



First Session - Thirty-Seventh Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Edward Helwer
Constituency of Gimli



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy	St. Vital	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
ASPER, Linda	Riel	N.D.P.
BARRETT, Becky, Hon.	Inkster	N.D.P.
CALDWELL, Drew, Hon.	Brandon East	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CUMMINGS, Glen	Ste. Rose	P.C.
DACQUAY, Louise	Seine River	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
FILMON, Gary	Tuxedo	P.C.
FRIESEN, Jean, Hon.	Wolseley	N.D.P.
GERRARD, Jon, Hon.	River Heights	Lib.
GILLESHAMMER, Harold	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
LOEWEN, John	Fort Whyte	P.C.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MIHYCHUK, MaryAnn, Hon.	Minto	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
PENNER, Jack	Emerson	P.C.
PENNER, Jim	Steinbach	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren	Lac du Bonnet	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim	Assiniboia	N.D.P.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Joy	Fort Garry	P.C.
SMITH, Scott	Brandon West	N.D.P.
STEFANSON, Eric	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin-Roblin	N.D.P.
TWEED, Mervin	Turtle Mountain	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Friday, July 21, 2000

TIME – 10 a.m.

An Examination of Governance in
Manitoba's Crown Corporations, June 1998.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Edward Helwer
(Gimli)**

Madam Clerk Assistant (JoAnn McKerlie-Korol): Good morning. Will the Standing Committee on Public Accounts please come to order. The first item of business today is the election of a Chairperson. Are there any nominations?

**VICE-CHAIRPERSON – Mr. Jim Maloway
(Elmwood)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Gerrard, Sale, Selinger

Ms. Allan, Messrs. Faurshou, Filmon,
Helwer, Loewen, Maloway, Reid, Rondeau

Mr. David Faurshou (Portage la Prairie): Madam Clerk, I would like to nominate the Honourable Member for Gimli, Mr. Ed Helwer, for this Chair.

APPEARING:

Mr. Jon Singleton, Provincial Auditor

Madam Clerk Assistant: Mr. Helwer has been nominated. Are there any further nominations? Seeing none, Mr. Helwer, would you please take the Chair?

MATTERS UNDER DISCUSSION:

Public Accounts Volumes 1, 2, 3 and 4 for the years ended March 31, 1997, and 1998.

Public Accounts Volumes 1, 2 and 3 for the year ended March 31, 1999.

Provincial Auditor's Report on the Operations of the Office of the Provincial Auditor for the years ended March 31, 1997, March 31, 1998, and March 31, 1999.

Provincial Auditor's Report on the Audit of Public Accounts for the years ended March 31, 1997, March 31, 1998 and March 31, 1999.

Provincial Auditor's Report on Value-for-Money Audits – Autumn 1997, Spring 1998, Summer 1999 and for the period ending June 2000.

Mr. Chairperson: Thank you and good morning. The next item of business is the election of a Vice-Chairperson. Are there any nominations?

Hon. Tim Sale (Minister of Family Services and Housing): Mr. Chairperson, I would like to nominate the Member for Elmwood, Mr. Maloway.

Mr. Chairperson: The Member for Elmwood, Mr. Maloway, has been nominated. Are there any further nominations? Mr. Maloway has been nominated as Vice-Chairperson. Agreed?
[Agreed]

The business referred to the Committee for consideration this morning are the following reports: Public Accounts Volumes 1, 2, 3 and 4 for the years ended March 31, 1997 and '98; Public Accounts Volumes 1, 2 and 3 for the year ended March 31, '99; Provincial Auditor's Report on the Operations of the Office of the

Provincial Auditor for the years ended March 31, '97, March 31, '98, and March 31, '99; Provincial Auditor's Report on the Audit of the Public Accounts for the three years ended March 31, '97, March 31, '98, and March 31, '99; and the Provincial Auditor's Report on Value-for-Money Audits—Autumn '97, Spring '98, Summer '99 for the period ending June 2000; and An Examination of Governance in Manitoba's Crown Corporations, June 1998. Copies of these reports are all on the table for committee members.

Further, on July 19, 2000, the Clerk Assistant of this committee had circulated a letter to committee members requesting that members submit items or questions requiring detailed answers at the committee meeting. The Clerk Assistant did receive a proposed list of agenda items which was circulated to all committee members. For all committee members who do not have a copy of these agenda items, please indicate, and the page will provide you with the list. They have been distributed. Everyone has a copy.

Therefore, prior to opening statements, perhaps the Committee at this point should consider the proposed agenda before it. Did the Committee wish to adopt the proposed agenda items submitted by Mr. Gerrard in addition to the items already referred to in this meeting?
[Agreed]

Did the Honourable Minister of Finance (Mr. Selinger) wish to make an opening statement? Also, would you like to introduce the officials in attendance from the Office of the Provincial Auditor? You can do it now or after your opening statement, whichever.

Hon. Greg Selinger (Minister of Finance): First of all, thank you. We have the Provincial Auditor with us, Jon Singleton, whom most of you know, and Marianne Farag, with him as well. Do you have anybody else planning to attend this morning, Jon? Walking in the room, we have the Provincial Comptroller, Gerry Gaudreau, the tall, slim fellow in front. The second gentleman is the Deputy Minister of Finance, Pat Gannon, and the third gentleman Pat Gannon will introduce.

Floor Comment: Terry Patrick.

Mr. Selinger: Terry, from Comptroller's Division. Terry, welcome. With that, I will just make a few opening comments, if you wish.

First of all, this is a transition year, so many of the reports that we are dealing with here are really reports that were done during the life of the last government. So presumably we will have very little to say about most of those reports, and we will ask the Provincial Auditor to comment on them. Secondly, there has been, for several months and maybe even years, a desire on the part of the Provincial Auditor to consider some reforms to the Public Accounts Committee. As a new government, we are willing to consider in principle the idea of reforming this committee.

The proposals that have been forwarded to my office by the Provincial Auditor, I am going to be referring them to the Rules Committee of the Legislature for consideration. Any other recommendations that the Public Accounts Committee would wish to make would also be referred to the Rules Committee of the Legislature for consideration.

As we move forward during the life of this government, we will be examining ways to improve the effectiveness and the efficiency of the way the Public Accounts Committee operates, so we could have greater accountability for the finances of the Province of Manitoba and the performance of government programs and agencies. As the Provincial Auditor shifts from more of a technical accounting role to a value for the money or a performance measurement role, government has to move along with that. We will try to sort of reform the Public Accounts Committee to take account of these new directions in government and allow it to play a monitoring and evaluation role with respect to government performance in all of its dimensions.

With those very brief opening remarks, I am ready to start dealing with the agenda that has been laid in front of us, Mr. Chairperson.

Mr. Chairperson: We thank the Honourable Minister. Did the critic for the Official Opposition have an opening statement?

Mr. John Loewen (Fort Whyte): No statement.

Mr. Chairperson: No. Did the Provincial Auditor have a statement to deliver to the Committee at this time?

Mr. Jon Singleton (Provincial Auditor): Mr. Chairman, I will be very brief as well. I was pleased to hear the Minister of Finance indicate that the issue of reforming this committee would be forwarded to the Rules Committee, is it? I think, as is clear from the reports that I have issued in the past, I have had concerns that this committee has not been as effective as it could be, and that is a historical practise that goes back many, many years, probably a couple of decades at most.

In the early years of the Committee, the approach may have worked well when the focus of the Provincial Auditor was primarily on accounting matters, but now that we have broadened our work into value-for-money and governance and we are dealing with agencies other than the Department of Finance to a significant extent, I think this committee really needs to consider how it can reform itself.

It was encouraging to note that your predecessor, last July, passed a motion to set in process a means to reform itself, and I found that very encouraging. It is good to hear that there is ongoing intention to reform the Committee. This committee, I think, can play a very important role in holding the government of the day accountable for its management of the public purse, and also, act in a non-partisan way to understand how the administration of public affairs can be done better and encourage a debate between the Provincial Auditor's Office because, even though we think we know the revealed truth about how things should be done, other people may have a different point of view.

I think it is appropriate for this committee to challenge our point of view sometimes and perhaps bring in officials from different organizations to express their point of view, so there can be a good consideration of those differing points of view and ultimately a report of recommendations from this committee to the Legislature on actions that this committee thinks are appropriate.

I would just like to indicate that our office is very, very prepared to work with the Committee and with the Rules Committee if we are asked to provide advice and insight into the appropriateness of different reform ideas. For those of you that are new to the Committee, I will put an offer on the table that I would be prepared to meet with you informally at any time to go through some of the recommendations that we have made in the past on that reform, just to get you up to speed.

I would encourage the Committee to try to find a way to make some time to meet to decide what kinds of ideas or suggestions it would like to put forward to the Rules Committee for reforming the Committee. Other than that I will look forward to an interesting four years with this committee.

Mr. Chairperson: Okay. We thank the Provincial Auditor.

How does the Committee wish to proceed this morning? Shall the Public Accounts and reports be discussed separately, or all together, or what is the agreement of the Committee? Do we want to deal with them all together at the end?

Mr. Loewen: All together.

Mr. Sale: Mr. Chairperson, I think we do not have any problem with dealing with most of them this morning, but there are four that we do not think should be passed through.

Obviously, the June 2000 one has just come out and there has not been any chance to discuss it at all. We think the other Value-for-Money Audits, particularly in light of the remarks of the Provincial Auditor, are areas in which the Committee probably should spend some time. I do not think we have any problem with the rest of them being discussed as a body, but we will not be passing the four Value-for-Money Audits this morning.

Mr. Chairperson: Is it the will of the Committee to ask questions on all reports this morning, and then at the end, we will pass them

all, other than the four Value-for-Money Audits that will be kept?

Mr. Selinger: Some of us were at a meeting this Monday on balanced budget legislation, where we passed several changes to that legislation which, in part, deal with some of the recommendations made by the Auditor through the Public Accounts.

There was not a lot of dispute or concern about those recommendations, so I just wondered if it would be helpful if I summarized what we have done, so that maybe we could move beyond that and deal with any other matters before us. If that would be helpful to the Committee, I am at your pleasure.

Mr. Chairperson: Thank you, Mr. Minister, but perhaps we will deal with the rules this morning, first, and then we will—

Mr. Faurchou: Mr. Chairperson, the opening remarks of both the Minister and the Auditor have referred to the past committee—

Mr. Chairperson: I wonder maybe if you want to wait a minute. You have some questions on the report?

Mr. Faurchou: On the report? I would like to introduce a motion which effectively will be—

Mr. Chairperson: Mr. Faurchou, I wonder if you could wait a few minutes until we go through what we have to do this morning, and then I will address you and ask you to present your report.

We need agreement, first of all, that we are going to deal with all the reports except the Value-for-Money Audits. Is that agreed that we deal with them this morning? *[Agreed]*

How should we deal with each report? Should we deal with it in its entirety at the end or on a page-by-page basis? *[interjection]* So it is agreed that we deal with the reports in their entirety then. *[Agreed]*

And how late does the Committee wish to sit this morning?

* (10:10)

Mr. Sale: Twelve o'clock, Mr. Chairperson, at the latest.

Mr. Chairperson: It has been suggested that we sit until twelve. *[Agreed]*

We will now proceed to the consideration of the Public Accounts and Reports. I would remind all members that the business before this committee are the Public Accounts Volumes 1, 2, 3 and 4 for the years March 31, 1997 and 1998; Public Accounts Volumes 1, 2, 3 for the year ended March 31, 1999; Provincial Auditor's Report on the Office of the Provincial Auditor for the years ended March 31, 1997, March 31, 1998, and March 31, 1999; Provincial Auditor's Report on the Audit of the Public Accounts for the years March 31, 1997 to March 31, 1999; Provincial Auditor's Report on Value-for-Money Audits—Autumn 1997, Spring 1998, Summer 1999 and for the period ending June 2000; An Examination of Governance in Manitoba's Crown Corporations, June 1998.

Mr. Faurchou: Mr. Chairperson, I found it very interesting to note the comments of both the Minister and the Auditor here this morning in reference to a past meeting. I believe there are a number of consistent members here. I would like to introduce to the floor at this time the motion that was passed at the previous committee by unanimous consent of all members and with the support of their respective caucuses, that being:

THAT we establish a subcommittee of this committee for the purpose of bringing forward recommendations on ways in which we can reform our committee and that said subcommittee report back to the Public Accounts Committee by the end of the year 2000.

Motion presented.

Mr. Chairperson: The motion is in order.

Mr. Sale: Mr. Chairperson, I wonder if we could—

Mr. Chairperson: Just a minute, Mr. Sale. I wonder, did you want to comment on the motion first, Mr. Faurshou?

Mr. Faurshou: Mr. Chairperson, in support of the motion submitted this morning, there are a number of us that are consistent members of the Public Accounts Committee and, I am certain, are able to reflect upon the very intense deliberations that took place at the last two committee meetings in regard to directly the outcome of that being this motion. This motion was passed unanimously by the Committee, and it was in the dialogue of Hansard there that the committee members had, in fact, clear and complete support of their respective caucuses and that the motion was passed unanimously.

By procedure, however, the House was dissolved, and ultimately all motions, subcommittees, committees, struck by the previous Legislative Assembly were dissolved. Therefore, it necessitates the reintroduction of the motion—but clearly, because of the consistency in the number of individuals that were involved in that dialogue and very intense negotiation and discussion that culminated in the very precise wording that we ended up with at the last committee meeting back in July of 1999.

So, just in reflection, for the new members of the Committee, the motion was drafted in recognition of the Provincial Auditor's recommendations. It was also recognizing that this committee has not reviewed its past practices since 1987. It was also recognized that Manitoba, in fact, has not yet completely examined the Canadian Council on Public Accounts Committee and their recently announced guidelines.

So, on that premise, we were in unanimous consent of this motion going forward that a subcommittee be struck and that examination of the Auditor's recommendations and the Canadian Council on Public Accounts Committee guidelines for Public Accounts committees are, in fact, examined. So, having said that, I know that new members of the Committee, I am certain, are appreciative of a little background, but also we want to recommend that not just the new members but all of us take the Provincial Auditor up on his suggestion that we visit and

understand potentially the operations of the office as well as his proposed recommendations that he has proposed in the past. So, with that, Mr. Chairperson, I conclude my remarks regarding the motion.

Mr. Sale: It is always interesting how history unfolds and worms turn. I think probably the Member from Portage is aware that for four years we attempted to get agreement with this committee to modernize its procedures and were blocked at every stage and at every meeting, when clearly the former government was aware that there was likely to be an election. Then, suddenly, there was a willingness to consider modernizing the committee after, I can recall, at least five meetings of this committee which were preoccupied with the fact that, for whatever reason, the procedures and activities of this committee are vastly out of date and out of step with the rest of the country. As the Auditor reported two years ago, we were the worst in the country in terms of compliance with the generally accepted standards of public accounting and the Auditor's association across the country. So it is good to see born-again converts to reform the Public Accounts Committee being back here to move this motion. I think basically the intent is a good intent.

So I think what we would like to propose to the Honourable Member is what, I believe, would be a friendly amendment to his motion that he might be willing to accept, which is that the subcommittee be struck by this committee to advise the Committee on rules in regard to the reform of Public Accounts.

We have taken some trouble to try and ascertain how actual rules can be changed so that they actually have force and effect over a time, and we are told that it is the Rules Committee that does that. It is obviously an all-party process, and I think there are a number of issues before it. We think it is appropriate that this issue should be before it. We support their forum of Public Accounts, but we think the right place for it to happen is at the Rules Committee of the House. So I would offer to the Member the opportunity to accept a friendly amendment to strike the subcommittee to advise the Rules Committee of the House on the reform of Public Accounts. Otherwise, we will move it as a

formal amendment, but we think that it could be a friendly amendment that we might agree here in a non-partisan way, as we did agree finally in July of 1999 that it was time to get on with the reform process. We think the mechanism of the Rules Committee is the right mechanism.

So I would just like to ask the Member if you would accept that as a friendly amendment. If he wants to caucus for a few minutes with his members, I have no problem with that, Mr. Chairperson.

* (10:20)

Mr. Chairperson: Mr. Sale, I wonder, do you want to give us that amendment in writing? It has to be in writing for us to deal with it.

Mr. Gary Filmon (Tuxedo): Mr. Chairman, if I can just clarify for the Member for Fort Rouge (Mr. Sale), the proposition is that the procedures of this committee will ultimately require amendment through the Rules Committee, so rather than a subcommittee reporting back to this Public Accounts Committee and then that recommendation going to Rules Committee, he is suggesting that the subcommittee work directly with the Rules Committee to propose and develop the changes that are contemplated.

Mr. Chairperson: Okay. I guess we have an amendment on the floor here, and we have to deal with this first.

Point of Order

Mr. Sale: I should have said "procedure." I think we need to have some discussion to clarify the intent and the process so that members can decide whether this amends the motion in a friendly way and therefore will become the motion of the Committee on whether it requires a formal amendment. If we could just proceed with some clarification, then we might be able to resolve the matter.

Mr. Chairperson: Do you want to deal with this now or did you want to have maybe a brief recess to discuss this, or are we prepared to deal with it?

Mr. Filmon: If you could allow Mr. Sale to respond to my question, then we may be able to deal with it right now.

Mr. Chairperson: Okay. I guess first I have to put the amendment on the floor, and then Mr. Sale will have an opportunity to—

Mr. Filmon: No. We may not put the amendment on the floor if we do not have clarification of its intent.

Mr. Sale: Maybe I could simply read the proposed friendly amendment, and then everybody will know what it says. Then we can have an informal discussion about whether it is acceptable or not at the present time.

Mr. Chairperson: Okay. I guess it is necessary. In order to discuss it we have to have the amendment on the floor, and then we can discuss it.

Point of Order

Mr. Filmon: On a point of order, is the discussion as to whether or not we are going to propose an amendment? It has not been proposed at the moment, as I understand it.

Mr. Chairperson: That is right.

Mr. Sale: Mr. Chairperson, can we make a suggestion that we have a five-minute recess to discuss this matter and come back?

Mr. Chairperson: Is that agreed, we have a five-minute recess, discuss it and then come back? *[Agreed]*

The Committee recessed at 10:26 a.m.

The Committee resumed at 10:39 a.m.

Mr. Chairperson: We will bring the Committee back to order.

Mr. Sale: I would like to withdraw the amendment that I proposed to the Member for Portage la Prairie's motion.

Mr. Chairperson: Mr. Sale is going to withdraw his amendment. Is that agreed? *[Agreed]*

Mr. Faurshou: Mr. Chair, I would like to withdraw the original motion and replace it.

* (10:40)

Mr. Chairperson: Mr. Faurshou, you are going to withdraw the original motion then. Is that agreed? *[Agreed]*

Mr. Faurshou: Mr. Chairperson, in conference during our recess, I would like to propose at this time the motion that the Provincial Auditor's recommendation for change to the procedures and role of the Public Accounts Committee be referred to the Rules Committee, and that the Public Accounts Committee be convened to discuss the Provincial Auditor's recommendations and to make comment on them prior to the Rules Committee dealing with the matter.

Mr. Chairperson: Mr. Faurshou, do you want to reintroduce your motion?

Mr. Faurshou: Thank you very much, Mr. Chairperson. In light of bringing the motion into order as far as this committee is concerned, may I reread the motion as it reads to be in order?

THAT the Provincial Auditor's recommendation for change to the procedure and role of the Public Accounts Committee be referred to the Rules Committee and that the Public Accounts Committee recommend that a meeting of the Public Accounts Committee be convened to discuss the Provincial Auditor's recommendations and to make comment on them prior to the Rules Committee dealing with the Provincial Auditor's recommendations.

Motion presented.

Mr. Chairperson: The motion is in order. Question for the committee: All in favour of the motion?

Some Honourable Members: Agreed.

Mr. Chairperson: The motion is accordingly passed unanimously.

We will now deal with the reports. Are there any questions on the reports?

Hon. Jon Gerrard (River Heights): I have submitted a series of questions, and perhaps I could proceed with those.

Mr. Chairperson: Go ahead.

Mr. Gerrard: The first question deals with the status of information systems within the Government. It is well known by all that there was fairly heavy activity leading up to the Year 2000 situation. I would ask the Provincial Auditor to comment on the comparative use of information systems in Manitoba compared with other provincial governments.

Mr. Singleton: I will not be able to answer that question directly because I am not really up to speed with how other governments are making use of information systems, so making a comparative analysis, I am not really in a position to do.

I can say that, over the last three to four years, the Government has made very significant improvements in the way it uses information systems. The movement to adopt SAP, which is the Government's new central accounting system, certainly has the potential to dramatically improve the way information is used within government. It has not yet reached its full potential. There are a number of changes and improvements that will need to be made to that system before all of the benefits of the system are realized. But I saw that as a very important step.

Prior to that, I think our government had been falling behind in its use of technology. That is probably easy to understand. We are dealing with times of pretty severe fiscal constraint. Expenditures on IT certainly suffered as a part of that. The thing about using information technology is the rapid pace at which it changes and the difficulty in terms of having governments respond promptly to that.

If I were to say where my biggest concerns are at the present time with respect to the use of IT, they would be in the area of ensuring that managers throughout the Civil Service have the

information promptly that they need to provide informed advice to the Government and to do their own jobs efficiently and effectively. The other has to do with the issues of security and privacy. There are so many people in the world that would have an interest in attacking the government system, as they do anyone else who has a computer system connected to the Internet, that one has to be very concerned about the level of security that we have and our backup procedures in case someone is able to access the government systems. I know that area, as well, has been aggressively pursued, but it is an area where I do not think you can ever stop trying to stay one step ahead of those who would, in fact, try to attack the system.

Mr. Gerrard: Part of your comments refer, I think, to the use of information systems in accounting processes, which you said seem to be moving along fairly well. Information systems can be tremendously important in a whole variety of decisions not only by managers, but for instance, in health care, throughout the health care system in helping individuals at all levels to improve the capacity of decision making. Do you want to comment a little bit further on the breadth and the needs at levels beyond management for improved information systems?

* (10:50)

Mr. Singleton: Sure, I would be glad to. I am essentially expressing my own opinion based on observations that I have made, because we have not done specifically an audit of that. So, with that proviso that the Committee is prepared to have me just state some of my opinions on that, I did not mean, when I was making my previous remarks, to refer only to accounting systems, but I was referring to information that managers all over the Civil Service and throughout the public sector require to do their jobs well.

One of the things that you will notice in our most recent report was a review of the use of information technology at the University of Winnipeg. We identified a number of shortcomings in the ability of their system to meet the needs of the students, to meet the needs of the educators, and to meet the needs of the administration. If you look at the response that the University of Winnipeg made to those

findings, they largely agree with them, but they cite shortage of resources to effectively deal with them. They also cite a commitment to make improvements along that area. I guess my sense would be that different parts of the public sector are at different places in the extent to which that information is being used.

My understanding from talking to a number of people in the health care area—and it is not unique to Manitoba—that is one area where good information is not readily available to those who would need it. It is one place where I think a significant investment in information and technology could be a part of improving the effectiveness of our health care system. That is probably a motherhood kind of statement that would apply throughout the public sector.

Mr. Gerrard: I believe, before I go on to the second question, the Member for Tuxedo would like to ask a question on the same subject.

Mr. Filmon: My question is probably more for the Finance Minister or the Deputy Finance Minister. What is the estimate of non-recurring costs now that we have the Y2K investment behind us? How much out of last year's budget, for instance, would be non-recurring in this year's budget because we are no longer having to invest the money in the Y2K initiative? I think it had reached a peak of something like \$40 million in one of the years preceding Y2K.

Mr. Selinger: I am informed by my officials that with respect to Y2K, many of the expenditures for that initiative were out of the internal reform account of the government and were, in fact, over-expenditures in many cases to meet that deadline. So they were not budgeted in the main Estimates, and so you do not really get a non-recurring cost accruing to the Main Estimates. You have less money being demanded out of that account, which, as you know, serves several purposes within government, including, well, it deals with several human resource matters within government including special projects like Y2K.

In addition, the project leader for the Y2K project, Colin McMichael, also has significant responsibilities with the BSI Initiative and draws upon many people to deliver that project as well,

which we have streamlined and refocused, so many of those resources will be redeployed to addressing that project and bringing it on line as we go forward. With respect to the specifics on the exact numbers, my officials will take that as notice and get you concrete data on that if you wish.

Mr. Filmon: Yes, I would like a concrete answer. The Minister is not saying, though, that just simply because it comes out of the special account there are no savings in the overall expenditure of government when you are not having to invest \$40 million a year on the Y2K Initiative.

Mr. Selinger: No, I am not saying that. I believe the total Y2K Initiative was in the order of \$70 million from start to finish, and that initiative had other implications. It also was part of, for example, the Desktop Initiative coming on stream, so there were multiple benefits that were gained by doing that. That initiative was completed essentially within about six weeks to two months after the Y2K milestone was achieved. So the actual dedication of resources to that specific purpose are no longer going on, so those monies and resources are being reallocated to other priorities in the IT field. Many of those other priorities were over budget and so we have tried to refocus them and bring them within budget and simply not have the overexpenditure any more.

Mr. Filmon: Sure, but if I can be very, very clear, what I am saying is you were spending money on preparing for the Y2K. You are not spending the money on that now. How much is non-recurring? How much money will not be spent in this year's budget that was spent in last year's budget that was spent in the year before's budget, that was spent in the year before's budget, because it was about a three-year build-up?

Mr. Selinger: Once again, that \$70 million expenditure on Y2K, we will have the Comptroller break that out for you, as to how it rolled out over the three years, so you can see the pattern and what the result is for this year.

Mr. Filmon: That is exactly what I want.

Mr. Selinger: As I indicated, I will get that to you. I said that in my first response and I said it in my last response.

Mr. Gerrard: The second question I had dealt with was the pension liabilities. In the audit of the Public Accounts in March 31, '99, is it '99, yes, the note that the NDP Government, beginning in the year 2000, 2001, will match the pension contribution for all civil servants and teachers hired on or after April 1, 2000. This will not touch the accrued pension liability for those hired before April 1, 2000.

What is the extent of the accrued liability in this area? What annual contribution would be needed to reduce the liability over a period of 30 years? Essentially, what I am trying to get at, in asking the Provincial Auditor this question, is the current status of dealing with the accrued liabilities.

Mr. Selinger: I believe your first question is how does the unfunded liability compare to other provinces, and our unfunded liability is in the order of \$2.7 billion, \$2.77 billion. Other provinces, British Columbia has a \$2.67-billion unfunded liability; Alberta has a \$4.81 billion. This is as of March 31, '99. There have probably been some improvements in the last year, particularly in Alberta, who had considerable extra resources they could dedicate to things. Saskatchewan's unfunded liability is \$3.75 billion; Ontario is \$6.43 billion; Québec, a whopping \$40.4 billion, if you can believe that, in unfunded liability; New Brunswick \$0.77 billion; Nova Scotia \$0.6; Prince Edward Island \$0.07 billion; Newfoundland \$3.13 billion. Those, once again, were as of March 31, '99.

Our plan shows us retiring the pension liability in 35 years.

Mr. Gerrard: Is that the total liability for those hired before April 1 and those hired after?

Mr. Selinger: Yes, the entire liability will be retired in 35 years.

* (11:00)

Mr. Gerrard: I mean the report that was provided by the—

Mr. Chairperson: Mr. Gerrard, I am sorry. Because of the change, I have to recognize you for Hansard.

Mr. Gerrard: The comment in the Provincial Auditor's report was done pre-budget so would not have taken into account the changes that were made in the Budget. Is that correct?

Mr. Selinger: Yes, the amount of \$2.77 billion is an estimate. It was prepared on the basis of an actuarial study, which is done every three years, of the fund. As I recall, the last study was done in 1998. So the next study will update that and take into account all the changes since. There are both positive and negative changes that have occurred.

Mr. Gerrard: What I was trying to get absolutely clear is that in the Provincial Auditor's report there was a reference to which pension liabilities would be covered off, those accrued after April 1, 2000, and those before. That Provincial Auditor's report was pre-budget, and it was then superseded by the Budget, which in fact you have, through the addition of some \$21 million a year, been able to cover off the full \$2.7-billion liability over a 35-year period. Is that correct?

Mr. Selinger: It is part of the story. Under balanced budget legislation, there is an adjustment that is made every time the debt retirement payments are actually applied to reducing the debt, and there is a formula that then ratchets up some of the savings and interest to put back on further retirement of the debt.

What we have done is we have taken the \$96 million and allocated it notionally, 75-21, in the first year and set up a committee under balanced budget legislation chaired by the Deputy Minister of Finance and other experts in the field who will then make recommendations as we go forward as to how the money can be best allocated to meet our total liability and debt obligations within government but on the assumption of a \$21-million allocation for the next five years, and then ratcheting that up to \$51 million for five years, and it goes up as we accrue these savings. We will retire the entire pension liability of the teachers and civil servants in the province of Manitoba over a

period of 35 years based on current assumptions, and those assumptions will of course be revisited every three years through actuarial studies, and then appropriate adjustments will be made.

Mr. Gerrard: So what you are saying is that \$21 million, which is allocated yearly over the next five years, then goes up to \$51 million for the next five years. What it is in the subsequent five-year periods, do you have any estimates?

Mr. Selinger: It would then go into up to \$80 million for the five years after that.

Mr. Gerrard: And does it keep ratcheting it up, because you have got seven five-year periods there?

Mr. Selinger: Yes, it does ratchet it up until the liability is addressed.

Mr. Chairperson: Mr. Gerrard, did you—

Mr. Gerrard: No, I think that is all I wanted on this question. I would like to move on to the next question.

Mr. Chairperson: Okay. Perhaps I have to take Mr. Sale, first.

Mr. Sale: Just to clarify some earlier discussion in terms of the Member for Tuxedo's (Mr. Filmon) request, would it be possible to clarify the additional costs, ongoing costs, going-forward costs that are associated with the new systems which were partly Y2K and partly BSI and partly desktop, various different initiatives which, while they probably provide benefits depending on how you think about those benefits, they also have very substantial increased costs associated with them in terms of going-forward costs? So, while there is a bulge to put them in place from a capital point of view, following their being put in place, there is an increased cost. It is not clear yet, at least it is not clear to me, whether there are any savings or whether indeed there are additional costs, and I think, in particular, the SAP system. So I wonder if, when you provide that information, the Committee might also see information that looks at the going-forward side of this question that the Member for Tuxedo asked.

Mr. Selinger: Yes, we will try to provide information on the operational costs of the new systems as well.

Mr. Filmon: That is why I referred to non-recurring costs. If there are ongoing costs, then they are recurring.

An Honourable Member: By definition.

Mr. Filmon: Before the next question of Mr. Gerrard's, if I may, just on the topic of the pay-down of the provincial debt, because I was not here for last week's discussion, say that the understanding I have is that the \$2.766 billion was added to the debt that is in the balanced budget legislation and that rather than pay it down in the next 27 or 28 years, I am trying to remember what year we are in, in fact the schedule of repayment was increased to 35 years so that it now incorporates the entire provincial tax-supported debt plus the accumulated liability of pensions.

Mr. Selinger: What I did when we dealt with the balanced budget legislation changes on Monday is I provided two schedules, one which would show the retirement of the general-purpose debt and one which would show the retirement of the pension liability. The general-purpose debt takes an extra 12 years under this scenario, as compared to the original base case where it was all being paid down. Then there was nothing having been paid down on the pension liability. Under the new scenario, the general-purpose debt takes an extra 12 years, but in 35 years we pay down the entire pension liability. So the total liability gets paid off faster. So there are two schedules; it is not just one combined schedule over 35 years. I can provide that information to you for your edification, if you wish.

Mr. Filmon: Yes, I would appreciate that.

Mr. Gerrard: I would appreciate copies of that as well. Let me move on to the third question. This deals with the consolidated financial statements and the fact that the consolidated borrowings, as shown, have, in fact, increased from 17.159 million in '97 to 17.5 million in '98 and 18.5 million in 1999. I seek some clarification on the reasons for the increase in

borrowing at a time when the Government was recording a surplus. I presume that this is, in part, related to borrowings by Crown corporations, but I would like some elaboration from the Finance Minister or the Provincial Auditor as to a breakdown.

Mr. Selinger: The first point to note is that these borrowings reflect the entire government entity, including Crown corporations. That is why you have the impression that in fact that is going up, but it only relates to those self-sustaining entities of the Crown, Hydro, et cetera. So that part has gone up, but it is also supported by revenues that are generated by that organization.

If you want to look at the general-purpose debt, it in fact went from 7.169 billion in '98 to 7.08 billion on March 31, '99. So it went down as per the balanced budget legislation and debt retirement plan. The increase was on the Crown side, which was supported by its own revenues.

Mr. Gerrard: Can you give me a little bit more breakdown in terms of the respective Crown corporations, and was, for example, in last year's significant contribution, the purchase of Centra Gas?

Mr. Selinger: The specifics I would have to take as notice to give you the breakdown. They are included in the Public Accounts, but we will draw that out and provide that to you. Clearly, Hydro's purchase of Centra Gas added debt to their base, as well as revenues.

* (11:10)

Mr. Gerrard: I would ask a statement of the intent of the Minister during his tenure as Finance Minister whether he would view it as desirable or not that the overall borrowings by government and Crown corporations be going up or not. What is your perspective here? The Crown corporations are different from the rest of government, but both have revenue and expenditures and infrastructure needs. Can you give us a perspective on this area?

Mr. Selinger: You are actually referring to a bit of the flavour of discussion that we had at the Public Utilities Committee in the last 10 days. With respect to debt incurred by Crowns, it is

usually for a productive purpose. With respect to expanding the capacity of those Crowns, for example Hydro, to provide services and/or generate revenues for Manitobans, they operate under some pretty significant guidelines and ratios within that Crown. Those ratios are monitored by the Crown Corps Council and reported on. If those ratios are maintained—debt-equity ratios, the ability to provide capital from within the cash flow of that organization, and there is a third ratio, as well, an interest-coverage ratio out of cash flow—when those ratios are maintained, you can expand your debt, particularly if it will expand your revenues.

So you have to look at the merits of each particular borrowing and what productive results will come out of that. Rather than take a sort of black-and-white view on debt overall, you have to take a look at the specific application of those capital borrowings and the outcomes that will be achieved by those within those Crown entities.

Mr. Gerrard: I take it from your comment that you view the Crown corporations as productive entities, but your inference would be that the things that government does are not productive investments.

Mr. Selinger: I would not infer that from my statements, and I am hoping we are not going to retreat to the kind of behaviour we have in the House, that we are going to stay focussed on policy questions here.

No, I would not infer that. One of the points that came out of the Deloitte Touche review was that there are significant pressures within government on infrastructure—infrastructure, for example, for highways, hospitals, schools, post-secondary institutions that are putting extreme demands on government for capital. We have to manage those demands within the balanced-budget legislation.

There is also a new lurking pressure on us with respect to the report that came out after the 1997 flood on what we should do to protect Manitobans, particularly Winnipeggers, in the event of a hundred-year flood occurrence that puts enormous pressure on us to invest capital; for example, to expand the Red River Floodway or, in my view a second-best choice, to build a

big dike that would roll back the water toward southern Manitoba.

So those kinds of pressures are pressures that are on us, and we as legislators have to make judgments on whether or not we want to make those investments within or outside of balanced-budget legislation, if we think they are more important.

But that is the regime we are operating under right now, and we are managing within that regime a set of priorities that we think will address the pressing concerns of Manitobans in the capital infrastructure area. As you know, coming into the budget process, you were concerned about universities, as I recall from a press conference you held at St. Boniface College, where you wanted to see more money go into that area.

Those choices have to be made within the overall capital envelope within government, and if we, collectively—opposition, third and governing parties—think that there has to be a greater commitment in those areas, we may have to revisit how we can do that within the constraints we are operating under at the moment.

Mr. Gerrard: I was not trying to be facetious. What I was trying to get was a really clear view from your position and as Minister why you felt philosophically there was a different handling of Crown corporations and other government expenditures and why you thought it was appropriate that overall government borrowings should be going up and whether, in fact, they were going to continue to go up under your mandate.

Mr. Selinger: Really the gist of my comments was that you have to evaluate those borrowings on a business case to see what results they will achieve for you. That would apply both in Crowns and in government generally.

However, we are at a stage in the history of the general purpose debt where all parties within the Legislature, as I understand it, have made a commitment to paying that down over a period of time and addressing other liabilities such as the unfunded pension liabilities for teachers and

civil servants. As we address those liabilities, we see new pressures coming forward—in the IT area which we have talked about earlier, modernizing government to have government more available on a 24-hour, 7-day-a-week basis to provide services to people. Those require significant investments.

We are seeing, with the transformation going on in agriculture, huge demands on our highways and our roadways throughout Manitoba. One of the members of this committee from Portage la Prairie was commenting on that during the Estimates process, of some of the demands that are required there.

We are seeing a tremendous pressure in the hospital sector to replace facilities which have reached the end of their useful life and how we replace those facilities and similar questions emerging in the post-secondary sector with respect to universities. Of course, the public schools have a huge backlog of capital requirements just to replace and upgrade existing buildings, not to mention replacing old schools with new facilities.

So all of these pressures are building on government. We have to find a way to strategically move forward on all of those while managing the finances of the province in a way that does not build pressure up on the general purpose debt that would then reduce our ability to provide services in the operational side of the budget that Manitobans are also demanding more of.

So it is a very fine balancing act, which is why the Minister of Health (Mr. Chomiak) was down in Ottawa this week seeking a renewed federal commitment on the health care side, but we are also going to need that renewed federal commitment on the post-secondary side. Also you have heard about the infrastructure program announced in the last federal budget where really both levels of government, really all three levels of government, need to find ways that they can co-operate to make these strategic investments to allow the infrastructure investments to be made which will allow the economy to grow, provide the services people need within a regime of fiscal responsibility.

Mr. Gerrard: I would then move to the next if there is agreement that I can ask some questions about the value-for-money audits, though we will not, as I understand, pass those today.

The first question deals with the summer '99 Value-for-Money Audits, where there is a reference to the surplus of accumulation of up to 70.4 percent, as it happens, of the '97-98 funding provided to an agency. I would ask the Provincial Auditor to provide details of the agency involved and comment on the appropriateness of funding accumulations of up to 70 percent for such agencies.

Mr. Singleton: Mr. Chairman, with respect to the specific agency that had the 70.4 percent surplus in relation to total funding for the year, that was the Churchill Health Centre. Of course we completed this audit in December of '98 and our discussions with officials were that they were aware of that and were undertaking a review to try to deal with that particular issue. I do not know what the current status of it is today.

However, just to make a general comment, for organizations that are funded almost 100 percent by the Government, I think any time significant surpluses accrue it should act as a bit of a red flag that should attract someone's attention as to why this has happened. The reasons could vary from having a funding model that provides more funds than are needed to provide the services that are required. Another possibility would be that services that have been agreed to be provided were not actually provided for one reason or another and yet the funds were provided regardless. There could be changes in demand.

* (11:20)

In general I guess my comment would be whenever these kinds of surpluses occur it is incumbent on the persons providing the funds to meet with the agency involved to get an understanding of what has caused the situation and take appropriate action. Generally I do not think it is a good use of public monies to have taxpayer funds accumulated by agencies that do not have any immediate use for those funds. They are probably better off staying in central

government so that they can either be used for other expenditures or decrease the need for future borrowings.

Mr. Filmon: I wonder if I could just ask the Auditor, the Churchill Health Centre would be a centre that would admit patients from the Northwest Territories and would have recoveries for perhaps a high percentage even of the people that it deals with. If he could confirm that. Secondly, what impact does that have on its fluctuation of funding, and would it also receive any funding from the federal government?

Mr. Singleton: Both points that are made are very good points. Unfortunately, I do not have that information with me this morning, in terms of what the source of funding and the nature of the full program at the Churchill Health Centre is, but I would certainly agree that if it is receiving funds from providing other services that would change the nature of the model.

The comments that I was making in response to my first question dealt with agencies that rely almost 100 percent on provincial money, but I would be happy to get that information for the Committee if they would like me to.

Mr. Gerrard: I would ask, the follow-up in this area, the Finance Minister what his policy is and will be with respect to surpluses in the hands of agencies and so on.

Mr. Chairperson: Mr. Singleton, did you want to answer?

Mr. Selinger: Generally, with respect to government agencies, any monies that are left over at the end of the year are what they call "lapsed money," and it accrues back to the general revenues of the Government. It is, in fact, a figure that is used to calculate the next year's budget. At the moment, we do not allow government organizations to accrue large surpluses that they then squirrel away somewhere.

Now, the more arm's length an agency is from government, the more latitude there is with respect to that, particularly if they have their own governance board, et cetera. If it is a direct

government department or agency, the money becomes lapsed money and accrues back to the Government.

Mr. Gerrard: Let me take that a step further, because I hear on a fairly regular basis comments from managers that this creates a lot of pressure to spend right up to the dollar in the last month or so, often of a fiscal year, and sometimes those expenditures are made not all that wisely. I would comment and ask the Minister whether in fact this is a policy which he is going to continue precisely in the way it has been happening or whether he will make any changes?

Mr. Selinger: That for many years was the popular wisdom. I must say during my career I experienced that behaviour as well in some of the government departments that I participated in. In the early '80s, the former government created a different situation with respect to the Department of Labour, where they gave them more latitude to use their resources and to keep them within side of their budget envelope and not necessarily have to lapse all the money at the end of the year.

That was part of a sort of total quality initiative that was initiated, and I think some of the members that were present at the time will recall that. We have continued that practise with that department because it seems to be well managed and used. The Treasury Board view on that is, when I asked about this, how does this other approach work compared to the traditional approach? The Treasury Board people that had been around were of the view that neither approach really changed that kind of behaviour where people tried to keep as many resources within their purview as possible.

We have noticed in government nobody particularly likes yielding extra resources at the end of a fiscal year back to a general revenue. They all think that what they do is important, and they all feel that they are underresourced to address the priorities of their particular departments and programs. They all look for creative ways to retain those resources to meet their program and departmental objectives.

The specific way we get people to operate more efficiently may not be with respect to how we design the budget envelopes. It may be more driven by some of the other directions we are going to start taking in government with respect to performance evaluation indicators and getting people to think beyond simply budgeting as an exercise in gathering and retaining as many resources as possible, but budgeting as how we can get the most effectiveness and efficiency out of various programs and how we can develop better tools of measurement for that.

I am not sure that there is any particular magic answer to that question under the old or the new system. The results have not been dramatically different. We may have to sort of look at other ways of coming at that. That behaviour will not change. Even with the special operating agencies, I noted this year that none of them particularly wanted to yield up any resources. They all feel that those resources would be better used to meet their program objectives, which is completely understandable. Any good manager wants to make sure that he is doing the best job he can, or she can, and always sees on a day-to-day basis the areas where they could use more resources to meet those objectives.

So it is an ongoing tension in government. There are the central objectives of balancing a budget, generating lapsed money, having money that can be moved broadly within the government entity versus departments and programs and agencies thinking that what they do that is under-resourced, not fully appreciated, and finding creative strategies to retain resources. That dialogue goes on year-round through the interaction between Treasury Board and the various spending departments.

Mr. Gerrard: I just take that one more step, and that is: How rigorous was the comparison made between the Department of Labour and the other departments? Was there a real, careful audit of practices and analysis so that in fact that judgment really can stand a critical test, or is it just sort of a casual, anecdotal, observational judgment? I know that other jurisdictions have moved to a point where certain allocations can be—in some cases, proportional amounts, maybe 10 percent or what have you, or lower—put

forward to the next fiscal year so that it does not create this last-minute pressure.

Mr. Selinger: The comments I received were really based on the experience of Treasury Board officials over several years of relating to departments under the old versus the new system. It was not a formal study. I asked the very question that you asked: How do these things work, and do they work better? Those are the comments that I received, and I am passing them on to you. You could call it anecdotal evidence; I would call it the sage experience of many years of serving in Treasury Board.

If you wanted to pursue that in a more formal matter, that could be one of the things that auditors could do on direction from committees like Public Accounts Committee. We could continue to look at the methodologies by which we allocate resources and allow departments to manage those resources to achieve better results and to avoid foolish last-minute spending simply for the purpose of getting the money off the books and not having to return it to government. I personally think we can continue to look for new ways to make government run more efficiently. I am not wedded to one system or another. I am like you; I am looking for better ways for things to be managed.

Mr. Gerrard: Your reply implies that you would be in concurrence with referral from the Committee to the Provincial Auditor to take more of a critical look at this area, to see how practices, for example, within the Department of Labour and management of funds, have compared to other departments, and in other jurisdictions perhaps as well.

Mr. Selinger: I personally am not hostile to that, but I would like that to be a discussion of the entire committee with respect on overall set of priorities for which they wish to pursue, and in the light of the reforms that are being considered about how the Committee functions and the role of ministers on that committee. There might be less of a role for ministers in the future, trying to drive the agenda from this end of the table. It might be more driven by you folks on the Committee.

Mr. Gerrard: Just wondering, I have got one more question here, but whether there might be opportunity to put forward a motion to that effect before we even adjourn.

* (11:30)

Mr. Singleton: I thought I might make some comments about some work we have been doing that might influence the kind of motion you might put forward. One of the things that the previous government initiated, which we saw as a very important change in the way government would operate, was a program called Manitoba Measures. The goal of that project, which is still being developed and rolled out, was to set up a process whereby departments developed much better business plans than they had in the past and that they would develop performance measures that could be used to assess the performance of the program and the Department.

One of the things we undertook to do, because essentially the initial three-year rollout time has come to an end now, is we undertook a review of sort of the status of that program now with a view to providing a bit of a road map to the new government, which I think will be of great interest to this committee as well, in terms of what now needs to be done to complete the rollout of that program and to make it as efficient and effective as it can. For example, one of the things we did recommend in the past was that the Estimates process be integrated with that process. Right now there are essentially two different processes going on, which can put a bit of an administrative overhead on departments. That was one thing that was under review previously, but no conclusions had been reached at the time we were doing our audit.

We thought it would be appropriate, with the change in government, to have a look at sort of a status report and then issue that with our own suggestions on what could be done on a going-forward basis. We completed that report, and I anticipate within the next few days to pass it on to the Minister of Finance (Mr. Selinger) to be tabled in the Legislature. It may be appropriate, this is entirely up to you, of course, to wait until that report is released before thinking about what further steps you would like me to do in terms of assessing that.

Mr. Gerrard: Thank you for that comment. Clearly it will be very interesting to see the report. I would ask at this point whether it deals with a precise mechanism for managing expenditures at the end of a fiscal year.

Mr. Singleton: Mr. Chairman, no, it does so only in a very general way in terms of looking at how the Estimates process is integrated with the business planning process and suggests that that whole area is an area that needs to be looked at more carefully to make it more effective than it is now.

Mr. Gerrard: So, to some extent, although it is linked, it is an independent piece which could, being looked at, contribute in the long run to a better understanding of management of government funds.

Mr. Singleton: Yes, that is correct.

Mr. Gerrard: In that context then, it would still be worthwhile, because your report does not specifically address this issue, having a referral from this committee to look at that particular issue, that is, how funds are managed at the end of a year and a critical comparison between practices in the Department of Labour and other departments and with other jurisdictions.

Mr. Singleton: I would certainly be prepared to do that if that were the will of the Committee.

Mr. Sale: Mr. Chairperson, I think that is a very interesting issue, but I think, as the Finance Minister said, we have all observed, we have all had some experience in this system. I guess I have had experience both as a civil servant and as an elected member. I think what the Member is describing is a symptom of a system rather than a cause of something. I think this committee ought to be looking at what the Auditor reports, as he says he will next week or in the next couple of weeks, to try and get a sense of what some of the causes are rather than symptoms.

It seems to me that the year-end behaviour is the result of the incentives or disincentives that are in the existing system. So it is an effect, rather than a cause, and I think we would be interested in seeing that report first and finding out what some of the options might be from

other experience as well as from the recommendations of the Auditor. I have had the job of managing a budget of a billion dollars in education in the '80s, and, frankly, I did not have the discretion to spend \$50, but I had the responsibility for managing a billion. It was a very frustrating experience because I could not manage effectively because of the procedures of Treasury Board primarily, because everything that happened in a year that might allow you to maximize efficiency required a very laborious process to act on.

One of my favourite stories is that in two years as an ADM, I never once travelled on a cheap ticket because we could never get approval to go to meetings we all knew we were going to go to in time to take advantage of the cheap tickets. It was a very frustrating experience in that regard, but I sort of saw that all as the effect of a system in terms of its incentives and its disincentives and changing one particular piece of it was not going to change the overall effect of the system. I think that is where the Auditor's report will be very interesting and where we ought to be focussing our attention as a committee, rather than on the particular issue of year-end lapsing which I suspect, as the Finance Minister said, will never change the pressure that comes at the end of a fiscal cycle to do things, and there will always be the tension between the central wish and the departmental wish, and so the question is partly what are the incentives and disincentives around managing that behaviour. That is really the interesting question, I think, that we should be addressing.

Mr. Gerrard: I am content to wait for the report. I think that the issue of how one deals with lapsed funds and the Treasury Board decisions with regard to travel and so on may be interrelated. I still think that lapsed funds is occasionally a contributor and it should be looked at critically.

Let me go on to the last of the questions which I had written on the agenda. On page 45 of the Summer '99 Value-for-Money Audits, the Child and Family Community Development Branch, records indicate that a significant number of required agency reports relating to '97-98 were still not submitted as at November

30, '98. The percentage of agencies failing to submit reports range from 43 percent to 83 percent. Furthermore, we found, however, that for both '97-98 and '98-99, the Branch did not follow up. It is imperative that meaningful action be taken by the Branch to secure required information. There are clearly major problems in reports being done on time identified by the Provincial Auditor. I would ask: What is the current situation, more details about the nature of the reports and the extent of the problem, whether it is a problem solely in this department or whether it is a problem more generally?

* (11:40)

Mr. Singleton: Mr. Chairman, I will respond to the last part of your question first, and say that it has been my observation in the four years that I have been Provincial Auditor, that it is not at all uncommon to find that government departments do not insist on the enforcement of monitoring procedures that would be reasonable in the circumstances, and there can be a number of reasons that have been provided to us for that, ranging from not having enough resources within the Department to effectively do the monitoring function, to an understanding that the agencies that are being monitored may not have the resources to do the reporting that is necessary or they may feel that their priority is to deliver the services rather than provide a number of administrative reports. So there is not necessarily any one cause that you could cite across government.

From my point of view, it is important that those who are spending public monies be held accountable for that, and that efficient and effective monitoring processes be put in place. It is always a concern to me when we find in this case that there were a fair number of agencies just not submitting reports and then nobody really holding them accountable for not having submitted those reports. Some of the difficulties become: What can you do in those circumstances? If you withhold funding from them, that means the people that are depending on the services provided by that agency will not get those services. That seems a pretty harsh step to take for not having filled out some paperwork. On the other hand, it is certainly incumbent on those providing the funding to make sure the

funds are being spent appropriately, wisely, efficiently, and effectively. So I guess that is why we take it so seriously.

I should make the point that just because the reports were not submitted that does not mean that, in fact, money was not being spent appropriately. It is just a matter of not being able to judge that from the centre. In terms of what has been done since our report was issued to address these matters, I cannot provide that information to the Committee this morning.

Just in terms of harking back to your decision to reform the Committee, one of the recommendations that we had was that when you are considering a chapter like this, it might be useful to have someone from Child and Family Services who could respond to those kinds of questions, who might take exception to some of our recommendations and provide a different point of view than ours and also be able to provide the Committee with the steps that have been taken to address the recommendations. Our practice is, about three years after an audit is completed, to go back and assess what has been done in response to the recommendations.

Mr. Gerrard: What would you see as the most effective way to improve reporting? The numbers of 40 to 80 percent seem extraordinarily high for reports which were not provided.

Mr. Singleton: Without being on the ground actually managing the program, I cannot be very definitive, but I can suggest a couple of areas that I would look at if it was me in making that assessment.

I guess the first would be to assess the process within the agency and within the funder to set priorities for the use of the funds. One of the potentially unfortunate outcomes of living under a period of acute and protracted restraint is that it is often easier to withdraw funds from the administrative and monitoring activities that are taking place, and probably logical as well, because you want to keep the front line services as your top priority. However, there can be a limit in terms of reducing the amount of resources put into administrative and control activities. If those are cut too low, then you

begin to run a risk that something will go wrong with the way the monies are being spent. I guess my first step would be to look at that balance within the organization. Are sufficient resources being allocated to the activity of monitoring and control in relation to the total budget?

The second thing I would look at: Is there a way to do that more efficiently by making better use of technology in the process? Sometimes that can be an easy answer. In some of the more remote locations in the province, it can be difficult finding people that have the skills and training to use that more advanced technology. So, if you are going to go down that route you would also have to develop a long-term training program to either recruit people or train people locally to have the skills to do the reporting on behalf of their agency.

Mr. Gerrard: In follow-up to the last issue, what is the current situation with regard to whether reports are acceptable in an electronic fashion, as well as in a paper fashion?

Mr. Singleton: The present system requires all the reports to be submitted in hard copy. That ties in a little bit to my reference to there could be opportunities to use technology to replace the hard-copy process. That could be particularly useful if it was kind of an integrated system where people, as they were doing their normal day-to-day duties and keeping track of ongoing activities, would feed into a process that would generate a report as a part of their activity, rather than necessarily having to be a separate special activity. Once again, that would take someone to go out and do a study of the circumstances in a particular situation.

Mr. Gerrard: If the reports were to be allowed to be provided on an electronic basis, I would ask: Is there the capacity to do the archiving of those in a secure way that would be appropriate and provide the needed guarantee that they would be accessible and would not be potentially changed easily or various other factors that are important if in fact you are going to store archived documents electronically?

Mr. Singleton: Clearly those would be issues that would have to be addressed in the design of the system. But you touch on an issue that I

think probably everyone in the world today is dealing with which is the extent to which you can use electronic information to replace what we think of as signed documents and hard-copy documents in the present time. How do you guarantee their reliability? How much can you use them to support an activity?

I was just at a conference recently, and the question was asked: If you had a contract with someone that specified that it could only be terminated upon written notification and you received an e-mail from someone terminating that contract, would that constitute written notification? It was a lawyer making the presentation, and his stock answer to that was "it depends." And what does it depend on? It depends on whom you represent, not on the specifics of the question. Excuse me, if there are any lawyers in the room.

So those are very fundamental questions that would have to be addressed in the system. I would not think it would be hopeless to try to address them.

Mr. Gerrard: It would seem to be particularly relevant in the context of the electronic commerce bill, which is moving forward at the moment, that these sorts of issues be addressed. Maybe you could provide a comment on, you know, when you are dealing with value-for-money audits, there may be significant potential in cost savings in dealing, in some instances, with electronic as opposed to paper copies, in savings, in terms of ease of access. We could have saved a lot of trees today, as an example.

The point that I think is worth discussing here is that if indeed, as the electronic commerce act indicates, we are going to accept under a number of conditions electronic documents, as the Act states, being as good as paper documents, then it would seem to me that it would be very important for the government to have appropriate places for archiving and storing in appropriate fashion electronic documents. Could you comment?

* (11:50)

Mr. Singleton: Yes, I would have to agree. I think that the e-commerce bill is a potentially

very important bill to sort of clarify some of the rules for that kind of activity within Canada. Similar laws recently have been passed in the United States as well. I think it is going to be a real challenge for all of us in the public sector to adapt to the reality of being able to use electronic documents as opposed to paper documents.

But I would also raise the caution that it is not always as cheap or as easy as it seems on the surface to do that. One of the things we seem to be finding, and it is certainly not unique to Manitoba, is that the complexities of the systems that have to be developed and designed to allow you to operate on an electronic basis rather than a paper basis are so enormous that they cost a lot of money and they really challenge our ability to make the systems work efficiently and effectively.

It is not uncommon to find that when you adopt those kinds of systems, you become less efficient just because of the complexity of trying to make the system work properly, which is a roundabout way of just saying you need to be very careful and thoughtful in terms of how you approach these issues.

Mr. Faurschou: I think in the interest of time that we should perhaps proceed to some of the items that we had consensus to accomplish at this meeting and that being the passage of a number of the items before us, as well as to establish a meeting date for consideration as well. So if we could proceed.

Mr. Sale: Mr. Chairperson, I think we had agreed that we would accept the Public Accounts in Manitoba for '96-97, '97-98, and '98-99, and the reports of the Auditor, Examination of Governance in Crown Corporations, Operations of the Office for '97, '98, '99, and the Audit of Public Accounts for '97, '98 and '99.

I believe that was the agreement. If there is agreement then, I think we could proceed as previously agreed.

Mr. Chairperson: Are there any further questions then?

Public Accounts, Volumes 1, 2, 3 and 4 for the year ended March 31, 1997–pass; Public Accounts, Volumes 1, 2, 3 and 4 for the year ended March 31, 1998–pass; Public Accounts, Volumes 1, 2 and 3 for the year ended March 31, 1999–pass.

Provincial Auditor's Report on the Operations of the Office of the Provincial Auditor for the year ended March 31, 1997–pass; Provincial Auditor's Report on the Operations of the Office of the Provincial Auditor for the year ended March 31, 1998–pass; Provincial Auditor's Report on the Operations of the Office of the Provincial Auditor for the year ended March 31, 1999–pass.

Provincial Auditor's Report on the Audit of the Public Accounts for the year ended March 31, 1997–pass; Provincial Auditor's Report on the Audit of the Public Accounts for the year ending March 31, 1998–pass; Provincial Auditor's Report on the Audit for the Public Accounts for the year ending March 31, 1999–pass.

At the outset of the meeting, it had been indicated that none of the Value-for-Money Audits would pass. Is this still the will of the Committee? *[Agreed]*

An Examination of Governance in Manitoba's Crown Corporations, June 1998–pass.

This completes the business before the Committee today.

Mr. Faurshou: I think the motion that we discussed earlier today indicated that this committee would make an effort to convene and to essentially study the Provincial Auditor's recommendations. I think it would be appropriate, at this time, to perhaps get an indication of committee members—Mr. Chairperson, may I ask at present then, because I went through the Hansard here trying to identify as to whom in fact has the authority to call this committee, to convene the meeting of this committee: Could that perhaps be clarified?

Mr. Chairperson: It is at the call of the Government House Leader. He would announce it in the House, the date, time and place of the meeting. Committees, at this time, have no authority to call their own meetings.

Mr. Faurshou: Would it be at least appropriate, perhaps then, that we put on record that the members of the Committee have a relative suggestion as to when we meet again. Once a year is perhaps a little less than regular. That is all I am getting at, at the present time.

Mr. Chairperson: If you wish to recommend it, it has to be a motion in writing and it would be a recommendation to the House Leader.

Mr. Faurshou: I think there is indication from members present here today that the House Leaders will be notified that we are anxious to meet.

Mr. Chairperson: What is the will of the Committee? Committee rise.

COMMITTEE ROSE AT: 11:57 a.m.