if you would like me to make a statement, we are trying to conform to the other reporting practices of other jurisdictions.

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

**MR. CHERNIACK:** Mr. Chairman, I want to make it clear that I'm not objecting or opposed the whole concept as I understand it, but I think we need enough clarification on certain of specifics. Mr. Anderson referred to the accruals. We'll come to that and we'll certainly deal with accruals and I appreciate his bringing that to our attention.

I wonder if Mr. Ziprick could confirm — Mr. Anderson invited Mr. Ziprick to comment on general approach and it would be helpful, I think, at this stage if he would do so.

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

**MR. ZIPRICK:** Well, the general approach by most of the other provinces is to report on a debt basis and this is organized for reporting on a net debt basis. Now there are different kinds of arriving at accruals between provinces and those are specifics, but in general, on a net debt basis, that's I think the way most of the provinces are reporting now.

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

**MR. CHERNIACK:** Mr. Chairman, then I would like to ask a couple more general questions in relation to the change. The first is: How will assets be shown now in relation to the way they were shown before, where they were shown at a value equal to the debt against them? What changes would now occur under this new form of presentation?

**MR. ZIPRICK:** Under the new form of presentation, the only assets that would show would be the assets that are realizable and to the extent that they're realizable in cash from third parties and the assets invested in Crown corporations to the extent that they are self-sustaining. Any kind of fixed assets created by the province would not be reflected on the balance sheet.

**MR. CHERNIACK:** Then, Mr. Chairman, that means to me that the Norquay Building would be shown at \$1.00, I suppose, just to keep a record that it is there. Is that correct?

**MR. ZIPRICK:** Canada shows the fixed asset nominal \$1.00. Ontario for instance and Quebec do not show \$1.00, and they do not list the assets in the public accounts to back up that \$1.00. That there is that difference.

**MR. CHAIRMAN:** Did Mr. Anderson want to comment on that?

**MR. ANDERSON:** I've listened to the discussion from time to time over writing off assets or setting them up on the books and the past practice to set them up in relationship to the amount of cash outstanding. We looked at all of the different practices, that being a fund accounting method, where the assets were recognized at a value equal to whatever debt was outstanding. We found that that particular method of reporting was not dependent on any value that might be assigned to the building. It would depend on how the history of debt had been assigned and how it was retired so we could not conclude that that was meaningful. What we then looked at were three methods of setting up the assets, and we concluded that if we write off the assets as the expenditures made that what we would be doing would be reflecting the economic impact or expenditure in the province at the time the expenditure was made to acquire that asset. The historical value — there is an awful lot of problem, I guess, in government accounting right now — the historical value or relationship to the assigned debt did not appear meaningful. The idea was to find out what the economic impact that we've had on the province, in terms of acquiring assets in a particular time. The government has so many holdings where the market values are not significant. We had about a four or five page write-up that I would be prepared to give showing some of the differences between the various provinces and our rationale as to why we wanted to set them up, or write them off and just have them at a nominal value.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Mr. Chairman, what would happen is this: That the picture that one would get that the government has debts, it has acquired debts but it has not assets, really, because either one dollar or in some jurisdictions it's nothing, it just doesn't exist. And what you get a picture where the debt is there, it's an incumbrance on the province, it is part of the public debt with no offsetting asset to show for it. It seems to me that these debts do, in fact, reflect

of assets and from the point of view of the public looking at it, or legislators looking at it, to me it seems strange and really not quite correct to simply look at everything the government does as an expenditure and no corresponding asset, whereas in fact the asset is there. The Norquay building, if it was put on the market because the government didn't need it, would certainly realize far more than whatever the book value is today, the depreciated value.

So that it bothers me that we look at government as somehow just as a body that expends money but doesn't have anything to show for it in the way of assets.

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

**MR. CHERNIACK:** Could I just elaborate on what I think Mr. Miller is saying to just deal a little more broadly. Let us say in a year the government builds an office building or purchases that building on Broadway, the IBM Building, or pays out a bunch of welfare. The end of the year statements would show an expenditure for both, unrelated to the fact that one is once spent it's disbursed and is not a future asset; and the other is a building which is, as it was easy to purchase so it could be easily sold without any great changes, and would be a continuing asset.

Now, I often wondered about Mr. Anderson's point, that it's unrealistic when you just show it as being valued at the debt against it, because this building's replacement value is supposed to be in excess of \$50 million, probably much more than that now. —(Interjection)— You probably couldn't build it at all. On the other hand, it's not saleable; it's probably not worth anything to anybody else.

In any event, it is not realistic to show it as being valued by the debt against it. On the other hand, it gives the impression, if it is never shown, that all the debt the province has accumulated, that is called "dead weight debt", has nothing to back it up as an asset. And what bothers me about that is that we get to people talking about 'well, normal accounting methods, the chartered accountants — what is it? — CICA recommends some special thing; and the bad thing for me is that the public should not get the impression that they look at a government financial statement the way they would look at a private company's financial statement and expect to relate the two, if they have any similarity, whereas, in my opinion, they don't, and that the debt acquired by the province under this new system reflects even more poorly the assets backing it up.

Now, I know very well there have been, in the past, I remember when Mr. Spivak proposed one stage that we borrow \$25 million and use it to increase pensions for a certain period of time. Well, that really would never show as an asset unless we say, well, the people are living longer, if you finance education on a longer term.

There are unmeasurable assets that a province or a government creates, but there are clearly concrete and structures which now will disappear. And I want to ask the Minister, or anybody, how do you show at the year end, in some statement form, that the money spent during that year, a substantial part of it, was money spent in an asset which will pay for itself over the next few years being a physical asset, to balance off the huge deficit that may have accumulated in that year? The government may be inclined not to build anything but to rent everything, just in order not to create that great big debt, because it won't show up as a comparable asset. And that's what concerns me. Mr. Ziprick made the point, validly, that if you lend money to a Crown corporation that will show as an asset. That corporation may not have any assets to back it up, like CFI, for example; it still not clear.

But seriously, a government that is concerned about its profile and showing a deficit or a surplus at the end of the year might, under this system, hesitate to build a building and rent it, rather than private enterprise, and therefore not show that big deficit. I'd like clarification on how that could be dealt with. Is there some way a statement could show, out of this year, the deficit acquired includes a building that cost so much, you know, an institution, a jail. You know, these things, we know, last too long.

**MR. CHAIRMAN:** Mr. Craik and Mr. Ziprick. Mr. Craik.

**MR. CRAIK:** The only method — and it's really more of a question on my part, as well, in this connection is the only readily available thing, without doing an appraisal, which I don't think you would want to get into — is that there is an insurance value on all of these assets, which I guess most cases is substantially under the replacement value. But there is an insurance value calculated regularly on these and would be available. It might be a partial offset.

I guess, then, the basic question would be as to whether or not, if the province did that, whether it would be in context with the normal practices across the country. As you say, Ontario shows one and Quebec shows zero and somebody else shows a dollar. Canada shows a dollar. Would it mean anything, having done that? It would probably be a fairly easy thing to do, I mean, in terms

of administratively. —(Interjection)— There is an insured value on I believe the individual buildings.

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

**MR. ZIPRICK:** Yes, I think it's quite clear, in this method of accounting what you are doing you have budgetary expenditures, which includes all expenditures. Now, in presenting the budget there are certain expenditures are of a kind that are not backed up by physical assets, and there are the other expenditures that are, and that's clearly segregated to show the total expenditure of the year as between what is not backed up by physical assets and the amounts that are.

Now, these physical assets are of value, but none of them are costed, like advances to a public utility, where they are serviced through a direct user fee. These are all serviced through Consolidated Fund and so any continuous accounting. If it's going to be meaningful to indicate their value, you'd have to, as Mr. Craik pointed out, to go into some form of appraisal. Otherwise it becomes obsolete.

Now, as far as being able to dispose of them and determine any kind of a disposable value there again, so the question arises how useful is this figure. But the basic thing is that all expenditures of the province that are going to be serviced from the Consolidated Fund, are budget expenditures and they are segregated between the kind that are ongoing and would be considered of an operating nature and the physical assets. Now, that's all in the records and if somebody wants to accumulate those figures, they are there. But I don't see that they're that much use.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, I believe Mr. Cherniack's question related to: would there be a statement that shows, out of the difference between the revenue and expenditures, how much is spent on assets of a lasting value? I can assure him that that kind of a statement will in fact be available.

**MR. CHERNIACK:** How?

**MR. ANDERSON:** When you're voting this year in the Estimates, you'll notice there was an account called "Physical Acquisition/Construction of Fixed Assets". We monitor to ensure that assets that have the kind of value that in the private sector they would keep track of the buildings so that they could offset the expense by depreciation against the revenues that it earns. We will keep track of all of those assets and there will be a separate statement which will disclose what was broken out of those particular accounts. So what we previously had broken into two areas, Current and Capital, however, the demarcation wasn't quite clear, but there would be a statement showing current types of expenditures; those that are ongoing every year and those that are for the acquisition of physical-type assets, so that you could go back and see. I think it will quite clearly show in this year's reports if we have X numbers of dollars, a difference of expenditures over revenues there was so much spent on capital-type things and then you can conclude . . .

**MR. CHERNIACK:** That's very helpful what Mr. Anderson says. We all know that there always has been confusion as to whether certain items belong in Capital or in Current and they've been moved back and forth wherever there was any doubt, and then there was an arbitrary decision made by the Minister or the government. So that that's one reason why I like this approach that we're talking about, but at the same time I want to know that people don't . . . the point I raised is really I think a valid point. It may be that a government may decide: "Let's not build this year so that we won't show a current deficit"; you know, before an election; one might say, well, that would be bad, whereas formerly when we had the differential, you could still show a surplus and substantial construction for which you borrow.

So Mr. Anderson, what he points out would be available for a current year at the end of the year on the income and expenditure item, but may not show up in the . . . well, would not show up in the Balance Sheet at the end of the year, or certainly would not show up in following year I'm wondering — and Mr. Craik made the point about insurable value which might be good although Mr. Ziprick pointed out: "Is it replacement; is it marketable value, or is it cost?" — and the insured value, as I recall it, our insurance starts at something over \$5 million and cuts off at something I don't know, some figure like \$15 million, I don't know whether each building is shown at some kind of a value. Maybe it is; I'm not sure. But regardless of that, if it were shown at a value of some kind, if it's replacement cost or depreciated cost, it would still have some place in the Statement.

So may I ask how would Mr. Curtis prepare a prospectus for the next loan when he knows

that he is showing \$122 million deficit and a repeater year after year without being able to show what included in that was a capital asset which will last for a number of years in the future? Would not a prospectus want to show that and how will that change the prospectus from what it looked like the last time they issued one, and how would it look next time, as far as the prospective customer looks at it and compares it to prospectuses? How will it show the difference to show that indeed there is no difference in the viability of the province or in its rating?

**R. CURTIS:** We would foresee that the prospectuses that we would prepare would provide information relative to the capital type of expenditures made during the year. There would be an analysis of construction, of capital during the year.

**R. CHERNIACK:** During the one year?

**R. CURTIS:** Yes.

**R. CHERNIACK:** Mr. Chairman, I think this is a matter you could debate forever and as I say, you're not opposed to principle, at least I'm not. Our Public Accounts are beginning to give more and more information and the Auditor through the years has developed more and more information. Could we make sure that this Committee accepts it as a sort of a policy that information such as contained in the prospectus should be put into Public Accounts and in the Financial Statement that this kind of information, which may not be part of a balance sheet, would still show up close enough to the Balance Sheet so that it can keep a proper perspective of the physical assets of a long lasting nature that are acquired during the last number of years, not just the current year?

**I. ANDERSON:** The prospectuses that have been prepared in the past in joint consultation with the SEC have never included details of the, if you will, total capital assets of the province. The requirement has always been to break down the total expenditures and the total revenues and the expenditures particularly between what was spent for things that have no apparent value and what are tangible things that you . . . tangible versus intangible in prospectuses. We've always had to translate the Public Accounts to that Statement on page 29, Changes in Financial Position so that we showed, if you will, the bottom line of the province's operation and that particular statement is then put into prospectuses. The new Public Accounts will show that particular statement in a manner which is very close to what the prospectus has required in the past.

**CHAIRMAN:** Mr. Miller.

**MILLER:** Mr. Chairman, I wasn't that particularly happy with the way it was done in the past but I can see I'm not going to be particularly happy the way it's done now. Because it still bothers me that governments are looked at as bodies that spend money and owe money. The fact that an expenditure acquires an asset is somehow lost in the shuffle. The public funds are being used to erect the Woodsworth Building, the Norquay Building, jails, etc., that they are shown as a debt, an obligation to pay for it, but the fact that one has acquired an asset, a considerable asset; take the Norquay Building, if we put it on sale and the market was right, you could realize a considerable amount for it. But the government somehow is not conceived as having any assets. The previous system, where it was written down to the point where it had no value (interjection)— Mr. Wilson says that nobody ever sells them; that may be. But I have always felt that the public is not being made aware of the fact that they have acquired and own considerable valuable assets, whether it be housing through MHRC or hospitals or directly government owned buildings; that somehow is lost in the shuffle. All that seems to come out is the fact that the government spends money and owes money and has really very little to show for it unless you go into details and try to explain it verbally, but it doesn't show on any financial statement or any audited report. Now obviously, as I say, I wasn't happy with the system before and the present system, if anything, is going to aggravate my concern rather than alleviate it.

**CHAIRMAN:** Mr. Ziprick.

**ZIPRICK:** Mr. Chairman, the point that Mr. Miller raises is valid but it should be appreciated there's a comparison between the commercial practice and the government. And yet, in reality, they're not comparable.

In the commercial practice, any assets that are acquired that have a lasting nature, are for purposes of generating future revenues. And so the expenditure is amortized as a cost against those future

revenues, whereas the assets spent by the government are not. While they generate some of revenue, they're not accounted for in that way, and revenues are raised by taxation. So if you don't get the same kind of financial model as you have in the commercial sector.

Now this area is significantly under debate in the United States. They have done several former attempts at using commercial practices in the federal government accounting. I don't know whether it's going to materialize or not. They are running into an awful lot of difficulties to use the depreciation methods and establish a surplus or a deficit based on commercial practice amortization of assets. In Canada, there has been a history established now, whereby expenditures are made on a budgetary basis, and that takes in the various day-to-day expenditures on what would normally be considered operations, and on the fixed assets. And you arrive at a difference, the bottom line being how much you have to go outside to raise money to take care of this year's expenditures.

So that the bottom line is not a deficit or surplus on a year's operation in the province. It's just an indication of how much you've spent that you did not cover by tax money for that year that you had to go and either raise it outside, or bring, if you had an accumulation of tax money collected in advance, you've brought them forward. So there's quite a difference. And any attention that you make, like we were trying to do here, capital voting, and mix it up, creates all kinds of misunderstandings and all kinds of difficulties, because there's a feeling then that maybe these are revenue-earning assets in the commercial sense. They are not revenue-earning assets in the commercial sense.

And then, the other kinds of expenditures, under Education, for instance; education spent on buildings supposedly has a value. But, in the economic productive sense, education spent on educating people probably has a much more economic value than the buildings themselves. So you get into all kinds of measuring difficulties when you try to employ commercial practices.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Mr. Chairman, I recognize the difference between the commercial practice and the government. The commercial, of course, is also concerned with their income tax at the end of the year, and by using depreciation, that can affect the impact of tax that particular year, and so they gladly write it off, and their book value may show very little after 20 years of owning, let's say a factory, or any other commercial building.

Now the point I was trying to make was that the public, as I say, views government not as owning anything, but as owing constantly. It's simply expenditures of money without realizing anything about it. The fact is that in the Norquay Building, which is now written down probably to zero or close to zero, the fact is that government, if they had rented those premises from a private person or a firm, would be paying a considerable rent on a square-foot basis for the premises. That doesn't have to be done because the building now is pretty well paid for; and if it isn't there's very little left. So that in a sense it is not only an asset, it is a benefit; and the fact that it's owned by the public, used for public purposes, and the rent paid is today much less than if that building did exist, and one had to negotiate now for a 20 year term, or a 15 year term from a privately-owned building, the Richardson Building, or something similar.

So it has got a value, and it's that value that I think is now being lost, and that the public can't see and it just disappears. It somehow, as I say, it always leaves the government in a position where, what it's doing is spending money, but not really acquiring anything of any value, measurable value, that can be looked at, or can be seen on any statement.

**MR. CHAIRMAN:** Section 1 — Mr. Cherniack.

**MR. CHERNIACK:** Just one point now, I think we've learned a good deal. I am now looking at the balance sheet that appears on Pages 12, 13 of the Public Accounts, which shows the province in balance. Almost to the item, Mr. Chairman, this is the balance sheet as prepared under the old system, of course. And then, in the Auditor's Reports, on Page 14, he shows the net debt balance which I understand is the manner in which the assets of the balance sheet will be presented and the changes are brought about.

The balance sheet of the province is in balance because, as I understand it, it has an asset side of public buildings, public works advances, which are set up on the basis of what is owing by the province on those assets, and therefore it's in balance. When I look at the new system, it is in balance, it actually would appear to be bankrupt, if one ignored the assets, the physical assets which are going to be ignored under this new system.

And if you look at Mr. Ziprick's sample, the asset side has a net debt shown of \$686 million which would make it appear as if not only is it a dead-weight debt, but it has nothing to be

t up. And that makes sense under a provincial government accounting system, but anybody accustomed to commercial financial statements could not understand that.

And I'm wondering whether there could not be a footnote right to the statement, saying "physical assets accumulated over many years are not shown as an asset in this statement, but are substantially in excess of the net debt shown above" — something like that, which would not fool anybody. And you know we've had debates over the last number of years which were never resolved, between opposition and the government on both sides, no matter who's in government. I remember when Campbell used to argue with Roblin about what is dead-weight debt, and what is self-liquidating debt, self-sustaining debt. It's important that people should not misconstrue a statement, and I mean that everybody can.

And maybe my suggestion would make sense, with that kind of footnoting right on Page 1 would clarify that.

**IR. CHAIRMAN:** Mr. Anderson.

**IR. ANDERSON:** Mr. Chairman, to clarify Mr. Cherniack's point, that particular kind of statement will be available in the notes to the financial statements. Mr. Ziprick, in the past, in his audit reports has commented on the fact that the assets to the province, including that spent on highways, education and physical construction of buildings are not reflected in the totality but that only expenditures relative to that particular year. However, in the new presentations that particular policy will be made very clear, that the statements do not include all those types of things.

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

**R. ZIPRICK:** I'd just like to add that this pro forma balance sheet, are figures only, without any notes and with proper notes it would have that kind of explanation, that this net debt is not anything equivalent to an operating loss on a balance sheet of a commercial corporation, but is represented by the assets of various kinds that have been constructed over the years.

**R. CHAIRMAN:** Section 1—pass; Section 2—pass; Section 3—pass; Section 4—pass; Section 5—pass — Mr. Miller.

**R. MILLER:** Mr. Chairman, the Minister earlier indicated those clauses which dealt with revenue capital division, the combining of them. Are we going to deal with those in sequence or are we going to just go clause by clause here, even though they cover different items?

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

**R. CRAIK:** I would think clause by clause.

**R. CHAIRMAN:** Section 6 8.1. Mr. Cherniack.

**R. CHERNIACK:** This is a very important one. The change, as I recall it, it's a new section, 8.1. After the close of books for the fiscal year, the Minister may make such closing and adjusting entries as he considers necessary to show the financial condition in the most precise manner possible." I don't really care whether it's precise or not. It's got to be a true financial condition. I would really like to add the word to show the "true" financial condition of the government, because we're going to deal further on with discretionary powers. In the first place, I don't think the words "in the most precise manner possible" mean anything and I don't understand why it's in the legislation and I'm surprised that Legislative Counsel included it, because, you know, do you go to court on a thing like that? You say, "That's not as precise as it should be or could be"? So I would say that I just don't think it's good draftsmanship and I say that with all respect and a great deal of respect I have for Mr. Tallin, who I believe . . .

**CHAIRMAN:** Mr. Craik.

**CRAIK:** On that point, Mr. Chairman, the original draft said, "To show the precise financial condition of the government", which I thought was even more difficult, and so the change that you're bringing some difficulty with was the change that I made because I felt that — I think the original was difficult to accept and it's made to read "in the most precise possible manner".

**MILLER:** That's not changed. That's still there.



**MR. CRAIK:** That's in now.

**MR. MILLER:** . . . and you're adding to it.

**MR. CRAIK:** No, that was — originally it read “as he considers necessary to show the precise financial condition.” That's even more difficult.

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

**MR. CHERNIACK:** Mr. Craik can't — it's not good enough, because you're not changing 8 and 8 does say “the precise financial condition” is what your accounts should be maintained at, — it says that. You're not changing that.

**MR. MILLER:** You're not repealing, you're just adding.

**MR. CHERNIACK:** Mr. Chairman, I'm not concerned with precision. I'm concerned with veracity. I want to see the true statement. I don't want a precise statement. I don't think it matters if it takes more numbers.

**MR. CHAIRMAN:** The Chair is concerned with precision and would like one member to speak one time. Mr. Ziprick.

**MR. ZIPRICK:** I could comment on this, that might be helpful. In that arriving at financial statements you follow a set of accounting policies. And I think it's important that the accounting policies stated in the manner that these financial statements are prepared, and I would say that the financial position is stated in accordance with established accounting policies. That's about as precise you can ever be.

**MR. CHERNIACK:** Well, maybe Mr. Ziprick is suggesting to replace the words “in the most precise manner possible” by the words “in accordance with standard accounting practices”. I really do care, you know. I don't want to be sidetracked from what is my real concern about this section but it seemed to me that it didn't belong in legislation, and if the Minister wants it in legislation he can have it. I'll remove it the next chance I get. That's just a . . .

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

**MR. CRAIK:** I wrestled with the original wording, because I thought it was awkward, and I tried to . . .

**MR. MILLER:** You didn't repeal it. You just added to it.

**MR. CRAIK:** Yes, I added to it, and I'm wide open on this as far as . . . you know it really, in terms of the accounting, what you think is the most accurate way of trying to make the statement.

**MR. CHERNIACK:** That's the point, Mr. Chairman. I want to say “the true financial condition” “the accurate financial condition.” I don't care how precise or imprecise it is. I want it to be true and I really would like to add in to show the true financial condition. I'd like that word “true” there. And you know, we're yet to debate the nature of the adjusting entries. I don't care particularly to have the Minister's consideration determine it. I want it to be correctly shown, and it's really the Auditor's determination which counts in the long run, although the Minister does the presentation.

**MR. CRAIK:** I think, Mr. Chairman, if what I gather is correct, or if I'm interpreting correctly whatever word it is we use there, is governed by what is done under Section 10 of the Act, where the contents are defined, the minimum of the contents are defined. It's really a selection of the word that best describes how those contents are reflected, so . . .

**MR. CHERNIACK:** Well, that's the exact point, Mr. Chairman. When we come to 10, I'm going to question very seriously the deletion of the words in Subsection (a) of 10, of, when it says “statement”, it says in the original, in the existing Act, “certified by the Provincial Auditor.” That has been removed, and we're going to go into that debate.

But I'm just afraid that we're getting to the stage where the Minister is going to determine the whole presentation. And, although it's been pointed out to me, in all fairness, I should mention that apparently, a similar section appears in the present Act, similar to 8.1, which is 38.3, and which does say, "effect may be given after the close of a term for which appropriations are voted or authorized to such closing, and adjusting entries as the Minister considers necessary to show the financial condition of the government."

So there is a similarity, and I will not be bound by what is in the present Act to justify any repeat in the new Act, but I see it was there, and I understand that there would be adjusting entries.

We're going to talk about accruals, which does bother me, but what does concern me is that the Auditor's certification is being removed, and now it's being left entirely to the Minister; and the other point is, there's no deadline. It doesn't say how soon after the close of the books for a fiscal year the Minister shall make these adjusting entries.

I don't really know, and I was a Minister of Finance. I don't remember the adjusting entries which I made as I considered it necessary under 38.3, although I assume it was done, and I approved it. So, I'm not sure just what they are, but I think there ought to be a deadline by which it must be done, and then I think it must be certified by the Provincial Auditor. And possibly the Minister would like to direct his attention to that point I'm raising at this stage, rather than wait for 10., because I think 8.1 and 10(a) have a real connection.

**CHAIRMAN:** Mr. Craik.

**CRAIK:** Mr. Chairman, as I understand it, there's no problem in having it in there, because it's already in The Auditors' Act, and so that if it goes in here, it's in both Acts, so it doesn't really matter. We can leave it in. The Auditor is already required to do it by his Act.

**CHERNIACK:** Do you mean the present or the new? We have yet to see the new one.

**CRAIK:** The present; but if you are concerned, there's no problem leaving it in there.

**CHAIRMAN:** Mr. Ziprick has a comment on that.  
Mr. Ziprick.

**ZIPRICK:** Yes, as far as the, Mr. Chairman, the Provincial Auditor's responsibilities, as I understand them, they will not change, because the The Provincial Auditors' Act states what the Provincial Auditor's Report shall consist of on public accounts, and that is, in effect it is to examine public accounts and see that they're presented fairly and consistently on a policy consistent with the previous year. Now, in the former Act, there was a repetition; the same requirements were in the Provincial Auditors' Act and The Financial Administration Act. In this instance, they're leaving the specific requirements in The Financial Administration Act; and under (g) just stating that there shall be a report of the Auditor.  
So that under 10(g), if you will note, there . . .

**CHAIRMAN:** Mr. Cherniack.

**CHERNIACK:** Well, I think we're getting somewhere. In the first place, dealing with 8.1, I would like to see the word "true" put in — I want to put an obligation on them.

**CRAIK:** Rather than "precise?"

**CHERNIACK:** Well, there's nothing there. It says "the financial condition." I'd like to see "the financial condition." As to precision, I don't care. The Minister can put it any way he likes. I can say the true concise, or the concise true; but my point is that the obligation should be that it be the true condition. —(Interjection)— 8.1.. It says that if it showed the true financial condition of the government. Whether or not the other phrase is left in is a matter of draftsmanship. I don't care; it belongs, but, you know, I don't care enough.

And it does show in 8. I would be inclined to remove it, frankly, because it does appear "precise financial condition" in the preceding Section that's in The Act now. So I would be inclined to remove it from 8.1, but I don't make a point of that. I do make a point to show the true financial condition; and one point I make.

The other point I want to make is to ensure that there's a deadline for the adjusting entries to be made. You know, like, not after a certain date, and maybe that relates to 38.2 in the present

Act, where there seems to be that kind of a deadline. I wonder if Mr. Ziprick would agree.

The present Act, 38.2, gives what appears to me to be, or to Mr. Miller, to be a deadline making these adjusting entries.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, Section 38.2 refers to the payment process. 38.3 referred to me more than that; other types of entries that might be required.

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

**MR. CHERNIACK:** All I want is some kind of an assurance that in the Legislation, as amend there will be a deadline by which time the Minister must make his adjusting entries — that's point I want assurance on or proof.

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

**MR. ZIPRICK:** Yes, I could comment on the deadline. Under the present Act, there is no dead for making various kinds of adjusting entries internally. There is a deadline specified under the as to when the payments must be cut off, and there's also a deadline when the receipts must cut off. But then, the transferring between accounts, there is no deadline, and it can go and and on. The only deadline is that the public accounts must be reported on by December 31st, there is no deadline.

Now, the new Act leaves open the payments, and the receipts, without any specified dates, leaves that for the Minister of Finance to decide, as a matter of accounting policy.

While I'm speaking, I may just add that Section 8.1, that in the most precise manner possible is somewhat inconsistent with Section 10, in that it says the financial position in accordance with the accounting policy stated in the government. So I think that by leaving it out, I would agree that it would make it much more clear, because then it would be to show the true financial condition of the government, meaning, as stated under Section 10, in accordance with accounting policy as stated in the public accounts.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Well, Mr. Chairman, what I see here on the 8.1 whereas today, existing, there is a time limit on the payments and on the fees. If I read this correctly, that is entirely now eliminated and is left entirely to ministerial discretion. Whether something will be charged, paid and charged to even an earlier fiscal year, or receipts which can be shown not in that current year but because it relates to something that happened 18 months ago or a year ago, the Minister has discretion to move it around pretty well at his pleasure. I think it makes for a much more difference of any particular fiscal year because it may alter, in retrospect, it may alter 18 months or two years down the line if the Minister has that kind of flexibility. Right now there is a time limit on receipts and on payments, both; that, apparently, is now being eliminated so there is no time limit on either of the two. The ministerial discretion is very, very broad here. It's very wide. He can do anything he wants.

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

**MR. CRAIK:** Well, I think we're on 10, now.

**MR. MILLER:** No, no, that's 8; that's 8.

**MR. CRAIK:** I was going to mention that the spelling . . . There is further detail on what is required if you go to section 25 of the new bill, where it says, "Section 38 of the Act is repealed and the following is substituted," and then it covers lapse, payments charged to any fiscal year, accounts.

**MR. MILLER:** No, I was dealing with 8.1. The closing and adjustments is left wide open.

**MR. CRAIK:** No, that's really adjustments too. You're really talking about the cut-off date at the end of the year and 25 does deal with that, as well.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, just to throw some light on why we have to have adjustments after the close of year end, when we finish producing what we think are the records as they stand at that point, they're then subject to audit. Often we find activities that occur that we weren't aware of that require adjustments, or the Auditor will bring some to our attention that require adjustments. And when we discussed this with the legislative counsel, the idea here was certainly not to leave a huge void or just make an adjustment but rather to have a vehicle that was quite clear that the purpose was to show the records in the true or the most precise, or whatever way you wish to describe it, manner possible and that if that required adjustments because of the things that we found, then we would like the ability to make those entries. And if you can suggest wording that would do . . .

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

**R. CHERNIACK:** Well, Mr. Chairman, I am not prepared to leave it to Mr. Anderson or to his successor — I mean the comptroller — to be able to find things later on and say, well, I want to make certain changes. I would agree that if the Auditor directs that changes shall be made, specifically recommends it, then changes can be made after. But personally I am not sure that there is a deadline at the end of the year, unless it appears somewhere else. I think that Public Accounts may be printed, but that doesn't mean that we're bound by them. Under the Act if you can make changes after that, you can still make changes after that.

So I would like to have it clear that there is a deadline, that after the deadline if there are changes that must be made — which I can't visualize but I assume there must be, otherwise why push this that it should be either on the direction of the Auditor or by Order-in-Council, so that it comes out clear and known and it is apparent.

Now, I would like to suggest that there be a deadline and that it be within months after March in any year, that if it's necessary to re-open them that it be re-opened in a very public way, I say, either by the direction of the Provincial Auditor or by an Order-in-Council. Otherwise I believe — and I have to be shown that I am wrong — I do believe that the printing of this book doesn't in itself necessarily close the accounts of the government. All this is is a report. Now, maybe I'm wrong; I hope I am.

**I. CHAIRMAN:** Mr. Anderson.

**I. ANDERSON:** Mr. Chairman, in general, to be very specific as well, when the book is published records for that year are closed and finished and these entries, as alluded to in Section 8.1, would only apply to that publication that was made in that particular year.

If it were found, for instance, two years down the road, that there was something we missed that should have belonged in there, that would be adjustment that reflects in the, I guess it would be the 1980 records, and it would show that it was for that period but that it would be processed through here. The idea is not that we would continue to open all of the records every time that we found something. And that happens in businesses, in other governments, in an individual's accounting records.

**R. CHERNIACK:** Mr. Chairman, for many, many years the Public Accounts came out way near the end of the year. Efforts were made to shorten the time until now it's much shorter. But there is something that I am aware of that says when these accounts have to be printed. Mr. Ziprick says they have to be tabled by December 31st or, I suppose, 15 days after the next session, so that they can be dragged on. But is there something in any Act that says that the printing of the accounts closes the books per force, or is it just a statement that can be changed?

**CHAIRMAN:** Mr. Ziprick.

**ZIPRICK:** I think the key points here are: When are the expenditures to be cut off and also when is the revenue to be cut off, and this has to be . . . Either it's going to be spelled out in legislation or has to be spelled out in the accounting policies, and then it has to be adhered to. Because if you start changing from year to year, then you're going to have all kinds of problems.

The idea of closing off in the old Act the expenditures by May 15th, as far as I can see, is a reasonably sound one and I don't think they wish to go beyond that date, and that is all the expenditures that are known, received and applicable to the old year can be paid by May 15th they can go to the old year. Anything that becomes known after May 15th applies to the following

year. And I think that this kind of policy will have to continue because otherwise you could go on and on and on getting all kinds of charges coming through that you would be putting into the year.

Now, the amounts that come in until the Public Accounts are finalized is reflected and in subsequent year it's supposed to be stated how much that came in subsequently applied to old year as an item. Generally it's not unusually significant and it would just delay the Public Accounts, so I think that the expenditure cut-off either should be in the Act or will have to be in a policy decision on the accounting policies. Now, the same way applies to revenue. And revenue particularly has to be fairly clearly defined. For example, Ontario stick very closely to cash basis at a certain date. Quebec take in an accrual position and the accrual position that to be taken in is very clearly defined. And that also will have to be spelled out.

Now, having followed those, then transfers internally between accounts, but some figure got in the wrong account and may show up in the Public Accounts, well this obviously can happen, but you can have the Public Accounts printed and this particular account shows X-dollars, well, it's subsequently found that maybe a certain portion should not have been in that account but in some other account. But having the cut-offs, having established at that point, I think it has got to be very clearly defined and it's either going to be defined in the Act or defined in the policies and has to be abided by fairly closely.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, there are two important things that I'd like to point out, to correct and will add to what Mr. Ziprick said. In Section 10(e) it provides that the government will be required to provide a statement of any changes we've made from year to year in our accounting policies. The basic principle under which the statements would be prepared would be announced in the accounting policies. Now Mr. Ziprick has raised the point that perhaps they can be put in legislation. That is something that can be discussed as we hit each of the areas. However, in 1978 if we decide that we're going to change any of those, it would be incumbent that those be reported.

The next important section is No. 9, where we've added that in the directives that are issued the Minister will have to declare the date on which the books of the province for the fiscal year are considered to be closed. I think Mr. Cherniack had raised, is there a point. Now, the directive would declare the date that it's closed and then they would be published. If it's decided that we wished to try and legislate it, I know that's a little difficult because of the circumstances that change every year are somewhat different. June 30th I don't know, I just throw that out. I don't know if there are any other provinces that have a legislated date of closing. Mr. Ziprick, you could correct me if . . . I don't think there are.

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

**MR. CHERNIACK:** Mr. Chairman, I must warn Mr. Anderson that I am not prepared to create a great deal of flexibility to the extent that I can stop it, the great deal of flexibility that would be in the accounting procedures. This is an accountability that goes much beyond any normal practice in commercial accounting or anywhere else.

I really believe that we expect that there should be a very rigid manner of reporting so that the public, the fellow in — I don't know, wherever he is, 200 miles away from Winnipeg — knows that there is a procedure established. And that's why when Mr. Ziprick says: "Either it should be in the Act or it should be an accounting policy of the government", I say it should be in the Act and it should be clearly defined and it should not be determined by the government of the day but should be determined by the government of the province and only changed by the Legislature of the province.

So I want to come back and I want to suggest very strongly that we change 8.1 to take the form of the following: One, to state to show the true financial condition, and clearly the point of it is to put the obligation on the Minister to show not just what he considers necessary, but to show what he considers necessary for the true financial condition. That's number one. Number two: there be a deadline and that will take us back to that 38 that we're going to deal with later where I would like to have it understood that it's going to be the kind of deadline there is now, the April 20th - May 15th for receivables and expenditures, and that any adjusting changes that date should be either, as I say, by the direction of the Provincial Auditor or by Order-in-Council.

Now Mr. Anderson pointed to 10(e) and said: "That's new"; it's not new. It's new in the sense that but it's been in the Provincial Auditor's Report for some little time now so that there's no change.

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presentation to the public. The only thing is, it says instead of the Auditor doing it, the Minister will do it, and that's good. You know, I agree with that. But it's a change that the Auditor introduced himself, and you know, that's fine too, but we'll debate 9 later on.

I don't think that there should be that kind of flexibility. I think that there should be a clear-cut policy stated in the legislation so that any change will appear in legislation. And therefore, coming back to 8.1, which is what we're dealing with now, I would like to add the word "true", show the "true", add the the word "true" financial condition. I don't care about the "most precise" although would really take that out myself, and then insert a deadline and insert a change beyond the deadline to be in a very public way like the Auditor's direction or O/C. Now I wonder if the Minister could consider those suggestions.

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

**R. CRAIK:** There's no problem with the "true"; it's just a question of which is the most appropriate word. It's a matter of semantics as far as I'm concerned but maybe the legal counsel would like to advise on the interpretation, the difference between the word "true" and the word "precise". I have no opposition to using the word "true" if it is a better term from both the legal and accounting point of view.

**B. BALKARAN:** Mr. Chairman, I'm not so sure that the word "true" and "precise" carry identical meaning; I haven't got a dictionary before me, but true or the opposite of true is false, and precise is inaccurate. If I had a choice, I would probably say the "accurate financial position" as opposed to "true".

**R. CRAIK:** Well, Mr. Chairman, I would think it's maybe then more an accounting decision than anything else as to which is the most appropriate word to use. I can tell you that Mr. Tallin's first word was the word "precise" and the word "precise" bothered me not as an accountant but as an engineer, because I know what it means in engineering terms. So I changed it to mean as "precise" as possible. But if "true" or "accurate" is better, well, maybe Dave Blake's bank, or maybe he can tell us what's accurate.

**J. CHERNIACK:** In accordance with the factual state of affairs is what true is, so I guess that's accurate, doesn't it?

**R. CRAIK:** We have now resolved that we'll just put in the word "accurate" and remove all that mess about "in the most precise manner".

**R. CHAIRMAN:** Is the amendment then to substitute the word "accurate" for the word "precise" in the fourth. . . ?

**R. CRAIK:** We've . . . "to show the financial condition of the government" and then just take that. So "accurate" goes in there.

**R. CHAIRMAN:** Then the import of the amendment is to insert the word "accurate" after the word "the" in the third line and delete all words after the word "government" in the third line. Is that agreed? (Agreed)

**R. CRAIK:** I would welcome some more discussion on this matter of the closing date. I gathered from the discussions I have had that what we were essentially following here was the practice that I think, pretty universally used in the other jurisdictions or the other provincial governments or the federal government as well. And that's really the reason for. . . Here it's more again a matter to bring it into line to the general accounting procedures that are used by the provinces. I haven't talked in detail to Mr. Ziprick about this. I think we had one short discussion; I didn't think that he was in — I don't think in disagreement with it — but perhaps it would be more appropriate if I asked you if, in your consultations with the other governments, if I am right in that opinion that the general pattern is to provide for the sort of clause that we've suggested here in the new Act.

But I have to say that certainly whatever is done has to be, in the eyes of the Legislature, the way of telling the public what's happening. And if it's better to set a date with a provision that any deviation from that date for a particular reason has to be footnoted, that's another way of doing it. That may give you the flexibility to do what you want to do anyway. As the revision comes, the date would not be spelled out except each year the Minister would have to verify, or

the books would have to verify, the closing date. The alternative to that is to set the closing date and if there is a deviation from that, a footnote explaining why and in what case. —(Interjection) Or list exclusions, whatever.

If there are any other comments that either Mr. Anderson or Mr. Ziprick would have from a technical point of view, I'd appreciate it.

**MR. ZIPRICK:** The other provinces; I'm not just sure to what extent it's spelled out in the legislation but it's very clear in their accounting policies that are included in the Public Accounts. They got specifically defined cutoffs for receipts and expenditures and they follow that consistently from year to year, and it is very important to have that spelled out very clearly so everybody understands and then it's followed consistently from year to year. I'm not sure as to whether it is embedded in the legislation or only as accounting policies in the Public Accounts, I'm not absolutely sure. I have the feeling that I've seen some of it embedded in legislation, now, whether that's been changed or not, I don't know.

**MR. CHERNIACK:** Well, Mr. Chairman, when we complete, when we pass this Act, it should be the best Act in Canada. You know, it will be the latest and therefore, it should benefit from the best of all. And to me the best does not mean to facilitate the operation from the — I'm choosing my words carefully, because you know, this should be a non-partisan thing. We want to present as accurately as we can the operations of government and let me premise my remarks by saying I've worked closely with the administration of the Finance Department long enough to have the utmost respect for their ability and their integrity. But I'm not inclined to bend to create a flexibility for the department and you know I don't think any political leadership would do that. It's necessary, I think, that it appear to be right as well as be right and I think it's wrong to have policies of a basic nature unspoken or understood in practice. And therefore, I would like to have it in legislation and I think it's good that it should be and that's why when we come to 38, going to question very seriously why there's all that flexibility opened up, how badly has it been. We should have examples of how bad it was, that the deadlines in 38 should be removed. . . . by the same token we should have a clear-cut reason, a persuasive reason, as to why there should not be a deadline established in the legislation of 8.1 and 10, along with 9, declaring the date. You know, there ought to be a clear-cut aim that it must be done by a certain date and thereafter it cannot be changed, except as Mr. Craik says, footnoting. Well, okay, footnoting is footnoting and that's better than nothing at all. But there should be a deadline with the footnoting so we all know that by a certain date everything's done and all the creditors and all the people who deal with government would know.

**MR. CHAIRMAN:** Mr. Miller.

**MR. MILLER:** Mr. Chairman, I would agree with that, and what Mr. Ziprick pointed out was in other jurisdictions there is a deadline, whether it's in the act or whether it's by policy, but they are consistently followed.

I can't agree with Mr. Anderson's suggestion that in (e), a statement of any change in accounting policies of the government from those followed in the preceding fiscal year, that statement is sufficient. Because as I visualize it, there could be a change from year to year even though the government would issue a statement or a statement would be issued, nonetheless from one year to the next those dates might not be consistently followed. So there should be a clear date for both receipts or revenue and for expenditures, and only changed by an absolute essential — there might be a reason for it but that should be clearly identified, either by the Auditor by the footnoting and what have you, but there should be a target. Otherwise, I think we're inviting annual changes, even though they may be announced subsequently. There are the annual changes in the accounting procedures.

**MR. ZIPRICK:** The cut-offs for expenditures and revenue is so crucial that I think it's very important that it be clearly defined and consistently maintained from year to year, because if you start changing it around you get into all kinds of inconsistencies and you'd have to restate your positions to reflect it. So, I think it's quite important that it be clearly defined and understood, and my preference would be for it to be in legislation.

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

**MR. CRAIK:** Well, Mr. Chairman, I was going to suggest then, with these comments, that perhaps we need to look at defining the cutoff date in both cases, expenditures and receipts, which

improve over what it was if we're spelling out dates, and then the conditions or provisions under which deviations from that ought to be noted or first of all, if they should be done, taken, and so, how they should be noted. And if that were acceptable, maybe we could ask the staff to draft around the concept of setting the dates out and defining as far as possible how any deviations from that ought to be noted.

**R. CHERNIACK:** Does that mean to leave 8.1 and 9; 8.1, 9 and 38. Now I'm getting confused with the numbering.

**3. CHAIRMAN:** . . . is 25.

**3. CHERNIACK:** Oh, yes.

**3. CRAIK:** If you're happy with the principle what we could do is have the — between the comptroller and the Auditor redraft it . . .

**3. CHERNIACK:** Yes, and bring it back to us.

**3. CRAIK:** . . . with the necessary sections to be changed.

**3. CHERNIACK:** Oh, but we'll see them?

**3. CRAIK:** Yes.

**3. CHERNIACK:** Right.

**3. CRAIK:** Yes.

**3. CHERNIACK:** So we stand aside these sections that they're going to be dealing with.

**3. MILLER:** It may affect other sections, but they would know what they are.

**3. CHERNIACK:** Yes. Well then we leave 8.1 or Section 8, Section 7 we will deal with and pass. Section 8, we'll leave that then. Section 6 is left, is it, Mr. Chairman?

**3. CHAIRMAN:** Yes.

**3. CHERNIACK:** Section 6 is held. Our section, the Bill section 6, which is 8.1.

**3. CRAIK:** Yes, okay.

**3. CHAIRMAN:** Is there any other discussion on Section 6, 8.1 that is?

**3. CHERNIACK:** No, Mr. Chairman, we'll see what comes out and then deal with it.

**CHAIRMAN:** Yes, fine.

**CHERNIACK:** So 6 is held.

**CHAIRMAN:** We'll hold that and move on then to 6 . . .

**CRAIK:** We're essentially redrafting it and then we'll come back for further study and pass.

**CHAIRMAN:** Section 7.

**CHERNIACK:** Pass.

**CHAIRMAN:** 7—pass. Section 8, do you wish to hold that over because that would seem to have a bearing?

**CHERNIACK:** I suggest that Mr. Craik propose that — I would suggest it should be held with



a reconsideration.

**MR. CRAIK:** Yes, right.

**MR. CHAIRMAN:** Section 9 will also be held over. Section 10.

**MR. CRAIK:** That will as well. It's the contents of the Public Accounts, because there . . .

**A MEMBER:** 10 is their revenues.

**MR. CRAIK:** That's the same, it will be . . . —(Interjection)— Yes.

**MR. CHAIRMAN:** Section 10 forward. Section 11.

**MR. CHERNIACK:** Well, let's see. I'm sorry, Mr. Chairman, I'm a little behind in my notes. We holding 6, 8, 9, 10, now 11 — no checks in 11.

**MR. CHAIRMAN:** Sub-clause 19(1)(g)(iii)—pass; 11—pass; Section 12—pass — Mr. Chernia

**MR. CHERNIACK:** Could we have clarification? I think it's fine, — did you say 12?

**MR. CHAIRMAN:** 12.

**MR. CHERNIACK:** 12. I'm sorry, I'm ahead of you.

**MR. CHAIRMAN:** 12—pass; Section 13.

**MR. CHERNIACK:** Could we have clarification on that? The information I have, Mr. Chairn there's no real change in the meaning of the section, that it's reworded to remove referenc the trust and special division of the consolidated fund.

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

**MR. CURTIS:** It refers to the subdivision of the consolidated fund . It refers to the special divis —(Interjection) — It's now special purposes rather than special division. There is no special divis Special division was trust. We combined it.

**MR. CHERNIACK:** I see.

**MR. CHAIRMAN:** 19(5)—pass; 13—pass; Section 14. Mr. Cherniack.

**MR. CHERNIACK:** Mr. Chairman, I'd like to . . . My own reference refers me back to 20.

**MR. CRAIK:** It's a current account or the word "current account" is deeted.

**MR. MILLER:** Well, that deals with the combining procedures

**MR. CHAIRMAN:** Section 14—pass; Section 15—pass; Section 16.

**MR. CHERNIACK:** Could we just look at that a minute? What does that say, what does it m What's the intent?

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

**MR. CRAIK:** There's a redundance since the refund of expenditures made in prior years is rev which is provided in Subsection 24.

**MR. CHERNIACK:** That's a nice precise explanation, which I don't understand. It may be acc too, I just don't understand it.

**MR. CRAIK:** That is the major one, because it's refunds of revenue will not in future show i expenditure but will show as a reduction in revenue.

**R. CHERNIACK:** Mr. Chairman, I raised that point when I spoke on this bill. I believe that up to now the practice has been that when a refund has been made of revenue received in a previous fiscal year, that refund is shown as an expenditure in the year in which it is being refunded, whereas when a refund is made of revenue received in the current fiscal year, it's a deduction from revenue in that current year. Is that correct? Is that the present policy?

**R. CRAIK:** Yes.

**R. CHERNIACK:** Well, the answer is yes. This change says that we will now go back and, as you see it, re-open the books. No, worse than that. We will say that because there is a refund to be made for previous year's revenues, we will reduce it from this year's revenues, whereas I believe it should be an expenditure. Now let's be more precise. Firstly, the government has voted to eliminate excise duties. It is quite conceivable that this year there would not be any revenue, but there would be a refund. And in that case there might even be a reverse revenue, you know, like — there's more being refunded than there is received. So that's a technical problem. Why should I worry about that?

But I do think that it is proper that if a government decides or is bound in this year to make a refund from previous year's revenues which are shown as revenues from previous year, that they should be shown properly as the expenditure this year, not a reduction of this year's revenue. The government estimates it will receive certain revenue from sales tax or from mineral taxes or whatever, royalties, and has to make a refund and then says, "Well, we didn't receive that money." That's not true, Mr. Chairman. The truth is, they received the money but they had to pay it out because of a previous year's obligations, and therefore I think the principle is wrong and I don't even know what the impact or implications there are to doing it the proposed new way, except that I believe that the principle is wrong, and that revenue received this year should be shown as revenue received in that year. Expenditures by way of rebate for previous years are expenditures. Now, I don't know what's wrong with what has been going on up to now and therefore I don't know why it's justified to bring this proposal forward.

**R. CRAIK:** Perhaps I can ask a question, Mr. Chairman, myself. If a revenue refund is made in the coming year, Air Canada settlement, whatever it may be, and on a suit where we lose a court case and have to refund, whether it went out as an expenditure or whether it was considered a loss of revenue in the year in which the refund was made, it would still be shown in the accounts in that way or another. —(Interjection)—

**R. CHERNIACK:** But it's a revenue that you've thought was a revenue but isn't, it wasn't a revenue, and what you really have is that it's not — I would think in basic terms if you've had use of a revenue which you aren't entitled to and you lost it, you shouldn't show it as an expenditure, but simply show it as a loss in the revenue, but since the books are closed, you can't go back to the year in which it was collected. So the best you can do is show it as a loss in revenue in the year in which the books are open.

**CHAIRMAN:** Mr. Ziprick.

**ZIPRICK:** On this particular . . . , Mr. Chairman, I am guided more by as to whether the refund is a statutory obligation and is statutory and if it is, then it's not a budgetary expenditure, because it has to be repaid and then the treatment is not that important, it has to be returned, that particular revenue, and for that reason I like this other of reducing the revenue because the refund is a statutory obligation it must be made and it does not require a legislative vote, so it would make it easier to just reduce the revenue. Just thinking back, I don't recollect the kinds of things being made that would have an undue impact one way or another. But if it's a statutory, then of course it doesn't require a legislative vote and it has to be made and any vote on the appropriations is really a meaningless vote. On the other hand, if it requires to be made it requires a vote by the Legislature, then it would be in the Expenditure.

**CHAIRMAN:** Mr. Cherniack.

**CHERNIACK:** Mr. Chairman, in the first place, we do have items in the Budget that are statutory, and they show up as an expenditure. All the payment to all of us competent elected officials is statutory; the debt is statutory; there's a good deal that's statutory in the moneys voted. They're just not presented for . . . they're presented for debate, but you can't vote on them.

Secondly, as Mr. Ziprick, you know he used the words "it's easier", and I don't think it's purpose to make it easier to do something. Our purpose is to make it as accurate as possible. And is Mr. Ziprick suggesting that anything in the present system, up to now, has been wrong some way? —(Interjection)— No, well, if it's not wrong, Mr. Chairman, then since we have five years, and they close, then they should be closed. And then in the next year, to say, "We did receive this money" is not true, Mr. Chairman. Whether it's revealed or not . . . you know, not suggesting it'll be concealed, although it could be, but I'm not suggesting it would be. It could be stated we received gross so much, we rebated so much from previous years, and we netted so much; so, you know, it would be shown. But it's not true, to show it as a reduced revenue. The fact is, the money came in.

Now, why am I objecting to it? Firstly, because I think that, in principle, the present system is right. It may not be easier, but it's right, it's correct. We got the money, and we show it as revenue. We had to pay out the money because of statute, or Court Order, or conviction. If the Minister has the right, under certain circumstances he needs the support of the Lieutenant-Governor-in-Council, but they have their right arbitrarily to say, "We believe there should be a rebate made," and we've done it in various cases. It's an expenditure, because it's not necessarily a statutory rebate, it's an arbitrary one based on the judgment of government. Then, I think it should be shown that way as being an expenditure, and therefore not balanced off from a reduction of revenue.

And I must say, Mr. Chairman, I think the logic is the way it has been. I don't see anything beneficial either way, either from a devious way or any other way. I don't see why it's to be done and I don't accuse anybody of wanting to do it improperly, to make the change. I just don't think it's correct to make the change, and I don't see the advantage to it.

Now, Mr. Ziprick used the word "easier", I really don't believe it's easier.

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

**MR. CRAIK:** Well, I guess, Mr. Chairman, we have a difference on this, and it's not a matter of the easiness of it. I accepted this one as really being a more accurate way. Take a typical case — if Saskatchewan had had to pay back its hundreds of millions of dollars of tax that it collected on oil royalties, or that the Federal Government Supreme Court ruled was not their legitimate revenue to the province, had the use of the revenue for a period of years, and then it was found to be illegal, and had to refund it; I think the Saskatchewan books, if they showed that as an expenditure would have been very much out of context with the true picture of the activities, financial activities of the Saskatchewan government.

And the same thing would occur here, and does occur, but on a smaller scale. We've got a number of cases now that are before us that will come in. And all we're saying is that if we have those cases because it is a tax that we ought not to have collected as a revenue, and have paid it out, since we can't pay it out in the year in which it was collected, it's going to have to be dealt with in the year in which it happens, either as an expenditure, or a lost revenue. Since it's a repayment of revenue, I think it's more accurate to tell the people of Manitoba we lost revenue which we shouldn't have had in the first place, rather than trying to tell them we spent X amount of dollars to repay something that we shouldn't have had.

There's nothing tangible that comes out of it. It doesn't pay for a school teacher's salary; it doesn't build a school; it doesn't build a highway; it doesn't do a thing. All it does is tell you you had access, use of a revenue that you weren't entitled to, and distorts your books in the wrong direction.

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

**MR. CHERNIACK:** Mr. Chairman, there are expenditures made that are not for paying a teacher's salary, or anything like that. This is a debt, you know. A rebate becomes a debt either by law or by discretion. And the point I made, which Mr. Craik didn't deal with, was the arbitrary decision of the Lieutenant-Governor-in-Council that we think that a wrong was done and it's only right that a rebate be made. It's not required by law. It is under The Financial Administration Act that a rebate is made. And, therefore, it's not really a reduction of revenue to the extent that it was improperly collected before. It was properly collected.

Now, his example about Saskatchewan: Suppose the government decides to change its tax system. Suppose the Minister brings in his Budget, and says, "I am now going to change the method of collecting tax on a certain item." Still the same item is being taxed, let's say royalties are being taxed, but the whole system of collection of royalties, or calculation of royalty payments is changed. Does he then say that with that change, where he may increase or decrease the revenue expenditure?

om previous years because of the change in policy, will still be affected by the fact that by decision, either by a Court or by an outside source, or internally, a rebate has to be made from previous years?

That will distort the books considerably, because then it will show a reduction in revenue from a new kind of approach to taxation. And that would be wrong because the revenue will have been collected. It seems to me that it is still correct to show it as an expenditure because it is money paid out. It's money paid out to a different person than the person from whom it was collected. Because, let's assume that Inco — that's completed, isn't it, or is it still under appeal? Well, regardless — assuming that there is money now in trust, incidentally which was set up correctly as an expenditure, I suppose. It must have been shown as an expenditure when it was set up in trust. I don't know, I'm assuming that. It's sitting in trust, and it's going to be paid out. As a result of that, the income that has been received from Sherritt-Gordon may be used to pay back Inco, or indeed the money received from general income tax, or from law courts fees, or anything, it's that money that blends into consolidated revenue that is paid out.

It would be wrong to say that this year's revenue from royalties or from whatever tax the Inco taxed at, or the sales tax for Air Canada, is to be deducted from this year's revenue, when that kind of revenue isn't available; it's not coming in this year.

So, I really think that it's more accurate to show it as an expenditure, unless it is clearly money collected this year from one source, and rebated this year to the same source — then that is a deduction. There's no question in my mind that is a reduction in revenue.

But, you're mixing years, and it's not a good idea. We're not running a business operation where you can set up an account for bad debts, or an account for contingent liabilities. You don't do that with public moneys, and I don't want to encourage that.

**CHAIRMAN:** Mr. Craik.

**CRAIK:** Well, the difficulty is, Mr. Chairman, that whatever you do, you're mixing years. If it shows as an expenditure, you can't avoid mixing the years, if the books are closed. And there's a case mentioned here where there's two things happening. There's a settlement that the government claims where it may gain revenue, that's now ten years old. But, on the other hand, you're going to have to have had a judgment against us in the other direction, but with regard to a different matter, with the same, as it turns out the same company.

Now, they're all from years different from the year in which they're going to be settled. So, you can't escape it. And they're both revenues. One's a gain in revenue, and the other's a loss in revenue from a tax resulting from a law suit. And those are going to be the cases which are the important ones. Well, I think it really comes down to that it's a case, not of convenience so much as it is, in my point of view, as accuracy. It emanates from the accounting people, but in looking at it, it appears to me that there is a great deal of logic. If you lose a revenue because you shouldn't have had it in the first place, then it's logical to show it as a reduction in revenue. And since, in either case, the examples used about the powers of the L.G. in C., it will still require Order-in-Council which will document it. It's just a matter of how it shows in the books.

**CHAIRMAN:** Gentlemen, it's 12:30, the time we normally adjourn for lunch. Do you wish to continue and finish this particular item, or leave it over and come back to it on our next meeting.

Mr. Cherniack.

**CHERNIACK:** Well, Mr. Chairman, I don't know how quickly we can finish it. I don't know

**CHAIRMAN:** This Section.

**CHERNIACK:** I don't want to feel that we must finish it; that we can't eat until we finish it. I don't know how much more discussion there has to be. When will we meet again?

**CHAIRMAN:** Mr. Craik.

**CRAIK:** We're going to have to come back, Mr. Chairman, to review the other Section, so don't we leave it, and we'll try and schedule a meeting — it'll depend on whether Public Utilities are available for Thursday. But if not, we'll try and arrange for it either tomorrow or Thursday.

**CHERNIACK:** As soon as possible is fine.

**CHAIRMAN:** Committee rise.