



Fifth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

**Standing Committee
on
Public Accounts**

*Chairperson
Mr. Len Evans
Constituency of Brandon East*



Vol. XLIII No. 1 - 10 a.m., Thursday, May 5, 1994

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
KOWALSKI, Gary	The Maples	Liberal
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MACKINTOSH, Gord	St. Johns	NDP
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCORMICK, Norma	Osborne	Liberal
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROBINSON, Eric	Rupertsland	NDP
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
SCHELLENBERG, Harry	Rossmere	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, May 5, 1994

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

**CHAIRPERSON — Mr. Leonard Evans
(Brandon East)**

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Stefanson

Messrs. Edwards, Evans (Brandon East),
Helwer, Laurendeau, Maloway, Reimer,
Rose, Santos, Sveinson

APPEARING:

Gary Doer, MLA for Concordia

Clayton Manness, MLA for Morris

Carol Bellringer, Provincial Auditor

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor to the
Legislative Assembly for the fiscal year
ended March 31, 1993

Public Accounts, Volumes 1, 2 and 3, for the
year ended March 31, 1993

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Mr. Chairperson: Good morning. I call the Standing Committee on Public Accounts to order. This morning we have several items that have been referred for our consideration. These include the 1993 Report of the Provincial Auditor and Volumes 1, 2 and 3 of the 1993 Public Accounts.

In addition as Chairperson, I had circulated a letter to committee members last Friday requesting members submit to me items or questions requiring detailed answers for inclusion on the agenda. I did not receive any submissions from committee members, and therefore, we have none for the agenda. However, I did receive some

materials from the Provincial Auditor that were circulated to committee members late yesterday afternoon, and I trust everyone has received those. I trust this might facilitate discussion, questions and answers at our meeting today. We do have copies of that document for members who did not receive it for whatever reason.

I am also tabling a copy of the material for the committee record, and this is it. The Provincial Auditor will be given an opportunity during her opening statements to elaborate on the material that we distributed yesterday.

So normally, we begin with opening statements. So I would call on firstly the Minister of Finance (Mr. Stefanson) if he has an opening statement to make to the committee.

Hon. Eric Stefanson (Minister of Finance): Mr. Chairperson, I have a brief opening statement. First, I would like to introduce some of the people who are with me at the table. To my left is the Deputy Minister of Finance, Mr. Charlie Curtis. Beside Charlie is Mr. Eric Rosenhek, Assistant Deputy Minister and Controller of Finance. Also with us is Carol Bellringer, our Provincial Auditor.

My comments, as I say, Mr. Chairperson, will be very brief. Once again, we are pleased that a number of project audits done by the Provincial Auditor's office concluded that the internal controls or accountability systems were operating satisfactorily. Some opportunities for improvement are reported, and we will certainly follow up on those recommendations.

The Provincial Auditor indicates her continued support for the Canadian Comprehensive Auditing Foundation's effectiveness framework. We have done some fairly extensive work with this framework in our community colleges, our Fleet Vehicles Agency in the Department of Labour, and

we continue to endorse this framework as part of an improved accountability system and are working with departments to develop an understanding and willingness to implement this model.

As well, the Provincial Auditor is calling for earlier preparation of the public accounts, and we do support this. We are aware that other provinces are working to speed up the preparation of their accounts, but all of us are limited by financial constraints on the additional human and technological resources that can be provided for this function.

Nevertheless, we are certainly doing what we can. Volumes 1 and 2 of the 1992-93 Public Accounts were released on November 17th, 1993, about a month earlier than last year. Volume 3 was released on December 23rd, 1993, about two months earlier. We expect to improve on both of these release dates by approximately one month for 1993-94 financial statement.

Those are my brief comments, Mr. Chairperson, and I look forward to the questions.

Mr. Chairperson: Thank you, Mr. Minister. Does the critic for the official opposition, the spokesperson for the official opposition have a statement?

Mr. Gary Doer (Leader of the Opposition): Yes, I would like to first of all welcome the Auditor and the Auditor's staff. It has been some 14 months I think or 15 months since our last meeting. It is worthy to note that the items on our agenda do not even deal with the 1992 report which I do not believe has been passed yet by the previous committee.

I note that in terms of accountability, it is easy perhaps to use the word, but we find the follow-through or the action dealing with the word "accountability" to be somewhat remiss in that this committee seems to get very low priority from the provincial government and the Finance minister.

I note in correspondence from the Chair of the committee to the government House leader in December of 1993 and in other dates previous, we have asked for this committee to be sitting. I know during the last session we wanted a number of

sitting dates for this committee that we did not have arranged by the government. So to have something like close to between \$5 billion and \$6 billion in general government expenditures, plus Crown corporations that this committee is responsible for, and to have just a couple of hearing dates and it is set, I think is not practising accountability, not practising what we are preaching here in this committee.

This Legislature has not sat for eight months, but that did not mean that this committee could not sit and accountability could not take place. I think that it is time for all political parties to agree to allow the Chair of the committee to call the meetings of this committee, rather than the Minister of Finance (Mr. Stefanson). Because it is obvious, I do not know what the practice was in the past, but I know that this body should—because it deals with the Auditor, who is a sovereign entity, authority, except when their budgets are approved by the committees of the Legislature—be a body that is beyond just the usual political considerations, if you will, for setting the committee date.

I think the taxpayers and all of us would expect a higher standard and a more sovereign standard, so I think changes have to be made here in Manitoba, and I think all parties should agree with it. Maybe now would be a good time for us to make those changes when it is so much in a period of time of unpredictability about who will be sitting in various chairs perhaps in the next 12 months. Maybe it is a good time now to look at the public interest and have a much more independent body dealing with the independent Auditor.

I say that knowing that probably there are examples in the '80s and '70s that may have been just as unaccountable as today. But if that is true, so what? Let us look at the '90s, and let us make changes that are appropriate for accountability in the '90s. We have some questions dealing with the real deficit in 1992 and '93. We have some real concerns that we were not able to obtain financial information on a number of agreements that the government has entered into in the '92-93 fiscal year, starting with the Jets deal with the provincial government, and we will be asking questions on that.

* (1010)

I have written to the Auditor; we have raised the issue of Vision Capital, and we will want an update on that file, because there were undertakings at the last committee meeting. The whole issue of ARCOR shows us that there has been a great deal of inability of the Auditor to ascertain information from federal-provincial agreements and grants that were made on behalf of the taxpayers and federal-provincial private agreements that were not available to the Auditor to review, and therefore not available to the members of the Legislature to evaluate. We have other questions that the Auditor has raised herself dealing with matters that this committee should properly deal with.

In addition, I have raised the issue and written to the Auditor's office about the political ads and the line between the political ads and government ads specifically dealing with "the Filmon government has done this, the Filmon government has done that." The Auditor has referred that matter back to the Minister of Finance (Mr. Stefanson) and recommended that guidelines be developed so the public interest can be served, not just the partisan interests of any political party.

We would like to know from the minister if there has been any progress on that issue, because we are even seeing pictures of ministers now paid for by taxpayers' money under the lottery ads in newspapers—coincidentally, newspapers in their own constituencies—and we think those ads should be paid for by the Progressive Conservative Party, not by the taxpayers of Manitoba.

So those are some of the issues that we have of concern, and I look forward to the deliberations on our accounts and our accountability.

Mr. Chairperson: Does the representative of the second opposition party have a comment or opening statement?

Mr. Paul Edwards (Leader of the Second Opposition): I do not intend to make lengthy comments to this point. I think we are going to have some fairly lengthy discussions, and we do not want to take up the time with too many preliminary matters.

I do want to indicate that I do agree with the comments of the Leader of the Opposition party (Mr. Doer) about this committee and its need to meet more frequently and its need to have more ability, and you, Sir, as chair, to have more ability to call the committee from time to time as you see fit.

I think this is an essential committee for the accountability of government. It is a very, very important one I think for both opposition parties, and, indeed, for the taxpayers and the citizens of this province to understand and to have meet regularly.

With respect to specific areas that we would like to question on, again, I repeat the concerns of the honourable member the Leader of the Opposition about public advertising, use of public funds for advertising purposes. I think that is a very important area to clarify. I think in many respects it would not only benefit the government, I suggest, but the opposition parties and everyone to have the lines clarified as to what is legitimate advertising, public relations, on behalf of the government and what in fact crosses the line to partisan advertising.

We certainly have our opinions on some of the advertising that has been done, but I think it is an important area to come to grips with. As well, in that vein, we have concerns about expenditure of public monies for polling and the accessibility of that information to opposition parties and the public generally. We have not had accessibility to polling information, which has been done at public expense. That is an area as well I think that requires some discussion about what is and what should be available, given that public monies are used to ascertain it.

With respect to the specific comments in the 1993 report for the year ended March 31, 1993, clearly there is a concern about accountability. The office has repeatedly called for improved accountability information in the Legislative Assembly, and we certainly support a full complement of staff being allocated to the Provincial Auditor's office so they can do their job. I think it is extremely important that they have the ability to do the work they need to do. I think it

is important as well that the net be cast broadly with respect to Crown corporations, with respect to all government operations.

I know that there was—I believe, two years ago the positions were not filled in the Auditor's office, because it was in a period of reorganization. I think Ms. Bellringer was fairly new to the office at that point. Subsequently, it is my understanding that those positions were not replaced in the office. I would like to have some clarification of that, as to what that is going to mean that the Auditor's office cannot do now without those additional staff and what Ms. Bellringer feels her appropriate staff complement should be to do the things she would like to do and increase the accountability of government operations to the members of the Legislature.

With respect to other specific things mentioned, there are, of course, as my friend mentions, the Arcor situation, the Workforce 2000 situation. The comments in the report about the Schools' Finance Branch were of particular interest to us, and, as well, generally untendered contracts and that whole area. Finally, I am very concerned, our party is very concerned about the level of expenditure that is going to private consultants, private companies, that appears from the Public Accounts generally. I think we really need some way of tracking that effectively, so that we know which consulting firms are getting how much in an overall sense, not just department by department. I think we would like to see an improved way of reporting the Public Accounts, so we can determine, as per the person receiving the money, what the global amount they are receiving from government is.

I do not know if that information is able to be pulled together with relative ease, but I do not think it is laid out sufficiently for people to understand, not just department by department but overall how much each consulting firm receives from government operations, which is an important thing I think to know.

We would like an update on the Immigrant Investor Program and what is happening with that, and the government's current status of discussions

with the federal government and with those in the outside community about that program and where it is in Manitoba.

Finally, Mr. Chairperson, we also very much would like to hear from officials and Ms. Bellringer about the Lotteries corporation and other Crown corporations, but that one in particular, about what is happening with them in terms of their financial accountability.

I have been frustrated for some time at my inability to get current, up-to-date financial information from that Crown corporation. I would like to have it. I have written the Auditor on that issue and have a letter back from her expressing her sentiments that that information was not accessible to us.

Point of Order

Mr. Doer: I believe that if any letter is referred to, we can have both the letter and the response tabled with the committee.

Mr. Edwards: Mr. Chairperson, absolutely, when those questions are asked and I will be citing from that letter, I will certainly table it.

Mr. Edwards: That is an area we will want to question the Auditor about, what better system we could put into place so that Crown corporations do not escape public purview through this committee. One of the things we are increasingly moving toward is private firms doing the audit work. I see the Minister of Finance (Mr. Stefanson) shaking his head no. If that is not the case, that is an issue we want to clarify, because I think it is very important that all public dollars, as much as possible, are accountable through the Provincial Auditor's office rather than being farmed out to independent firms.

Those are some of my concerns, certainly not all of them but some of them. We look forward throughout deliberations of these very important documents in the coming hours.

Mr. Chairperson: Thank you, Mr. Edwards. We normally call upon the Provincial Auditor to make

an opening statement, if she has any remarks to make.

* (1020)

Ms. Carol Bellringer (Provincial Auditor): I do not really have opening remarks, but I would like to say that I am honoured to be here. We tried to structure the report to the Legislative Assembly this year in two main parts. We tried to look at some of the systemic issues without any kind of reference to individual program areas. We did three reports in there.

In the matters of special interest, one was on accountability to the Legislature and looking at the overall framework, not with respect to any specific program but outlining how we see the existing framework so that there is no misunderstanding later on down the road when we use that as the standard against which we are auditing. So we thought it important to bring that out as a matter of discussion if need be, otherwise, as the standard that we will be auditing against.

The second area, in the matters of special interest, we call it "quality service in the Manitoba government." It is looking at the internal reform initiatives, and, again, just pointing out that our position is one of the public service needing controls without working in a controlling environment, because the public servants who are very actively working with the public and delivering good solid service to them need to know what the framework is within which they are operating without having too much of a thumb on them, so they have some flexibility to deliver good service. That again was just setting out a framework, not referring to any particular program areas.

The third was, the financial accounting issues, just advising the members of the Legislative Assembly what standards we use, and it gets a little bit technical. We tried to bring a few of the points to life with some practical areas in terms of capital expenditures and so on.

Then we get into some program areas on the letter that we sent through the Chairperson to you, outlines the page references for each of those. I look forward to acting as an adviser to the

committee and as a witness. Wherever you would like our advice we are prepared to provide that.

Mr. Chairperson: Thank you, Ms. Bellringer. The matter of not having passed the March 31, 1993, reports has been raised. I am in your hands, presumably, technically, we do not have to pass them, legally we do not have to pass them, but normally this is a function of this committee. It would seem to me in keeping with tradition ever since Year One. It would be advisable, if simply for correct procedures and in keeping with the practices of the committee, that we pass the motion that March 31, 1992, Public Accounts, Volumes 1, 2 and 3 be passed, along with the Provincial Auditor's report for that period of time.

There may be one or two items outstanding, questions outstanding from that time, but I understand that the staff have prepared answers and these can be circulated to the members of the committee. Is that correct?

Mr. Doer: Perhaps that motion should be dealt with and the current motion before us should be dealt with. Perhaps we could deal with all of them at the end of the committee hearings on the '93 report. We certainly do not want to hold up the '92, but if there are matters that we have raised in '93 that flow from '92, because we did not have further committee meetings last year, we did not really complete our work last year and that is why it was not passed, we certainly would be willing to entertain that motion at the end of these committee meetings. We have no reason to stop it. But I think that that way we would deal with the outstanding items and be able to pass it accordingly.

Hon. Clayton Manness (Minister of Education and Training): With respect to your question, you see the dilemma. You want to clean off some of the work in terms of '92-93. You have asked that same question over many years now, having been the Chair, and always the Leader, particularly from the NDP, says no, we will consider it all at the end and, of course, when is the end?

The end depends, of course, on the mood of the House as to how often this committee sits. So, Mr. Chairperson, we are back at the same place we started.

I could not help but detect the muted criticism of the Leader of the NDP with respect to the manner in which this committee is called. I dare say when that responsibility was mine, firstly as a Minister of Finance, and formerly as the government House leader, I dare say for the first time historically at least on two occasions and maybe three we had intersessional committees.

This committee sat intersessionally to consider expeditiously—twice I think in January, at least once in January and a couple of times in February—this report with the understanding that there were some rules in place, and the rules we were summoned to be at this committee to consider the report of the Provincial Auditor for a certain year-end, and to the extent that the members of the committee came here and were prepared to direct their questions with respect to the Auditor's report and/or the provincial accounts, then indeed time was allocated.

But to the extent that certain members came here, particularly the member for Elmwood (Mr. Maloway) over the course of several sittings, and decided he wanted to use it as a launch into any other issues, totally in some cases removed from the report that we were dealing with, then, of course, that was dealt with, and in a sense it was deemed to be, by the government at least, outside the call, outside of the call of the meeting.

So, Mr. Chairperson, I hear the Leader of the NDP calling for rule changes. I accept that, and I say to you, sir, you, yourself have presented some interesting variations that should be taken seriously, but they will have to be done so at the time when we are considering all of the rule changes within the House, and, as you know, certain members of all our parties have tried off and on over the course of the last two to three years to come to grips with some of the archaic practices that we have in place, not the least of which are some of the ones around this committee.

So I state again to the Leader of the New Democratic Party that, sure, we will consider rule changes, but it is going to have to be in the context of all of the rules. I mean, you just cannot focus purely on the standing committee dealing with

Public Accounts. So I only put that on the record because I guess I am a little bit sensitive to the reaction that this committee has not been expeditiously, because it has.

Attempts have been made to make it work, and to the extent that it was working well, further and additional meetings were called. To the extent that somebody was using it just as a springboard to move into present issues that were not—and I am not talking about accounting practices now, accounting practices are always present, but dealing with matters of fact, as reported within the Public Accounts. Once certain members decided that that was not of interest to them, that they preferred to deal with the headline issue of the day, then I am saying that that was not the purpose of this committee, and therefore the government of the day decided not to continue to call additional meetings. So I leave that as a matter of record.

Mr. Stefanson: You referred to some information on some outstanding matters from the last time the committee met. I am prepared to table some detailed information relating to those questions.

I am also prepared to table some information relating to responses to the items in the most recent Provincial Auditor's report for members of the committee. I know everybody is anxious to get on with questions, and I am as well, but this whole discussion around rules, and our former Minister of Finance has certainly outlined our position, I think it is worth pointing out both the Leader of the Opposition and the second opposition party have outlined in their opening remarks some of the areas of interest, which I am certainly more than willing to attempt to provide information and answer as, as is the case, with staff.

You yourself, Mr. Chairperson, mentioned that you had written all members of the committee, keeping with the rules and the change in rules and the approach for trying to provide the maximum information, requesting in writing any submissions on agenda items or questions requiring detailed answers. You indicated you received no responses to that request, and I would, as I said, when I am responding to questions, I will do my utmost to provide as much information as possible, but that

would have been very helpful if that had been followed.

Mr. Chairperson: Thank you, Mr. Stefanson. I raised the matter of the March 31, 1993, reports as a procedural matter, so I am advised that we actually if we wanted to have before us the '92 reports as well as the '93, that we actually have to get leave of this committee, because only the '93 reports have been referred to us. So I guess the first question is: Is there leave to have the March 31, 1992, Public Accounts and Provincial Auditor report before us as an agenda item? Is that agreed? [agreed]

Okay. Now I also advise that there is Volume 3 of March 31, 1991, that has not been passed and dealt with. Do we agree to have that as an agenda item?

Mr. Doer: We would agree to deal with all the reports that are outstanding, including the ones that are on this agenda, with a motion to deal with all of them at the end of the hearings. I guess if we can deal with all the questions we have, we have no problem with passing the reports.

Mr. Chairperson: Thank you, Mr. Doer. My question at the moment is to put it on the agenda. So there is agreement to have those on the agenda? [agreed]

Okay. Now the question is, Mr. Doer suggested that all the floor is to have a general discussion and hopefully have them passed at the end.

I do observe, however, that sometimes this leaves us dangling in mid-stream, so to speak, and nothing is passed. So it is up to this committee, if they want to pass the old reports and get on to the new ones, I am in your hands.

Mr. Doer: I would suggest that the Minister of Finance (Mr. Stefanson), the Chair of the committee work with the other parties and give the House leaders some dates with the Auditor to have two or three or maybe four Thursday mornings, et cetera. We know there is a western Premiers meeting and the Minister of Finance probably will be there, and there are other meetings. We now know that there are going to be a few weeks before the session is over. So I would imagine the

Minister of Finance does not want to deal with this committee in the middle of preparing his budget—I would just guess. It took a little length of time to get the budget ready and the House called back, but that is fine.

We have done that, and that is past and it is dealt with, perhaps we could get three or four meetings—just set them, and everybody knows how much time we have. Last year I think we had two committee meetings, and then we have not sat for 14 months. I would suggest three or four definite dates, you know, that we know the schedule, the Auditor knows the schedule. We just set them and then we are perfectly ready to—the government may not like all the questions we ask. They do not like the questions we ask in Question Period. We sometimes do not like the questions we ask after we asked them, but I think that is not the issue. The issue is let us get a schedule, let us deal with the accountability issues, and let us give ourselves a time frame and let us work accordingly.

* (1030)

I think there will not be any difficulty, especially now that we have the commitment from the former Minister of Finance, to have a rule change. I would say that should not be thrown into the whole pot, but I think if there is all-party agreement on this we should be looking at changing the rules, because now is the best time to do it. When everybody does not know what their status is going to be 12 months from now, it is a good time to do what is best for the public. It probably was a good time to do it a long time ago, but I think if we got an all-party agreement on that, let us find a way to do it and just get it out of the political realm.

Mr. Stefanson: Mr. Chairperson, I do not necessarily have a problem with that approach. An alternative would be to pass the '91, pass the '92, and we would indicate we are more than willing to answer any questions or provide any information if you do have anything in particular that relates to those time periods. Just to effectively, ultimately get those, as the Chairman himself has indicated, officially off the books. But if that is not acceptable to the committee, what you have outlined is fine from my perspective.

Mr. Doer: We could even pass '91 today, because I do not think there are any questions still outstanding from '91, and then '92 we could look at if there is nothing left outstanding at the next meeting and then move along. I have no problem passing '91 today, and then we can show that we are not here to play obstructionist—

Mr. Chairperson: Thank you. Okay, it has been proposed that Volume 3 of March 31, 1992, Public Accounts be passed by this committee. Is there agreement to pass that. [agreed]

Now, as I understand it there seems to be mutual agreement to have a discussion as to subsequent meetings of the committee, at which time we will deal with, hopefully at the end of that period we will have dealt with both '92 and the '93 reports.

Mr. Doer: Yes, my first question is dealing with the—

Mr. Chairperson: Okay, that is agreed then?

Mr. Doer: Yes, the '92-93 Public Accounts. It deals with the issue of the comment on page 124, the issue of the real deficit, the real operating deficit for '92-93, the Auditor comments that if the Fiscal Stabilization Fund was consolidated in the financial statements of the government, which of course had been the practice before '89, it would be all in one operating financial statement, the net result of the operating fund would have been a deficit of \$748 million. If we were comparing the '88 deficit, the '87 deficit to the '92-93 deficit, would we be able to compare the real deficit number at \$748 million?

Mr. Chairperson: Would you like the question repeated, Ms. Bellringer?

Ms. Bellringer: No, Mr. Chairperson, I do not need the question repeated. I guess I am more comfortable acting as the assurance provider when the question is directed to the government accountable for those figures, but I certainly do not mind giving my views on the comparability issue.

The approach we took for '92 and '93 was to direct the members to Volume 3 of Public Accounts because we did not attempt to do the same kind of reconciliation we have done in the past within our audit opinion because those were

the first two years where the Volume 3 of Public Accounts gives you what we believe is the best reflection of the financial position of the province as a whole. Prior to that, the government was in the process of having those complete statements available and the years are not that comparable, and we have not gone through an exercise of doing a complete reconciliation for past years to see what adjustments would have to be made.

So when you look at Volume 1, our audit opinion for '92-93, there is a bold warning that these financial statements do not include all of the results of the government reporting entity as a whole and there are some activities within the trust funds, for example, which we believe should be considered government activities. Volume 3 takes care of all that for you. So when you go to Volume 3, the Summary Financial Statements, any entities that should be included, any eliminations which should be made, the only adjustment which is not reflected in there is bringing the pension liabilities right into the face of the statements. But otherwise, the Fiscal Stabilization Fund has been adjusted for, the Lotteries fund has been adjusted for, and the Crown corporation, the equity in those Crown corporations is reflected in the statements to the extent that there are restrictions and so on on the funds. That is also noted in there. So you can see the overall picture by going to that report.

Mr. Doer: The final number is used in the budget section, the financial fact section in the budgets dealing with five years or 10 years of deficits, I believe, and I believe that it was a different number, seven-something, that was used before the Fiscal Stabilization Fund was subtracted. It was different than the number of \$748 million. I think it was up to—I am just going by memory, I should have it here—in the \$760 somewhere before the numbers were subtracted.

So the number that would be utilized by the government from the audited statements Volume 3, which number would be used in the budget fact sheets that are carried over? Because one year you have an estimate and the next year you have another estimate and the third year you have the actual as we get the projections and the budget. What number would be carried forward in terms

of—what advice would you give to us about what number is carried over eventually as the actual number in the budget? Because you show in one number and then you subtract the Fiscal Stabilization Fund number, and would you derive that from Volume 1 or Volume 3?

Ms. Bellringer: Mr. Chairperson, we have not specifically looked at the budget documents, and we do not put an audit opinion on the budget documents. That has not been our practice and we have not really done it. Perhaps the Department of Finance could give you some guidance.

Mr. Doer: The number that is used as actual in the budget as opposed to estimated.

Mr. Stefanson: Mr. Chairperson, I think the Leader of the Opposition knows the answer to this question. He has asked it on many occasions, the comparison of deficits both pre- and post-utilization of stabilization funds.

Volume 1, page I-7 shows the deficit for the year from the Consolidated Fund as being \$566 million. That is after utilizing a draw from the Stabilization Fund which has been utilized in other years. That is the comparable number that is utilized in preparation of the budget, because, as the Leader of the Second Opposition knows, our budget is prepared on the basis of the Consolidated Fund, which is the areas under the direct control and jurisdiction of the provincial government.

Whereas Volume 3, as he well knows, takes into consideration some 57, I believe, other organizations that are Crown corporations and so on and ends up with obviously a significantly different number. So the number he is looking for comparison to in terms of our budget document is the \$566 million.

As my predecessor has indicated on many previous occasions, it was good planning on the part of our government to set aside funds in a Fiscal Stabilization Fund, and we had the ability to utilize those resources in 1992-93 to keep the deficit at \$566 million.

Mr. Doer: Yes, well I also note that former Provincial Auditor Jackson noted in the '88-89

fiscal year in the Public Accounts there was really not a deficit in 1988-89 as the government showed.

If the government had not created the Fiscal Stabilization Fund, there was an actual surplus in the '88-89 fiscal year, and the Auditor has carried forward this information—between governments moving money from one fiscal year to another versus what the apples-to-apples comparison would be on a year over year, how much money did you take in, how much money did you spend, what is therefore the net deficit as opposed to borrowing money to pay for a debt in a year when we had a surplus, and moving that borrowed money that you had borrowed instead of showing a surplus, moving it along budget after budget after budget, and then finally allocating some \$200 million to the '92-93 fiscal year.

* (1040)

I guess we could take some solace that an independent accountant named Mr. Harold Neufeld had also reached the same conclusions that we had that it was really \$762 million. Mr. Neufeld also raised another interesting point in his analysis, and he also raised the question about equalization and where equalization was shown, and I would like to ask the Auditor this question. How the government received a reduction in equalization from the federal government. Where is that shown in the '92-93 statement?

Ms. Bellringer: I am looking at the Volume 3 of Public Accounts.

Mr. Doer: Yes, I have Volume 1, but Jim's got Volume 3.

Ms. Bellringer: There is an adjustment for '91-92 in a federal change, and it is described right on the face of the statement. It is a federal change of methodology. Oh, I am sorry, I am on page 5 of the Summary Financial Statement. There is \$100 million that is an adjustment resulting from a federal change in methodology for estimating population for '91-92 fiscal year, and my understanding is that the actual equalization adjustment is only in the notes to the Financial Statement because it relates to the '93-94 year end, so that the fact that there will be an adjustment was just noted for future reference.

If I am correct, that is all there is. Perhaps the Department of Finance could just clarify that that was all there was in the adjustments.

Mr. Doer: Well, I think the Auditor has clarified it. The government was notified in the '92-93 fiscal year of the reduction in equalization based on population. They would have, as I assume it, the option of showing the \$100 million in the year they were informed, or show it in the previous year, and again, they chose to show it in a previous year rather than in the year that they were notified, so that it never showed on their actual deficit number for the '92-93 current year. They moved it back a year and therefore the deficit was raised.

Again, we find this a concern, because again we were notified in the '92-93 fiscal year of the shortfall. To some degree, as you have noted, based on population stagnation in terms of growth, our growth rate really quite flattened out in the last—between particularly '88 and '91, when the census came out in '91. Plus, the contributing economies, particularly Ontario and Alberta, declined, and B.C. continued to show growth, but Alberta and Ontario definitely were negative in growth. And, I guess, why did the government not show the equalization decline in the '92-93 year?

Ms. Bellringer: Mr. Chairperson, I really cannot answer the why question. From an accounting perspective, the rules are silent.

Accounting in the public sector is a very complex and evolutionary process, and it is only in the last few years that jurisdictions across Canada are gaining consistency. What we are finding with adjustments such as these, in the past, they had gone through the current year but they really were not significant. It was something you could not predict. There are always adjustments at the end of the year. There are, in fact, four or five adjustments following the year-end as a general practice.

This year the numbers were significant. We were asked from an accounting perspective if we had a problem with it. We did not qualify the opinion because the disclosure is there. And with all of the accrual accounting coming in—and there are a number of other reconciliations between cash and accrual—this was one of those things that we

were comfortable, from an accounting perspective, that if the full disclosure was there on an ongoing basis, if the deficit figure was being quoted, we encouraged the government to also quote the adjustments to the accumulated deficit. Because accounting is complex, and there are adjustments to accumulated deficit figures for many reasons, and we would like the two quoted in conjunction.

Mr. Stefanson: Without getting too technical, I think the Leader of the opposition party knows you ideally try to match your revenue and your expenditures, and we have, as auditors, outlined basically a modified accrual here in Manitoba, and that is because so many items are kept outstanding for a long period of time. Our equalization adjustments, I believe, can go as long as 30 months after the fiscal year ends.

So it doesn't make a great deal of sense when you get an adjustment in that 30th month, or around that kind of a time frame, to then go back two and a half years to adjust those particular financial statements. But as the Auditor has mentioned, if it happens fairly close on the heels of a previous year, you do have the opportunity for a prior-period adjustment.

So what happened in '92-93, the total equalization adjustment, I believe, was about \$167 million, of which \$100 million related to the fiscal year '91-92 and was able to therefore be treated as a prior-period adjustment, with the residual, the \$67 million, flowing through as an adjustment in the 1992-93.

In a similar situation this year, where we were hit with a very significant equalization adjustment, but we did not have the capacity to make any prior-period adjustments—and as members at this table well know, the entire adjustment is being reflected in our 1993-94 projections in terms of the equalization adjustment we receive this year. But again, that is the principle, I think, governments operate under—certainly that we operate under—to try to match our revenues and expenditures wherever possible. That is what happened in 1992-93 with the prior-period adjustment—not uncommon.

Mr. Doer: Well, I believe that the numbers should have been reflected in the '92-93 year so that the public would have that number right up front. And I think to just—we all know, when the Auditor says that we cite these numbers together, I guess we are talking about citing it together in the public arena. I have never heard the government cite the notes to the audited statement together with the number in the audited statement. So the public perception and the public debate—there should not be a debate. I believe there should not be a debate about the deficit number. We should debate about why we got there and how we are going to get out of it, but we should not have a disagreement about the size of the goal post.

If you can move money, if you find out—and Harold Neufeld said this; it was not an NDP critic. Harold Neufeld, an accountant, said in his speech, the year you find out about a loss in the private sector is the year you show it on the books. You should show—I have got Hansard from his speech last year just prior to his resignation, and he said that the number has been understated by the provincial government by \$100 million. Now this government has chosen to show the \$100 million in a previous-year adjustment, and that eventually will become part of the debate.

You know what I think we need in governments now? I say this, and I am sure that the minister would comment on other provinces, et cetera. I think we almost need the deficit to be reported by an independent body, because I do not think that governments can be trusted to report on the deficit anymore.

I think that if you were issuing a stock option or stock, going public with a stock, you would have an underwriter commenting about the real strength of the company, and I think what we need to have right now is the ability to have numbers when they are—we are made aware of those numbers, they are shown in that year's deficit, and they are not moved around.

We have had years previous where we had Autopac losses shown in one government's deficit and then it was moved forward as a gain in the Fiscal Stabilization Fund two or three years later.

Thirty-five million dollars, show it against one year deficit so make one year worse, show it as a positive in another year's deficit which is a \$70-million swing. I just think that I would like to see the Auditor be a lot tougher, all auditors be a lot tougher on governments about what the numbers are, and that there not be the ability to move numbers around from one year to another. I think that that is the only way the public is going to get true numbers.

I think the political debate should be how we got there and how we are going to get out of it, but the debate with us, with you, is always what it is, and that should not be a debate. It should be, this is the number. I do not want accountants to have that much latitude. I want just, you know, these are the facts. You argue about how you got there, but this kind of ability to—and the Auditor said that the rules are silent, I think were the words you used, or fairly—well, I do not think the deficit should be silent.

* (1050)

It should be this is what happened in this year. You can say this is why it happened, the equalization fund was decreased by \$167 million, but to move \$100 million into a previous year I think is—particularly when the government is using the equalization declines as the rationale for all of the cutbacks in that same fiscal year to all of the programs, I think it creates what some commentators have said outside this building, the budgets have now become shell games.

I think that is a sad commentary on all of us, that budgets have now become shell games, and I personally believe that the real deficit in '92-93 was that the seven—the comment made in the third volume and the \$100 million that was shown in previous year and getting us into the eight and a half, 800-and-something million dollars. That is again what Harold Neufeld said, the government is going to disagree about it, and I think that that is very, very unfortunate that we have this huge debate about what the number is. The debate should be always on why we got there and how we are going to get out of it, not on what it is.

Mr. Stefanson: Mr. Chairperson, I know we can spend a great deal of time on this, and I can see the Leader of the second opposition party is anxious to jump in as well, but I want to just point out a couple of things. Prior-period adjustments are not uncommon in the public or private sector, whatever you were quoting from. It is not uncommon to have a prior-period adjustment in the private sector.

The fundamental principle is attempting to match your revenues and your expenditures in the same period of time, and I think that is what most governments are working towards trying to do. Most are going to a modified accrual kind of approach. Saskatchewan, which the Leader of the opposition party would like to refer to of late, they have just recently gone to a modified accrual approach. As a result of that they were able to book in excess of \$100 million directly onto their deficit.

I have written the Leader of the opposition party clarifying that, so I hope he continues to utilize the appropriate description of what Saskatchewan has been able to do in their particular fiscal year, but I do agree with him on the issue of consistency, and I think you are seeing more governments of all political stripes attempting to work towards having fairly common approaches to dealing with issues. There is still a long way to go in terms of accrued accounting, still a long ways to go in terms of operating surpluses, deficits, and so on, but there is certainly a growing sense of awareness and need amongst all governments to try and get consistency across Canada. So as the Leader of the opposition party says, when somebody looks at a number they can compare it with not only across Canada, but obviously with some certainty within their own province.

But I just want to conclude, Mr. Chairperson, by also saying that these financial statements, this accounting treatment is looked at by all kinds of bodies from our underwriters to the bond rating agencies, and I have to say to him that we have not had criticisms in terms of our kind of accounting treatment here in Manitoba. I think he well knows that Manitoba is held in high regard by underwriters and by bond rating agencies in terms

of our overall fiscal performance, and in terms of our disclosure of information.

I know he has a concern about trying to get to what he thinks in his view the real deficit is in that particular fiscal year, but in terms of the impact on Manitoba, in terms of consistency of accounting from previous years, in terms of our objective to continue to increase the whole issue of the matching of revenue and expenditures, we are making progress, and it is not a problem beyond some of his concerns, I believe.

Mr. Chairperson: I believe Mr. Edwards just wanted to ask a question. I think he has had his hand up for some time.

Mr. Edwards: Thank you, Mr. Chairperson, and I want to ask the minister firstly, he refers to a letter that he forwarded to the Leader of the Opposition, as the Leader of the Opposition has pointed out. Having referred to that letter I would very much appreciate receiving a copy of it as well.

Secondly, I would like to ask specific to page 6—we were looking at page 5 of Volume 3—specific to the line under Public Debt, the \$502 million which was spent in 1992-93. I wonder if there is a breakdown of who that was paid to and in what amounts that is available to this committee.

Mr. Stefanson: Mr. Chairperson, I obviously do not have that with me, but that is certainly information we will provide.

Mr. Edwards: Thank you very much.

Mr. Chairperson: Excuse me, I just have a matter of procedure. It is rather good to get one issue dealt with at a time, and I thought Mr. Edwards had something to add to the line of questioning that the Leader of the Opposition (Mr. Doer) had—just to deal with one issue at a time.

Mr. Edwards: I do, but I will let him finish.

Mr. Doer: Just a couple more questions on this, and then I have some other issues I want to raise. The minister said that we should show the actual revenues and the actual operating expenses in the same year that it happens.

The decline in revenues took place in the '92-93 year. It did not take place in the '91-92 year. It took

place in the '92-93 year. We had a decline of \$167 million. The government made that statement to schools and universities and hospitals, et cetera.

Why would you not show it in the '92-93 year when it happened? Why would you show it in a year when it did not happen, because you had a higher revenue in '91-92. When you look at the decline, it took place—the actual cheque was decreased by \$167 million in the '92-93 year, so why—you know, if I, filling out my income tax tomorrow, have a decline in my money in this year, I record it in this year. I do not move it back, except if I was a business and had all these write-offs on page 1 of the income tax form, as the minister knows. But as an individual—we are talking about a household. We are not talking about people that have all these prior year—you know, the five-year carry-overs. I am talking about a family. This is the International Year of the Family.

Now, we would show this loss when we received the lower cheque. Was it not just a political decision—[interjection] I do play the violin, not very well.

Why did you not show it in the '92-93 year? Did you just reach a panic point—oh, God, our deficit is up in the mid-700s, and we have this Fiscal Stabilization Fund, you know, from '88-89 that we moved along, and we cannot dare show it in this year. We are going to throw it in the previous year.

That is what it looks like to us.

Mr. Stefanson: Mr. Chairperson, without spending a lot of time trying to give accounting lessons, the adjustment was made as a result of a change in the census calculation, a change in the formula by the federal government, and it covered two years. It covered '91-92, and it covered 1992-93, and the Leader of the Opposition talks about consistency, you know, when we are comparing our revenues, when we are comparing our expenditures, when we are comparing our deficits, whatever they might be. A hundred million dollars of that revenue pertained to the period 1991-92.

Ideally, if you were a business, I mean, you do go back and you make the adjustment to that

particular year where the revenue source was affected, so that when you are comparing personal income tax on an annualized basis, and you are comparing other sources of income, other expenditures, you are doing it recognizing that is what you were entitled to in that particular point in time, and \$100 million of this related to that particular point in time. That is a very—without dragging the Auditor into this, that is a common accounting practice. That is common in the business sector.

It is fairly common in governments. Many governments are moving to accrual form of accounting, and it is matching your revenues to when they are earned, and you earn or receive them from the taxpayers at a particular point in time, and if you get an adjustment in a subsequent year, you should really reflect it for the year that you were entitled to receive it from taxpayers. That is what is being done by the prior period adjustment. Fortunately, we have not had to make that many of those, but it is not uncommon in government. It is certainly not uncommon at the private individual's private business.

Mr. Doer: I will just make one other point. I have two brothers who are accountants, so I have raised this with them. I also know that Harold Neufeld is an experienced accountant, and Harold Neufeld disagrees with the Minister of Finance.

Floor Comment: But I do not.

Mr. Doer: Well, perhaps I am not going to talk about who has seniority in terms of accounting, but I think Harold Neufeld had a considerable amount of seniority as an accountant, and he made the statement, and it is in Hansard, that you should show it. He believed the year you know the loss you should show it on that statement. He said it in Hansard, it is there in Hansard, I will send a copy to the Minister of Finance today. He may want to consult again with the eminent Mr. Neufeld because it sounds like accountants are—and I have talked to my brother about accounting—it sounds like accountants are like lawyers; you get two of them together and they can disagree on things. That is unfortunate. I think that we should have

accountants that can agree on numbers and the politicians can disagree about how we got there.

Mr. Stefanson: Mr. Chairperson, I have three other chartered accountants at the table with me, and I would point out quite simply to the Leader of the Opposition, I think most accountants, most provincial auditors, will acknowledge that the cash basis of accounting is not the most appropriate basis of accounting. Most will acknowledge you go to accrued accounting, and I certainly ask a long-time civil servant who has been Deputy Minister of Finance. Do you want to hear Mr. Curtis's response to the cash accounting?

Mr. Doer: I would not want to put Charlie on the spot. How can he disagree with his own minister? He has not become a long-time credible deputy minister by disagreeing with his minister.

* (1100)

Mr. Stefanson: How about the Provincial Auditor to comment on cash accounting versus accrued accounting? If you are making a big issue of that, that is, cash accounting is not recognized as the appropriate method of accounting for a business or for a government, plain and simple. What you are suggesting is to stay with the old practice of cash accounting.

Well, I will have to read Mr. Neufeld's comments, and I acknowledge his profession and his long-time service, but I also—I have a brother who is a chartered accountant as well, if we are talking about family members. But my simple point is cash accounting versus accrued accounting and it might be worthwhile for the Auditor to make a brief comment on that fundamental principle. Carol?

Mr. Chairperson: Ms. Bellringer, do you have a comment?

Ms. Bellringer: Is there a question referred to me, or would you like a comment?

Mr. Stefanson: It really is not a political issue.

Mr. Doer: I just want to move to one other item, and then I will leave the floor because I know we have other meetings. This is an area that both Mr. Edwards and I raised considerably in the past, the

whole Jets agreement with the provincial government.

It was signed in the '92-93 fiscal year and taken, I believe, to the cabinet. In the first two years of the agreement, allegedly there were no operating losses of the team and therefore no financial contributions from the taxpayers. In fact, we have been told that there was an adjustment based on a small profit for the liability of the province. In the third year the losses are estimated to cost the taxpayers \$750,000 provincially per quarter, and now we are into the fourth year, in this fiscal year.

I would like to know whether there was any financial analysis done on the cost to the provincial taxpayers about the Jets agreement that was signed by the province—I am talking about the provincial share of that agreement in terms of covering the operating losses of the hockey team.

Ms. Bellringer: Mr. Chairperson, in terms of, again, financial statement disclosure we were satisfied with the disclosure for the year ended March 31, '93, and we have on our project list for the current year to have a look at the kinds of things that you are talking about in terms of cash projections and the evaluation process that took place when the decision was made, to ensure that the right information or that there was correct information used in that decision-making process. But that we have not yet done.

Mr. Doer: I was wondering, sometimes when we ask the Auditor for various reports we can get it on a timely basis, and sometimes we get things a year later, and sometimes we get things a year and half later.

I was wondering if the Provincial Auditor who has this as one of their projects could provide to the members of the Legislature (a) the financial information that was tabled with Treasury Board and cabinet in terms of what the financial implications of this deal were, (b) the financial projected existing losses and the projected future losses in the agreement that was signed by the government, and (c) some of the issues of liability if the team decides to leave because there is no agreement by June of '94.

Would the taxpayer still be liable to pay for the losses of the team if the owners are using the '94 year to search for another location for the professional hockey team? Will we still be liable for the losses before it moves, because we know if it moves, we are not liable. But for the time the team is still located here, but being shopped around, if you will, or being marketed to other communities by the same owners, are we then still liable, the taxpayers still liable for losses, and was that analyzed at the time the team, you know, this agreement was reached on the operating losses of the team?

I was wondering whether we could get that because it is a very, very—I would like to take the politics out of the hockey team and just look at the finances of the agreement and what it means to all of us. I think at this point, we have numbers that are around in the sports media, we have numbers that are around in the political media, we have numbers around the community, and nobody knows what the losses are and what the losses will be, because it is important for us, as members of the Legislature, to evaluate our losses as we make potentially future financial decisions.

If we do not have, in this crucial year, all the facts in front of us, then you can come to some of the wrong conclusions about what you should be doing, and I think it is absolutely essential that all of us, all 57 members of this Legislature know what our exposure is, what it is projected to be this year, in the '94-95 year, because it flows from a five-year agreement that was established in the year that we are talking about from the accounts, and what are some the liabilities, because that way, you cannot make an intelligent decision about how you are going to deal with this issue unless you know what the facts are of where we sit.

Ms. Bellringer: Mr. Chairperson, one of the things that we are really trying—we are working very hard to encourage management to produce the full and fair disclosure that the Legislature needs and put the assurances on that information.

So that is our first approach. That is the first thing we try to do, and we will provide the direct reporting in the event that this does not take place.

When we go into the process, I will try to push forward the project. I think it is not scheduled until a little bit later in the year, but I will have someone reschedule it to be done earlier. The approach we will take is again to encourage management to do it. In the event they do not, we will make the information available through our report.

Mr. Stefanson: Mr. Chairperson, I had the opportunity to sit through the Premier's (Mr. Filmon) Estimates, and both the Leader of the Opposition (Mr. Doer) and the Second Opposition (Mr. Edwards) spent a considerable amount of time on this issue; I believe about two hours on the agreement and the exposure and so on.

I think there was agreement that it is an issue that politics should be removed from. The Leader of the second opposition party is correct, that we have gone—the Winnipeg Jets Hockey Club's fiscal year-end is June, so we have gone for June '92, June '93, where there were some profits accumulated. Those were applied then against the projected losses for June '94, because it is a June year. In this particular fiscal year, we will have three payments of \$750,000 per quarter. I believe, as the Premier (Mr. Filmon) indicated, while we are making some provision in the budget for '94-95, until the June year-end obviously comes to an end, and the club finishes their budget and projection for '94-95, we will not have the final numbers for that particular year.

I think it is fair to say that while there were some projections, and even Mr. Mauro in his report has some projections on costs and so on, although his is much more recent than when this agreement was entered into, player salaries certainly continue to escalate at alarming rates, I guess is the only way to put it, which causes both a financial concern here, and the whole issue of the viability is obviously fundamental to that, as well.

Mr. Doer: The reason why I think it is important for us is all of us, the Leader of the Liberal Party, myself, the government, is going to be asked some very tough questions by the public about this issue because the contract has a trigger date for decision making of June of '94, and it is really difficult for those of us who do not have the numbers.

I think all the numbers should be on the table right now. I think the government should table—we were able to get some information at the last committee meeting. For example, this was the profit for the first two years, this is the projected losses, this is for '94-95, this is our worst-case scenario, this is our best-case scenario, so that when we are dealing with other decisions in the hockey team issue which the taxpayers are liable for, that the issue of the arena and all these other decisions that cancel the operating losses of the team can be discussed with a base of knowledge that we all have.

For us to be able to comment intelligently about other options that the government has to decide—and as I say, we do not know who the government will be in six months or a year because it is the fourth year, and I think that is the reality of it. That is just the democratic process.

I think it is really important that we do treat—the best way to treat this in a nonpolitical way is to have absolute numbers that we all are operating under, that have been verified by the Auditor's office, because we will be not only asked to comment, we will be asked to commit ourselves to certain financial decisions one way or the other in the next period of time.

If we do not have the numbers, it really is difficult for all of us, as members of the other parties, to make intelligent comments without the financial information. You have information on sports pages, which tends to be—you know, sports wants sports to stay in Winnipeg. You have information from the hospitality industry, which wants this to stay. We all want the hockey team to stay in Winnipeg and for the taxpayers not to pay a cent. That is what we all want, and that is the starting point.

* (1110)

But then you get into the more difficult questions. If it is this, will you do that? We do not know what the this is, in terms of our options. That is why I say it is really time sensitive. It is really important to all 57 members. It is important to the public. This will be a huge public issue, and we will just be—you know, to be guessing about those

numbers, I think, is not fair to the public or the opposition.

I just really say to the minister and the Auditors, the Provincial Auditor, that it is crucial for us to get some of these numbers out of the closet in terms of what they are and let the public see them, so we know, because I think, actually, some of the operating losses potentially will be high enough that it will drive the decision maybe to a more positive decision, because I do not believe in paying for the operating losses of the hockey team.

There is no asset to show for it. There is no commitment for the hockey team to stay here. The taxpayers are getting nothing to show for their operating loss. They do not have a capital asset. They do not have a hockey team commitment. They do not have anything. I have always been opposed to the operating loss issue, although I am sympathetic to trying to find some other solution for the Jets' long-term viability in our community and in this province.

Mr. Edwards: Mr. Chairperson, on that issue—and I know the minister wants to respond. Perhaps he can respond to my question and to Mr. Doer's, as well. Just on the issue of the Jets, we were told by the Premier (Mr. Filmon) in the Estimates that he thought he should—do not hold me to it. I think those were his words. He thought that for the first two years of the agreement, there was approximately a \$1-million carry-over profit, which was then going to be applied against future-year losses.

Now, can the Auditor or the Minister of Finance indicate where in the '92-93 documents would that profit be reflected, or would it be reflected at all in here?

Mr. Stefanson: Mr. Chairperson, no, it would not be reflected. It was a part of the agreement that was entered into. It would accumulate as part of their financial statements, but when their losses were projected for this first year, '93-94, that amount was deducted from the loss to then arrive at the amount that is being supported by the City of Winnipeg and by the provincial government.

Mr. Edwards: On that issue of the future losses, then net losses after the application of that

carry-over will be reflected in the next year's accounts? If so, perhaps if that is accurate, under what line and what department will they be reflected?

Mr. Stefanson: 1993-94 is being reflected through Industry, Trade and Tourism. They are making the payments of the \$750,000 per quarter, which will be for three quarters, because we started from June of last year. So for the March 31, '94, year-end, there will be three payments of \$750,000 reflected by Industry, Trade and Tourism.

Mr. Edwards: Mr. Chairperson, as I recall the agreement, and I do not have it in front of me, the quarterly payments were to be made on the best estimate as to what the actual losses were, and then it was to be carried forward to a year-end reconciliation in which there was an accounting of sorts, and either there was more owed or some paid back.

Has the Auditor reviewed that at all? Was the Auditor involved in that agreement or subsequently reviewed that agreement as to the financial wisdom of paying essentially on a quarterly basis based on the speculated loss with the reconciliation at the year-end?

Mr. Stefanson: I will respond first, Mr. Chairperson, and the Auditor can comment. The Leader of the second opposition party is correct that it is based on budgets, on estimates. He knows, I believe, those budgets have to be approved by the Interim Steering Committee, chaired by Mr. Art Mauro, and there are various conditions that the expenditures of the hockey club have to be in the bottom one-third of all teams in the National Hockey League and so on, with a reconciliation to be performed based on audited financial statements at the end of their fiscal year. They have external auditors, one of the big six accounting firms, I believe, are the auditors for the Winnipeg Jets. So they do an audited statement at the end of June, and based on that audited statement a reconciliation is made. Whether or not there is an adjustment because the losses are higher or if they end up being less, then that is reflected in the next year's adjustments that would be required.

Mr. Edwards: Just on that issue, Mr. Chairperson, then the \$750,000 per quarter, is that set or are we speculating that will be it and then each quarter it is determined for that last quarter?

Mr. Stefanson: The \$750,000 per quarter is set based on the budget for their year which is ending in June 30, 1994, and subject to their audited financial statement after June 30, 1994, an adjustment is made one way or the other.

Mr. Edwards: Where are the value of the province of Manitoba shares currently in through Winnipeg Enterprises in the hockey team accounted for here in the accounts?

Mr. Stefanson: They are not reflected because they, of course, are conditional on what ultimately happens. As the Leader of the second opposition party, I believe, knows, Winnipeg Enterprises effectively owns 36 percent of the hockey club of which 18 percent has been assigned to the province to potentially recoup any of these operating losses if the hockey club is sold. That asset has not at this particular point in time been reflected, I think for obvious reasons, because of what might end up ultimately happening. It might be an asset that is not necessarily called upon. I think many, as the Leader of the opposition party has indicated, I think many hope that is not called upon, that there can be a solution that keeps the team here and includes the private sector and so on. So it remains to be seen what happens with our effective 18 percent.

Mr. Edwards: Nevertheless, maybe I can just ask the minister then, is the 18 percent ownership, which may amount to a value, given current market value speculation of the team, in the range of \$8-9-10 million perhaps, have those shares been assigned or is there just an agreement to assign them in certain circumstances, or have those shares in the team been in fact put under the name of the Province of Manitoba?

Mr. Stefanson: I will stand to be corrected, I will answer the question but I will confirm with the Leader of the second opposition party. My understanding is they are reflected through the agreement, and then become assigned and/or called upon if the team is disposed of, that they

have not been actually assigned to the province at this particular point in time, that it is all part of the agreement with the City of Winnipeg and with Winnipeg Enterprises, with the hockey club and with the province. That is my understanding, but I will certainly confirm that for him.

Mr. Edwards: Just to confirm. They vest conditionally based on certain things happening in the future. If the team is not sold then in fact they do not transfer to the province. How does the province get paid back, if at all, for its contribution to the losses?

Mr. Stefanson: There can be all kinds of scenarios, and that is really what I think we are all going through, and that does not necessarily mean that the city or Enterprises or the province have to or should continue to have an ownership in the club into the future if the team stays in the city of Winnipeg. So there is also potentially the opportunity to recoup them through whatever might happen to that 36 percent interest even with the team staying in Winnipeg, whether it is through other private investors, whether it is through a public offering, whatever vehicle that might be. Again, so much of this hinges on what kinds of decisions will flow from the Burns committee report and what ultimately happens to the hockey club staying in Winnipeg.

Mr. Edwards: Has the province or the Finance department or the Auditor done any assessment of the financial, and another part of the financial figures that I think is critical to this debate is, economic impact of this franchise in the city. One of the things I raised with the Premier (Mr. Filmon) was that there, of course, are the three reports relied upon by Mr. Mauro. There is his speculation as to the economic impact on the local economy using appropriate multipliers, et cetera. There are also other studies that contradict quite substantially those findings, most notably the report by Dr. Robert Baade. B-a-a-d-e for Hansard. They have called me on this in the past, so I will put it on the record now. That report paints quite a different picture, not specific to Winnipeg, but a study over 30 years in 57 cities for professional sports.

Is there any assessment of the actual economic impact that has been done by the Auditor, by the government, in the Finance department of those numbers taking into account all of those reports?

* (1120)

Mr. Stefanson: Mr. Chairperson, up until recently, we have been utilizing, as the Leader of the second opposition party has indicated, the Mauro report, at least two analyses done by Coopers & Lybrand, one done by Lavalin. I have a copy of Baade's paper and his approach to these professional sporting teams and so on, and we are doing a review of that paper to see how it compares to these other studies that show a much more significant economic impact.

Mr. Edwards: Mr. Chairperson, I recognize we are off Public Accounts specifically, but I would like to—and I do not even have a brother who is an accountant, so let me acknowledge right off the bat that I want this financial information. I feel that there are these reports out there. I would like to have some reconciliation. If the department is in fact doing that type of a review, would it be possible—I think it would be very helpful. Whatever position is ultimately taken by the three parties on this issue, it would be useful to have a common base of information.

Would it be possible for us, when that is completed, to receive a review of those reports as done at taxpayers' expense by the Finance department?

Mr. Stefanson: I, at this point, will really take that as notice. I agree with what both have said in terms of sharing the maximum amount of information. I think that is healthy for the issue, and I will certainly do what I can to fulfill that kind of an obligation.

Mr. Edwards: Mr. Chairperson, with your leave—and I am going to spend a very brief amount of time, I can say for my honourable friend the Leader of the Opposition. I do, because I am going to have to, unfortunately, leave this meeting in about 10 minutes, but I did want to just ask, in part 3, there is a list of government Crown corporations, as well as government enterprises, and I just wonder if the Auditor can indicate, what

is the nature of her responsibility or, sorry, the office's responsibility for auditing those operations?

When I raised this in my opening comments, the Minister of Finance (Mr. Stefanson) appeared to shake his head, that, in fact, they are not being audited by outside agencies.

How does that work? Do the agencies get a yearly audit from outside agencies with the Provincial Auditor having the ability if and when the office sees fit to audit in addition? What is the nature of the relationship with these Crown corporations and the Provincial Auditor?

Ms. Bellringer: Mr. Chairperson, in our 1993 Report to the Legislative Assembly, by ministry, we listed out each of the various departmental operations, as well as each of the Crown agencies, and there are two columns. One of them has a tick mark next to financial statement, a test where we do the opinion on the financial statements, and where there is no tick mark in that column, but a tick mark in the second column where it says overview—

Mr. Edwards: What page are you on? Sorry.

Ms. Bellringer: Oh, it is right throughout the entire report, if you go to the first page of any ministry. So for example, if you go to page 40, that is the minister who is in charge of the Civil Service Commission, Labour and Northern Affairs, and we have listed out all of the entities under that minister's responsibility. Where it only has a tick mark under overview, then we are not responsible for auditing the financial statements, but it is still something that is in the inventory of projects that we could do broader scope audit work with. We do not have the resources to go into every entity every year, and it is done on a risk assessment basis.

Mr. Edwards: For the Auditor then, one of the Crown corporations now—it used to be a foundation and was at the time of this report—that I am particularly concerned about is the Manitoba Lotteries corporation.

Where is it reflected—and that will, I guess, lead me to my next question, once we determine

whether or not it falls in the overview column or the financial statement column.

Ms. Bellringer: For my own use of reference as well as yours, at the back of the book—in the future, if you are looking for something, there is an index at the back so you can find which ministry the Crown agency is under because it moves sometimes.

Mr. Edwards: Actually, it is Consumer and Corporate Affairs.

Ms. Bellringer: So I then go to Consumer and Corporate Affairs, and the Manitoba Lotteries Foundation last year was an overview. We did not conduct a test audit on financial statements.

Mr. Edwards: What did the overview comprise? What is actually done in an overview, and I guess specific to this corporation, what was the process of the overview?

Ms. Bellringer: The overview process—and we have in fact redefined the words, and it is really just a planning process to determine whether or not we will go in and do a project, and we did not conduct any project inspection or special audits in Lotteries. So it would consist of looking at the financial statements, looking at any management letter that may have been issued by the external auditors for the board of directors, interviews with senior management, and that would be the extent of it.

Mr. Edwards: Who did do the audit for the Lotteries corporation in the '92-93 year?

Mr. Stefanson: The accounting firm of Ernst & Young.

Mr. Edwards: Is there any guideline or specific guidance with respect to use of a company like Ernst & Young for auditing purposes? A lot of these companies now do have both business management and accounting auditing arms of their operations, and I do not suggest anything at this point with respect to Manitoba Lotteries corporation, but generally, if in fact the audit is done by one outfit, is there a specific guideline which states that that firm cannot also be used for other client business in order to preserve the neutrality of the Auditor?

Ms. Bellringer: The rules of professional conduct that chartered accountants have to follow would preclude anybody from getting into a conflict of interest situation where they are not independent. There may be business advisory services that an auditor, while being the auditor, may provide to the entity which they do not find to be in conflict.

Mr. Edwards: Are Ernst & Young still the auditors of record for the Manitoba Lotteries corporation?

Mr. Stefanson: Yes, they are. I am told it is a five-year appointment, which is not uncommon with accounting firms.

On the member's previous question, there are several criteria that the Crowns use in terms of evaluating auditors. Some of them would be the firm's related auditing experience, their specific experience of the individual personnel to be assigned to the engagement, the quality and the appropriateness of the auditing firm's proposed work plan and the assignment of their personnel, the anticipated timeliness of the audit work and resulting reports, quality and appropriateness of the specific audit techniques to be applied, adherence to the terms of the request for proposals, and of course, the audit fee that has been requested.

Mr. Edwards: With respect to the overview done of this Crown and other Crowns, is there any paperwork on this? Is there a report that is prepared for the Auditor recommending simply the overview process, as opposed to going the second step?

Ms. Bellringer: No, we have not been externally reporting that, other than advising the minister responsible that we had completed the overview and that there was nothing that we were bringing to the minister's attention, and that is reflected by exception in here.

Mr. Edwards: With respect to these Crown organizations, aside from the process of doing an overview and then determining, I gather, whether or not to go the second step, is there a random approach to just doing certain Crown operations, Crown corporations, on a spot basis in addition to that regular overview on a yearly basis?

Ms. Bellringer: The way that we select project audits is there are a number of factors that we consider. Some of it has to do with the resources available on the various audit teams. We also look at the magnitude of money flowing through, the extent that there are external auditors, internal auditors, other Crown corporations, councils and so on doing other reviews as well.

We assess the overall risk of various program areas and so on and then come together as individuals within the office, look at that, and then we come together as a group, and we go through brainstorming sessions to make sure that we have an overall coverage within all government ministries. So it is not random, but it involves a lot of subjective decisions along the way.

Mr. Edwards: Finally on this, what is the relationship between the Auditor's office and the government itself, either the department's or ministerial staff in terms of determining whether or not those special projects are done on a given basis?

Is there discussion with the arm of government from the Auditor's office before those decisions are made? Are there recommendations which ever come from the government to do a special project audit?

Ms. Bellringer: The project audits that I just went through the risk-assessment process with you, those are entirely at our own discretion.

We meet with the deputy minister, generally, and the minister, and in fact, now we are encouraging our audit staff to meet with the opposition critics to gain a better understanding of what issues are in the interests of—what do the MLAs want us to look at. We take that into account when we go then and move on to doing the risk assessment, but those are not at anyone else's direction.

* (1130)

There is another category of audit, special audits, where we are requested to do a special audit by either the Lieutenant-Governor-in-Council or the Minister of Finance, and we will conduct those

audits as long as they do not interfere with the regular business that we are doing.

Mr. Edwards: Finally on this issue, and I know I have said this once before, let me say, given your response that you also seek advice of MLAs, that it is my view, the view of members of our caucus, that the Lotteries corporation has gone through dramatic change in the last number of years in terms of not only its corporate structure, going from a foundation to a corporation, but in terms of its growth and its importance in the overall economy and the amount of dollars that are involved. We are all seeing dramatic increases in the number of not only net but gross revenues going into it.

I am very concerned, as the Auditor is aware from prior discussions with her, and I simply put those on the record again. That is a priority for us as to having the Provincial Auditor's office do a full audit of that.

I think it is a critical time to do that. I do not suggest any impropriety. What I suggest is that there has been, in our view, a lack of information flowing, detailed information, and that given the very dramatic increase in size and importance in the government structure and in overall government role in society, that it is an appropriate time to do an audit, and I leave those comments on the record for the benefit of the Auditor.

Mr. Doer: Flowing from that, I had some questions on the Lotteries corporation, as well. It is probably the best time to raise that.

This entity, I believe, previous to the Ernst & Young contract, was audited by the Provincial Auditor's office.

Ms. Bellringer: Yes, that is correct.

Mr. Doer: I have had this argument with the former Finance Minister, Don Craik years ago, who is respected quite a bit in his credibility, but I had a philosophical disagreement with him years ago and believed very strongly in the role of the Provincial Auditor vis-à-vis Crown corporations. That is a political policy issue which I do not—we can deal with in some other form. I just have a bias towards utilizing the Provincial Auditor's office

versus outside auditing firms, and my bias is probably reinforced by reading outside audits through the telephone system over a period of years and seeing some bells that did not go off, if I can use that terminology, early enough.

However, I want to proceed with the Lotteries. Do we have an audited report that indicates what the gross income is, in terms of how many dollars are spent on lotteries? How much then goes to the province in terms of profit? How much money is distributed to the retail outlets where lotteries are played outside of the provincial government's own operations? In other words, can we get a breakdown of how much money is a bet, or how much gross money goes out, how much money the province receives, and how much money goes to hotels and restaurants, you know, that are the retail operations?

We do not know, when the government talks about \$200,000,000 potentially Lotteries profit, and in the budget it says, we believe that Manitoba's economy is best served by having money in the pockets of Manitobans—this money does not come from heaven. The lottery money does come from Manitoba pockets.

It is more than just the money the government raises because there is also the profit issue, or it is also the money that is distributed to the retail outlets. So I was wondering, does the Auditor have a breakdown from the Ernst & Young audit of the overall picture? How much money is in gross? How much money do we have in profit, and what are the other payments made to other entities that are part of the lotteries issue? Again, this is a big public issue, and we do not have all the facts.

Ms. Bellringer: Mr. Chairperson, it is my recollection that the annual report, which includes the financial statements for Lotteries, would have that information.

Mr. Stefanson: Just picking up on that comment, the minister responsible, I believe, just a few days ago in the House tabled the '92-93 report, and my understanding is the same, that most of that should be in the annual report.

Mr. Doer: Well, the massive expansion, of course, took place in that year, but mostly after that

year, and how do we get current information? I mean, the revenues in the government's own budget have gone up dramatically from a projected \$60 million to something more than that, and now we are talking close to \$200 million. The expansion is way beyond the financial information, and how do we get current financial information?

Could we get, and I am not talking about the detailed financial statements of the details of everything in an audit that would be conducted at that Lotteries corporation, but could we get just a summary breakdown? What is the gross, what is the revenue to the province, what is the distribution to retail outlets so we know the magnitude, again, of something that is fairly important, both in a revenue item and an economic item?

We think the annual reports will be far behind the current status of the numbers, and is it possible to get the current status of the numbers from the Auditor, just a summary sheet? We are not looking at in-depth stuff.

The only summary we have now is a massive increase in revenues to the province. Ergo, there has to be an increase in the amount of money going to hotels, and we just want to know how much money is out there in terms of our economy.

Mr. Stefanson: I will take that issue up with the minister responsible. I believe he has indicated that the projected earnings he and the general manager of Lotteries have indicated for lotteries in '93-94 are approximately \$180 million, but in terms of the timing and the availability of that further detail, I will raise that matter with him.

Mr. Doer: If the earnings are \$180 million to the province, how much is the profit or earnings to retail outlets as a percentage of the money that is bet in Manitoba, because that also is consistent with the minister's own statement about: our economy works best when Manitobans have money in their pockets. I think that was right out of your budget. We want to know how much money is going out of people's pockets. One part of the pocket is going to the provincial government, the other pocket is going to a considerable number of retail outlets, and then there is a gross amount of

money, and is it possible which would tell us roughly how much money is being returned to the pockets in terms of alleged prizes, in terms of the money returned in the lotteries?

We only need about four numbers to really know what the issue is, but I think it will give us—we have one number now, that is the province's revenue number. We do not have all the other numbers, and I am not talking about how many dollars go to each individual hotel or restaurant or whatever, but just how much is coming out of the consumer economy and how much is being returned. We will know that with the gross and we do not have to have a breakdown by game or whatever else. We are not talking about confidentiality of gambling. We are just talking about—not that we believe there should be confidentiality of gambling.

Mr. Stefanson: Again, on that issue I will undertake to have a discussion with the minister responsible.

Mr. Doer: Thank you.

Moving to another item: the Immigrant Investor Fund. Can the Auditor indicate any follow-up from the audit and the Crewson audit which the auditor reported on, and if there was—well, I will just ask the first: Is there any update the auditor can give us on the Immigrant Investor Fund at this committee report?

Ms. Bellringer: Mr. Chairperson, we have not updated our report subsequent to the March '93 report, but perhaps the Department of Finance has.

* (1140)

Mr. Stefanson: Mr. Chairperson, the Auditor's report basically supported the steps that were taken by, the way I interpret it, Industry, Trade and Tourism, and by our government in terms of dealing with the Immigrant Investor Program. As the Leader of the Opposition, I believe, knows, we have withdrawn our participation from the program, and that continues to be the case as of today, that we are still not a part of the Immigrant Investor Program. There are no new funds being established in Manitoba, and the only activities

that would be taking place in Manitoba would be syndicated funds.

I believe the Leader of the Opposition knows there are really two funds. There are project-specific funds and there are syndicated funds. Syndicated funds that already exist and have funds to place in Manitoba are the only activity that are taking place, and they go through the process on any individual investments with the Department of Industry, Trade and Tourism.

Mr. Doer: The original Crewson report, prior to the five separate audits, was very critical of the fact that the government did not have an independent evaluation of the economic impact of proposals prior to the approval being given—the minister will quibble with the word “approval”—prior to the recommendation to approve being provided by the government to the federal government.

This is a very serious comment on hundreds of millions of dollars that were invested by people in projects in Manitoba. The government has accepted no political responsibility for that. I have raised that with the minister, he knows, in terms of where does the buck stop. He suggests the buck stopped somewhere below him when he was in his previous capacity. We believe the buck stops at the highest level in all these major decisions of course. What action has taken in terms of accountability in the department?

Mr. Stefanson: Mr. Chairperson, again, as the Leader of the Opposition I believe knows, this is a federal government program. It was brought in by the federal government. They have the final criteria and the ability to award a visa or to not award a visa. We have indicated all along that there is a role for provincial governments, and as he has correctly outlined, the role for provincial governments, here in Manitoba, have been commenting on the economic benefits of a particular program. By and large, it is a federal initiative with the federal government having the final approval process on any of these projects. Again, as he knows, we were one of the few provinces that had guidelines. I believe many provinces did not have guidelines.

In terms of where we are going from here: The recommendations that came out of the Crewson report, I believe, and I do stand to be corrected, but I believe Industry, Trade and Tourism has guidelines built around these additional recommendations that came from Crewson, by and large not needing to be implemented because, as I have indicated to the member, we are really not in the program and have not been dealing with any new requests because we continue to be outside any new initiatives under the Immigrant Investor Program.

The one issue he refers to that there was some criticism was the degree of economic analysis, that there was some economic analysis by Industry, Trade and Tourism, sometimes relying on information provided by the proponents of the projects. One of the recommendations from the Crewson report, I believe, was to really formalize having an independent third-party economic assessment done, and I believe Industry, Trade and Tourism is now following that process for the limited number of requests they have through syndicated funds, but I will confirm that and certainly if and when the government ever gets back into the program in totality those guidelines would in fact be put in place.

Mr. Doer: Yes, the minister made the statement that we comment on various proposals. I believe the federal program requires the government to recommend, which is a stronger word and requirement than commenting on. I think that the minister knows—for example, I would ask the minister, are there any projects the federal government will approve that are not recommended by the provincial government?

Mr. Stefanson: Mr. Chairperson, I would have to take that as notice and check with I, T and T whether or not there were any specific projects that were commented on by the provincial government and were not accepted by the federal government.

Mr. Doer: The exact word in the federal government program is “recommend.” It is not “commented.” You may want to substitute the word, but you cannot substitute words in a program.

We understand that the federal government did not approve one project that was not recommended by—in other words, there is a two-stage approval process. Yes, it is a federal program, but there is a two-stage approval process: (1) it is recommended by the provincial government, and (2) it is approved by the federal government.

I just want the minister to confirm that and confirm the fact that our information is, there were no programs approved by the federal government that were not recommended by the provincial government.

Mr. Stefanson: Mr. Chairperson, obviously provincial comment would include whether or not there was support or not support for a particular project. As to whether or not any were approved that the provincial government did not indicate support for, I would have to absolutely confirm. I think the Leader of the opposition party is correct. Probably all projects that were approved had the support of the provincial government, but I do stand to be corrected whether or not there was an exception to that or not.

Mr. Doer: There are various numbers of legal proceedings taking place with the five funds that were audited specifically by the consultant accountant that the government hired for purposes of reviewing this report. Some of the businesses are moving funds from one entity of a corporate structure to another entity of a corporate structure. Obviously, the aggrieved immigrants, who have paid money and not gotten anything to show for their investment, have a potential to sue the corporate entities that resided in Manitoba in terms of their investment.

Has the government requested a legal opinion and received a legal opinion about the potential to be in libel suits themselves for programs that the government recommended, the federal government approved, and investors marketed that have fallen apart and investors have been left without their investment?

Mr. Stefanson: It would have been very helpful if the Leader of the Opposition, in this particular case, had given some advance notice of the amount of detail he wants to go into under the Immigrant

Investor Program, and even though I had previous responsibility, I still would prefer to go back to specific documentation when he starts asking these kinds of questions, for obvious reasons. Some are before the courts, some there were potential criminal charges. We have made a specific request, as he well knows, that we want protection for investors. That was one of the reasons that we requested a freeze on three particular funds to the federal government. The federal government acted on our request and froze three funds.

We have indicated all along that we feel very strongly that there should be court-appointed representatives on behalf of those investors because of some of the concerns around those funds. Because of the sensitivity of where some of these are at, in terms of legal proceedings and other issues, there are some very detailed, specific questions. If the Leader of the Opposition can provide me those, I will certainly undertake to get the information and provide him with as much information as possible. My understanding is there is no legal exposure to the provincial government as a result of the Immigrant Investor Fund.

Ms. Bellringer: Mr. Chairperson, just on the previous question, on page 95 of our report, in the background material, we listed out some of the figures in terms of the numbers of offerings and so on.

* (1150)

Mr. Doer: Given the fact, the minister indicated that he understands there is no exposure. I would like to see the legal opinion on that, and so I will give notice to that. We understand that as this thing proceeds, there will be a lot of aggrieved investors who will be seeking redress from the courts. I hope Manitoba is not named, and I hope Manitoba is not adjudicated to be—how should I say it?—imprudent in its recommendations on these projects. The Crewson report that says that we did not do an independent analysis may not be that helpful to the province, it may be, et cetera. But there are a number of investors that are now without an investment. That is something that usually ends up in court. So I will await the

minister's legal opinion on that, which he has taken as notice.

Mr. Stefanson: Just on that, though, Mr. Chairperson, I do want to clarify, and the Leader of the Opposition knows, the provincial role was to comment on the economic benefits of particular projects to the province of Manitoba, not to comment on the potential economic benefits to an individual investor. I am not a lawyer, but I have read some of the prospectuses that have been put out, and they certainly have the usual caveats in terms of recommending for any potential investors to get the appropriate professional advice and all of the buyer beware caveats that are in prospectuses.

So in terms of our role, in terms of economic benefits to the province of Manitoba, and relating that back to any potential legal exposure, as I have indicated, I believe that the province is not in any way exposed from a legal perspective.

I do want to remind the Leader of the Opposition Party that there are examples of some funds having some difficulties in other provinces. I believe many other provinces did not follow even the degree of involvement that was done here, in terms of having some guidelines, some rules. Some were extremely loose and, unfortunately, with this particular federal program, I think we are going to see many instances of difficulty, particularly as some of them come to the five-year lapse, where they have to be refinanced and investors are expecting to get their investment back and a return on their investment. So it certainly goes well beyond the province of Manitoba.

Mr. Doer: There was a lot of criticism about the former Conservative federal government initiating immigration-for-cash programs. Is the new federal government changing or stopping cash for visas, or is it still part of the federal government's economic strategy to have immigration—there have been considerable changes by the federal immigration minister, and I am asking this as a carry-over. Has the new Immigration minister stopped this cash-for-visa program, or is it still part of the immigration program of Canada? I couldn't discern from the comments that I saw in the media

whether this was still a program in existence from the Mulroney years to the Chretien years.

Mr. Stefanson: Again, I stand to be corrected. I believe it is still in existence, but I will get back to the Leader of the Opposition confirming that.

Mr. Doer: In terms of people that have paid money to enter the country in Manitoba projects, what has been the follow-up on the actual individuals and their visas? Have they all located here, notwithstanding the fact that some of these investments have turned to dust? What is the status of the individuals themselves? Because that affects Manitoba's reputation, obviously, in a very important area of the world and a very important trading area of the world, and all of us are concerned that the good reputation we have in the Asian communities is maintained. It was primarily Asian immigrants that were being marketed.

Mr. Stefanson: I will have to get the detailed information from the department responsible. I believe, as the Leader of the Opposition knows, there is no requirement that, because you invest in a particular fund that is in a particular province, that that is where you have to locate to.

But I also want to comment on the image of Manitoba. While there was some concern around some of these particular projects, I think the other side of that issue was that many investors acknowledge that Manitoba did step in, did take some steps, and are taking steps to attempt to protect their investments. So in the eyes of many investors, I think, Manitoba is well regarded because of concerns around their investment.

Mr. Doer: The Auditor commented, in the report dealing with the audit, that the minister indicated that he would have an investigation, a thorough, independent investigation of the original public comments on this immigrant investment fund prior to the issuing of some of the other second issues of various funds, including the Maple Leaf Fund. If my memory serves me correctly, the Auditor did review this matter, and I would like to get the Auditor's opinion about what work was done in the Department of Industry, Trade and Tourism on the investigation that was promised by the minister in March of 1992.

Ms. Bellringer: I am sorry, Mr. Chairperson, I am a little confused as to which that would have been referring to. Do you have a reference perhaps?

I just consulted with the staff member who did the detailed field work on that one, and while we had access to that report, we did not use it in the process of conducting the audit. We did not quote from it, and we did not use it in the context of the recommendations that we made.

Mr. Doer: The minister indicated that this would be a major review. We are wondering whether the Auditor's office found any real in-depth inquiry internally in the department prior to approval of the second issue of the Maple Leaf Fund and subsequent issues of—I think it was the Bison Fund as well that was financing parts. Certainly the specific question would be on the Maple Leaf Fund, which had a second issue granted after the date of the minister indicating that there would be a major internal review. I was wondering what internal review did you find in the department that allowed us to continue to have approval or recommendations to approve projects thereafter?

Ms. Bellringer: The way we described it in Appendix 2, I would say, is accurate. The report provided an overview only of the status of all specific projects and syndicated funds and a description of the departmental process. It did not make recommendations or identify concerns.

Mr. Doer: Would the Auditor then say the report that was conducted internally was deficient in that a year later, in 1993, the Crewson report was very critical of the way in which the department itself was dealing with the economic benefits and put a freeze on a number of projects and asked for five actual audits. In other words, there was this commitment to have an internal audit or internal investigation on the Immigrant Investor Fund. Why was this review contradicted some 12 months later by another Auditor's report or not an Auditor's report, an accountant's report—I can get to that issue of the title of your office and the Auditor later—why was this report so deficient that some 12 months later, and at least \$35,000,000 more of greater approval was granted or

recommendations to approve were granted with other funds that were in question?

Ms. Bellringer: Mr. Chairperson, I really think that the motivation or the substance behind the report and why it was completed in the first place really is not a question I can answer. Perhaps this is something that would be along the lines of something that we think senior officials from the department could be in a position to provide more detailed response on.

Mr. Stefanson: I would like to point out two things, Mr. Chairperson. As noted in Appendix 2, and again the Leader of the Opposition had asked me about this on a few occasions during Question Period, the review was undertaken. As mentioned, it did not ultimately make any recommendations or, as indicated, identify any concerns at that particular point in time. At the same time, as the Leader of the Opposition knows, I wrote the federal government on a couple of occasions outlining our concerns about the overall administration of the program, acknowledging their role and responsibility, which we have discussed on many occasions and our very limited role and responsibility in this program and requesting them to address the broader issue because it was not only a program that affected Manitoba. It affected all provinces. Ultimately we received both no timely response and no action from the federal government.

In terms of the follow-up in terms of dealing with the issue and subsequently some questions that he raised in the House as well, steps were taken which in part ultimately led to the Crewson report but certainly dealing with the federal government and dealing with an internal review.

Mr. Chairperson: I would like to interrupt the proceedings at this time and point out that it is twelve o'clock and ask the committee whether it wishes to adjourn at about this time or whether it wishes to carry on until 12:30. If it wishes to adjourn at this time or at 12:30, I just want to give notice that I have a proposed motion for consideration. It's a procedural matter which confirms what I think we agreed to this morning.

So is the wish of the committee to adjourn now, or do you wish to carry on?

Mr. Doer: I have two minutes more of questions on this item, but we can come back to it because the minister is taking some matters as notice.

Mr. Chairperson: It is up to the committee.

Mr. Doer: I am fine.

Mr. Chairperson: Fine, well, the Clerk is now passing around a motion, and it is strictly to get on the record that it is being recommended that—and I will just read it—and there are copies for each member of the committee:

That the Standing Committee on Public Accounts recommends to the government House leader that the committee be scheduled to sit on several occasions in the future to continue consideration of the 1993 Public Accounts and the 1993 Provincial Auditor's report; and the committee further recommends that the 1992 Public Accounts and the 1992 Provincial Auditor's report also be referred to the Public Accounts committee for its consideration.

I believe this is what was agreed to earlier this morning. The Clerk has recommended we put it in the form of a motion. So if someone would move.

Mr. Jim Maloway (Elmwood): I move.

Mr. Chairperson: It has it been moved by Mr. Maloway. We do not need a seconder. Mr. Maloway has moved. Is there agreement to pass this motion?

Mr. Stefanson: I just wanted to comment.

Mr. Chairperson: I thought this is what we agreed to this morning, so by all means let us have discussion.

Mr. Stefanson: I guess I am saying the obvious. Several occasions into the future, if required, and

in terms of the functioning and the responsibilities of this committee, I mean we are fairly—what word am I looking for, other than liberal—but I will use the word “liberal” in terms of—

Mr. Chairperson: Flexible.

Mr. Stefanson: Flexible? Are they the same, liberal and flexible, one and the same? I could make another comment.

Obviously, “if required” would be the only caveat I would put on this, that there would be several occasions in the future or as required.

Mr. Chairperson: I have no problem. If you want to add “as required”. I just thought that was, we thought that was implicit in there. If you wish to add “as required.”

Mr. Stefanson: I would suggest we add “as required.”

Mr. Chairperson: Is that agreed to by the mover of the motion? Is Mr. Maloway agreed to that, to the amendment? “As required”, is that agreed?

Mr. Jack Reimer (Niakwa): Could the motion be re-entered then, amended? Amend the motion?

Mr. Chairperson: Yes, we have just agreed to amend this, to have the motion as amended, and all we are doing is adding the words “as required.” To meet on several occasions, as required, in the third line, the word “occasions,” so “occasions as required in the future.” Is that okay? We are not necessarily amending the Canadian Constitution here. Is there any further debate on the motion? I do not want to rush this. Committee agree? Shall the motion pass? [agreed]

Thank you. The meeting is now adjourned until further notice. Thank you. Committee rise.

COMMITTEE ROSE AT: 12 p.m.