



**Legislative Assembly of Manitoba**

**HEARINGS OF THE STANDING COMMITTEE**

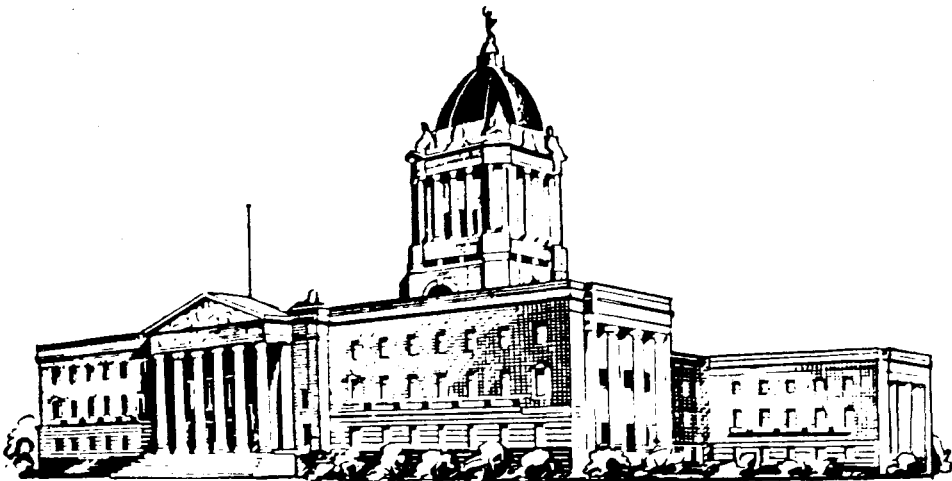
**ON**

**PUBLIC ACCOUNTS**

**Chairman**

**David Blake, M.L.A.**

**Constituency of Minnedosa**



**10:00 a.m., Tuesday, March 5, 1974.**

PUBLIC ACCOUNTS COMMITTEE  
March 5, 1974 Meeting

Mr. David Blake elected Chairman.

Quorum set at seven.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: I wonder if I could make some suggestions and introduce our meeting. Firstly, you will notice, the meeting will notice that the Auditor is sitting on your left with some of his staff on his left. Mr. Anderson, the Deputy Minister of Finance is on my right, with members of his staff behind him. I have also asked Mr. Gordon Holland, who is the Secretary of the Management Committee of Cabinet to be present and he agreed to come, because I thought that possibly the Committee would like to have him available. What I had in mind is this, Mr. Chairman, I think that . . .

MR. ASPER: Do we have to go through the formality, or are the proceedings going to be recorded?

MR. CHERNIACK: They are being recorded now, is that right?

MR. ASPER: Could we formalize that with a motion so that we know that all proceedings of the committee will be recorded?

MR. CHERNIACK: If it's required there's no objection.

MR. ASPER: Will they also be transcribed?

MR. CHERNIACK: Well that's a matter for the committee to decide is it not, at a later stage, possibly? Let's get them recorded.

MR. ASPER: Well I would move now that they be transcribed.

MR. CHERNIACK: Well I would suggest that there is no rush about that until we see where we get.

MR. CRAIK: Mr. Chairman, on the same point of order, if they are going to be transcribed, we should make the decision now because they can be started - the transcription - before the next meeting.

MR. CHERNIACK: All right, all, right.

MR. ASPER: Okay that's the motion - that they be recorded and transcribed, seconded by Mr. Craik.

MR. CHAIRMAN: All in favour of the motion - carried.

MR. CHERNIACK: Now I was saying that the manner in which these meetings have been held has changed somewhat from what they were some years ago until last year, and whereas in the past we spent most of the time reviewing the Public Accounts from page whatever it is, to page whatever it is, in order to cover all the reports of the Provincial Auditor we have been sidetracked into another area and I think that probably today we would be better off to acknowledge that we had best start with what I think is uppermost in most people's minds, and that is the Report of the Provincial Auditor and the comments he made in his report, and that's the reason why I thought I would mention that Mr. Anderson is here and Mr. Holland has agreed to attend, because it seems to me that if we are going to discuss the manner of the Estimates presentation that these additional people have much experience in the whole field of preparation, presenting and printing the Estimates and would be of some assistance to the Committee in a discussion on the best form.

I am looking forward later to finding out whether there is agreement. I therefore would like to suggest - well firstly, let me report that I have found that my department has proceeded to prepare answers to questions which were asked last year at this committee. I didn't know they were doing it, and frankly I don't think they were required to do it, but it is done and we'll see to it that there is a copy given to each of the caucuses for their use.

Now we have the report of the Auditor. There has been comment already. I hope that we can handle this in a sort of an orderly manner. I don't know whether we should just start off with shooting questions at Mr. Ziprick or whether we should ask him to go through that portion of his Audit Report which we are interested in, and then ask him questions as he goes along. But you know that's up to the committee. I think probably it's most valuable if again, to keep some sense of order, if we ask him to make the points seriatim as he made them in his report. That's just a suggestion.

I just want to add one more bit of information. I have had prepared - I have here first the extra copies of the Estimates, and I assume you haven't brought yours. I have also asked

(MR. CHERNIACK cont'd) . . . . my department to prepare, and they did, a department's presentation in two additional forms. I haven't really checked them but one is in the manner presented by Ontario, and another in the manner presented by Quebec. Mr. Chuck McKenzie who is the Director of the Budget Branch of the Department of Finance has prepared them for the - which department?--(Interjection)--Co-operative Development Department--(Interjection)-- Yes, yes, for Manitoba, and what we can circulate is - well we can give you another copy of Manitoba's Estimates on Co-operative Development - a set as if it were done on the Ontario style, and a set as if it were done on the Quebec style. I thought it might be useful to have Mr. McKenzie lead us through those, pointing out the differences between our Estimates form and the others. Again, I don't know whether it would be better to do that before we go into the general discussion, or after. I know that Mr. Anderson would have comments to make about them.

MR. CRAIK: Mr. Chairman, I think that the recommendations of the Minister here are all very good, that we'd like to first of all look at the auditor's report, and we welcome also this opportunity to look at a new format for reporting. I think it probably would be best if it was left until after we have gone through the report generally and had the auditor's overall comment, that we then come down to the specifics which are a better form of--you know, that's one matter coming out of his report is the format in which these are reported, so our recommendation would be that we look at it after we have looked at the auditor's report in general.

MR. ASPER: I quite agree with that, Mr. Chairman, on the basis that I think the first order of business, really, that the committee has to tackle as a matter of tradition is the receipt and approval, or at least the receipt of the report, and that issue that the Minister raises comes up in the report and I would think that the general kind of questioning of the auditor on that would lead us to a specific analysis later.

MR. CHERNIACK: Mr. Chairman, I'm not aware of any requirement, traditional or otherwise, that the report be received or approved or anything. The report is before us; so are the public accounts. I did go to the trouble of asking Mr. Reeves as to what are the requirements of the committee and he says there aren't any in writing anywhere, it's just what is the tradition, and the tradition I believe is what I mentioned earlier - going through these specific pages of statements of expenditures. But we have the report. It was tabled in the House and we have it, and I go along with the other members who have spoken and suggest that we do ask Mr. Ziprick to start out and go through his report.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, I would just like to make one comment before we start on it and that is that we think this report is a breath of fresh air as far as the operation of this committee is concerned, because it's the first time for any of us on this committee that we've had the auditor lay out in a fairly straightforward manner his concerns about the operation of the committee and also about his thoughts about how it should operate. It doesn't contain the detail that we would hope to get from him at this meeting but by and large the comments of the auditor are very welcome, and I think probably the most important part is what we'll do at this committee is to get his comments and his recommendations. So we would wholeheartedly support the procedure recommended by the Minister of just going through his report and giving Mr. Ziprick as much latitude as possible to elaborate on the points that he has raised in his report, and then we can come back with specific questions after he has had full opportunity to do that.

MR. CHERNIACK: You mean we should not interrupt him? Let him go through the whole thing.

MR. CRAIK: I think that's what you were recommending and I was agreeing with you.

MR. CHERNIACK: No, if I may, Mr. Chairman, I was thinking, he makes three specific points. He has three specific chapters and I thought that we would want to ask questions as he went along.

MR. CRAIK: That's fine.

MR. CHAIRMAN: Agreed? (Agreed) Mr. Ziprick?

MR. ZIPRICK: I didn't anticipate that I would be required to make specific comments in addition to the comments that I've made in this report, other than in response to any additional information that the members may want. So as far as I'm concerned, we can go by pages and if there's any additional information that should be elaborated on in that, to the extent that I'm able I'd be pleased to do so, but I had not prepared additional elaboration and

(MR. ZIPRICK cont'd) . . . . explanations on the report that's in here already.

MR. CHAIRMAN: If there are no questions before page 20, the Minister has suggested that page 20 might be a good spot to start. Mr. Asper.

MR. ASPER: I'd like to ask a question. I guess it relates to what we discussed last year in the committee, and that relates to the nature of the office, of your office, because I think you allude to it a bit in the report, trying to define your view or what the legislation setting up your office does. As I understand it from last year and from your report, you interpret your responsibility fundamentally to see that the money that is spent by government is spent as authorized. That's basically what your view of the audit is. Is that correct?

MR. ZIPRICK: Oh no, the audit is much broader than that. It's to see that the money that's being spent is properly supported, that there's evidence of receipt of goods, and that the assets are being accounted for. And then we do look into, make observations in areas of, well I'd hardly call it efficiency, but efficiency of operations of the financial portion, not to do as to whether the highways that are being built are good highways or not - we are not competent in doing that - but we certainly look at the financial administration, that is the general administration to see that it is organized in a manner to be able to carry out what's expected, and this is all part of the audit function.

MR. ASPER: You don't inquire specifically into the wisdom of the spending process. You leave that, I gather, to the Legislature to approve the wisdom of spending this much money on this project, and then you audit to make sure (a) that it's been spent in accordance with the Legislature's instructions, and (b) that it's properly supported as you say.

MR. ZIPRICK: Yes and spent in a businesslike manner, but as far as with regard to policy and that, the Legislature or to the extent that the Legislature has delegated the authority to the government, or in turn the Minister, we don't question that. That's a policy that's been established and been spent. What we do make sure is that this is reasonably reflected so that the Legislature and the people know that it was spent for this purpose.

Now as to the wisdom of spending that money in that kind of a project, we feel that that is a policy that's completely beyond our jurisdiction to comment.

MR. ASPER: Do you make tests in that second area that you've described, where you audit to determine that the money has been spent in accordance with sound business practices presumably. Do you make random samples, for example, on things like tendering? Would you, if you see a department spending X million dollars, do you audit their technique for spending by, for example, inquiring how many jobs were let by negotiation, how many were let by tendering, that sort of thing?

MR. ZIPRICK: That's right. Usually the purchases and the method of acquiring is laid out, for instance, in the Purchasing Act or other legislation, or if there is no legislation, we just use good common sense and good judgment, and we expect that wherever tenders are required by legislation, that those tenders have been placed; we examine them . . .

MR. ASPER: But if--where there's a discretion I mean, where a government department has a certain budget and is about to buy 30 desks, they may go and buy by negotiation with somebody or they may tender, do you make any observation in your working papers or in your report as to the wisdom aspect of the method of buying?

MR. ZIPRICK: Yes, we would take a look and review the matter and determine that in our judgment the prices paid are fair and reasonable and the approach that arrived at is a reasonable approach and that there's no possibility of collusion of any kind in the price that's been paid.

MR. ASPER: You do that.

MR. ZIPRICK: Yes, we do that.

MR. ASPER: So we can assume that because there's an absence of comment on that in your report that you're satisfied generally, you know, as to whatever extent one can as an auditor be satisfied, that the spending process is soundly done.

MR. ZIPRICK: Yes we are. We go through and, as I mentioned in my report, we go through and if there's been some departure we assess the seriousness of the departure and then we deal with it accordingly. If it's a minor departure, we just probably deal with it at a certain official's level. On the other hand, if it's a more serious departure, we deal with the ministerial level, and if it was a departure of the kind that we felt warranted the attention of the Legislature, we would do so.

MR. ASPER: Now, do you make tests for, specific tests in the audit for waste or

(MR. ASPER cont'd) . . . unnecessary expenditure? By that I mean - and I hope both the Minister and the Deputy will appreciate that I'm taking this line because you've, I think, very happily opened up for us in a very non-partisan way the whole prospect of public spending, and whether it's this administration or another administration, my comments are not intended to reflect on the government but rather on the whole process that this report refers to, inasmuch as you make the comment that the Legislature seems to have lost control or is not functioning as it ought to - certainly it's a sentiment with which I agree on the spending side. So when I put this question to you, I hope you appreciate that it is not aimed at the administration but the whole concept. My question really is, what kind of test does the auditor's office make on waste or extravagant or unnecessary spending?

I want to give you the example that comes to mind. If I were auditing, if you were auditing and you discovered in these accounts in '73, I'll just give you a figure, if I may, you have an amount paid - and I don't know that this is the full amount, but this is the amount disclosed in the \$2,000 and up category - you have an amount paid to travel agencies of over \$502,000, that represents a . . .

A MEMBER: Mr. Chairman, on a point of order. I think he got into the details I wanted to get into when we got down to the items that are contained in the auditor's report.

MR. ASPER: Now I'm not questioning a specific item, I'm asking for a conceptual . . . let me finish the question and if you want to object to it you can. The question is, in 1973 you show a category of expense - and I don't care what category it is, but I take one that strikes me - \$502,000 to travel agencies. That is 70 percent higher than the amount paid in the preceding year and 274 percent higher than the amount paid in the year 1969-70. Now, as an auditor, do you then say "Wait a minute that's - spending generally is up by 15 percent. This category is up by 70 percent." Do you then make any sample tests to discover why, and whether there's undue travelling or overly expensive travelling?

MR. ZIPRICK: Yes, this gets into a quite highly judgmental area but what we will do is, we do look at comparisons and deviations in trends and if there's a significant deviation in trend, we would inquire as to why this has increased. Actually we'd look in behind this as to the possibility of maybe abuse of a gross nature and we would get the explanations as to why there was an increase. Now having received reasonable explanations on that we just accept it as that when it's been disclosed, and we could not get involved, at least I feel we could not get involved and say, well you took too many trips and we feel it's not warranted. When those trips were authorized - and this is another thing, we watch for the internal control that flows in approving the expenditure. In other words, if the trip had been taken by the Director, a number of trips, and if he was the only one that approved them, we would certainly question it very much, but generally, it's so set up that a Director's trips are approved by the Deputy, and so on down the line, right up to the Minister. So if the superior says Yes, I'm satisfied that these trips were necessary, and as a result these expenses went up this much this year and it was necessary for them to go up that much that year, we would accept that as being a reasonable explanation. On the other hand, if we couldn't get that kind of an explanation, we would pursue it until we found out the reason why.

MR. ASPER: But fundamentally your work only takes you into the question of whether the trips were authorized in that example, whether they were authorized, properly authorized, not as to whether or not they were necessary?

MR. ZIPRICK: Only in a very, very extreme situation would it become apparent that there's sort of a breakdown of sound administration and abuse taking place, but if the operation seems to be run reasonably and the authority that flows from it is reasonable and we get reasonable explanations, we would not question the integrity of the people that are running the program and the wisdom of making those trips, or not making those trips; because then we would be placing ourselves into the position of actually running the program and determining how the program should be run. But, (1) we'd make sure that they are disclosed properly so that judgment can be brought to bear on it; and (2) we'd make all the necessary inquiries to establish that it was a true, reasonable kind of expenditure. I would say it's all a matter of degree, if there was really an all out, what would appear to be abuse and a lack of control on that, we would take it higher. On the other hand, if there seems to be reasonable order and reasonable business practices are being followed, on that we would not pursue it any further.

MR. ASPER: Well, Mr. Chairman, I don't want to take up any more time at this point, but I do want to register and perhaps even ask the Minister to comment. I take it from the

(MR. ASPER cont'd) . . . . auditor's report that he has raised the whole question in a moderate way, for review of the whole financial control, and perhaps even the role of the auditor, and I would hope that we can come back to this. I don't want to impede in dealing with his report, but there was one last question that came up last year and I wonder if I could get some clarification. It would save an awful lot of time at this committee and in subsequent meetings of the committee if we could know, as I think you said last year that rather than go into specific expenditures - which is our responsibility, we're sort of your audit committee for the moment - are we able to go to your office and ask you, or ask your officials - are we members of the Legislature, able to come to your office and ask you what the spending on this issue in Public Accounts is all about, or can we only do that at committee. Are we able during the 12 months of the year to, as members of this committee . . .

MR. ZIPRICK: I would say my view in this regard would be this - that you're entitled to come to me and place your concerns before me and I would undertake to assess them and carry out whatever audit is necessary to determine whether there's any validity into the concerns on that. Then having established that, our reporting would be in accordance with, just as if we'd found these difficulties ourselves and we would report in a manner that we saw fit.

I would not think that it would be practical or effective that we communicate back and forth - in other words that my office would become the supplier of information of the kind that every member wanted because that could lead to a very disorganized kind of approach. But any concern, I would say that any concern that any member has, anything to do with financial control on expenditures, if he registers them with us, we will look into them, we pursue them in depth, determine what the situation is and then take the appropriate action. And I say here, that it only doesn't apply to members, that it applies to the public too. We get letters quite frequently complaining about this or that and we look into every letter that comes forward to determine what the situation is. Having established it, then we reply accordingly and our reply usually - if the individual is personally involved, that's his own personal money and that then we give him an explanation because it's his own personal money. If he's concerned about a procedure on that, we will just reply and thank him but we would handle the correction and the procedure and that in a manner that we would do if we found out these irregularities or whatever they were any other way.

MR. ASPER: Well specifically, if we were to come to your office and say, here is an expenditure of X dollars, paid to Y company, will you tell us what the expenditure was made for, what services were received and we may ask you was this job tendered or was it just by negotiation or what? Are we able to get that kind of information from you?

MR. ZIPRICK: No, I would say that this is just information from the records and we don't keep the records and I think that that information should be obtained from the Department of Finance.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well only dealing with the question right at this point in terms of the conceptual area, and I only have three questions to ask, and they're very simple: (1) - and I think this goes back to questions and answers of last year. With respect to non-productive accounts, there is no obligation on your part to produce for this committee or for the Legislature, a summary of the non-productive accounts that you would determine.

MR. CHERNIACK: What's a non-productive account?

MR. SPIVAK: Well a non-productive account would be an account that would be authorized by a vote but nevertheless, in the auditor's opinion would be a waste. As an example, a purchase of a particular item which is standing right today not being utilized, even though a vote had been authorized under a general appropriation in the House, the auditor does not . . .

MR. CHERNIACK: Like barges on the lake . . .

MR. SPIVAK: Well, barges on the lake or sandbags or what have you, I'm simply saying at this point there is no obligation on his part to report to the committee - although you have a general authority I guess to report on such matters as bringing to the attention of the Assembly as you deem fit, but there's no particular obligation at this point?

MR. ZIPRICK: Yes, this is what I take, that when we see let's say, see something was constructed but it's not utilized and from a utility point of view - and that as I mentioned last year becomes a highly judgmental kind of area too, as to whether you know how much utility it does have or it doesn't have - but anyway, if we would observe something of that, we usually take a good look at it and we discuss it with the officials and get explanations, largely with a

(MR. ZIPRICK cont'd) . . . . view to prevention that these kind of things don't happen; and having attended to it, we would treat it as any other observation that we made. If it was highly serious, and particularly if it wasn't of a kind of thing that was apparent to the public, or to the Legislature and was a very large expenditure, we would make sure that it was disclosed and made apparent. If it's not very significant in that we wouldn't include it no more than any of the other observations.

MR. SPIVAK: Yes, but to date there has been no report that I'm aware of, and I'm not trying to debate, of where a non-productive account - you may have reported to the government, the minister, but not to the Assembly here or to the committee, that my understanding from what you said last year - and I just want to clarify this in terms of the conceptual, that if this committee or the Legislature, or the Legislature through this committee, requested you to present a report on non-productive accounts, you would be capable of in fact auditing on that basis and preparing such a report?

MR. ZIPRICK: Oh yes, we would - if the Legislature or this committee directed us and told us they were looking for certain specific things and wanting us to supply them, we would comply.

MR. CHERNIACK: On that, may I, Mr. Chairman . . . I don't want to leave it hanging there because now it seems as if there are such non-productive accounts that you would be aware of Mr. Ziprick that you have not reported, and since I'm not aware of any, I want to make it clear - you said if somebody points out something to you, you would investigate it. But is it also clear, that if you become aware of something you would investigate it?

MR. ZIPRICK: Oh yes, there's no question that anything - during the course of audit any observations that we note of a kind, non-productive or even wasteful expenditures, that appear to us, it's always brought to the attention of the officials, discussed with them. If the explanations are such that concern us, that it should be taken higher up to the Minister, it's taken up to the Minister in his report. If we felt it was the kind of thing that had to go to the Legislature, we would bring it to the attention of the Legislature.

MR. CHERNIACK: Well then let me just conclude my question on that by asking this. From what you say I conclude that you do not need any instructions or direction from the Legislature for this committee in order for you to seek and find and report and deal with . . . ?

MR. ZIPRICK: I don't need direction to deal with, but I would feel that I would need direction to report any small deviations and that because right now I feel it's left in our judgment. Now if you want to take some elements out of our judgment and say, well look, we don't care whether you think it's important or not, as long as you know - regardless of how small and that we want to see that, you direct us and we will list every item regardless of how small it is and we'll comply with the law. In our judgment we probably feel well it's just maybe a waste of time and waste of paper, but if you tell us that, the Legislature tells us, do this, we would certainly comply.

MR. CHERNIACK: Mr. Chairman, that is the reporting, not the investigating - the investigating you don't need . . .

MR. ZIPRICK: Oh no, the investigating - this is purely the reporting.

MR. SPIVAK: But I think from a conceptual point of view, your responsibilities now, as I understand it, you really are not charged nor do you really perform the function of the assessment of non-productive accounts. It may come up incidentally in a specific area when you have a particular item that you may be attracted to for a number of other reasons and from that point of view you then report to the government, the minister; but in terms of your responsibility, unlike the Auditor-General, you are not, you know, obligated to pursue the departments with respect to non-productive accounts. I don't want to debate this, I want to understand the function at this point, that's all I'm really trying to do at this stage, because I think if there is any debate, it will be debated afterwards. I just want to understand your position.

MR. ZIPRICK: No, we do exactly what the Auditor-General does. He says he does not audit efficiency, he just sees that whatever is bought that the government gets value for their dollar. Now in every kind of receipt of goods and that sort of stuff, we satisfy ourselves in whatever way we can that there is value for the dollar, that the prices that have been paid are fair and reasonable and wherever money is spent, we do that kind of assessment.

MR. SPIVAK: But you don't question necessarily whether it should have been bought, whether it should have been purchased or whether it should be constructed, because if the direction of the government is for it to be done and the appropriation is there, that's all that's

(MR. SPIVAK cont'd) . . . . required from your point of view. There is no further determination that this in itself could have been a waste. Am I correct in that?

MR. ZIPRICK: No, we question it. Let's say you know, using an inventory as an example and there was a large amount of material bought and placed in inventory, not being used and it's running 2 and 3, 5 years and it's becoming obsolete, our auditors, each time when they're checking the inventory, one of the instructions is to see that the stuff in there is current and there is not excessive amounts and if there are excessive amounts we should determine how in the world they ever got there, who authorized the purchases; and having established that it's just lying around there using warehouse space that shouldn't be using, we would discuss with officials and say well you know, what are you going to do with it, there it is, we think that you should clean it up one way or another or dispose of it. So then steps are initiated and taken to dispose of it. On the other hand, they may tell us, now look, you know, we don't quite agree with you. We bought this because we're planning this and this and we need this for the future and we get an explanation. We say okay well we didn't realize it, that's fine. So this is the kind of rapport that's going on all the time between the auditors and the officials and the inquiries and investigations are the same as any other audit.

MR. SPIVAK: I would like to, if I may, just ask one other question on another matter. I think this is enough at this point and then possibly we'll deal with it both in his presentation and possibly after he's finished his presentation before he leaves the committee.

I want to just talk in terms of capital purchases. Unlike the estimates where there are at least some categories which are approved, in which the appropriation at least is given some understanding in terms of the amounts to be spent under a particular appropriation, with respect to capital those capital items are not categorized, and therefore I wonder, from your point of view, if the government says this is a capital item you must accept it as a capital item. You don't go beyond that in questioning whether it is or is not a capital item.

MR. ZIPRICK: Well, this whole capital area in the government sector is very confusing if you try to compare it with the private sector where you capitalize all lasting material and buildings and whatever have you, and then amortize them over a period of years. The difficulty in here is that lasting items, such as buildings and that, are bought and paid for from the appropriations; then there's also a capital vote and some of them are built from capital vote. Now I can determine the segregation; it seems to hinge on where the money, not comes from so much, but where it's intended to come from. Now if this kind of expenditure, it's intended that the money is going to be borrowed, well then it's placed in capital supply and borrowed. Now if at some time or other it's found that, well, before the money's borrowed that it can now be built out of revenue because we have revenue, so that the revenue is sworn into capital and it's not borrowed. So it's quite a confusing situation and as far as I'm concerned this is where, you know, when we mention in the report, this is where one of the difficulties does come in, to try and determine what is really the intent of the Legislature, particularly when you consider the amounts that are voted in general capital. You see, we've got expenditures of a lasting nature in the appropriation, then you've got also provision for expenditure here that's general in nature, and where the decision in those instances are purely the government's, then all we make sure is that the disclosure is as much as it could be afterwards, but we certainly can't say, well, this is what the Legislature intended so you can't do this. Because I think in this case the Legislature's delegated this responsibility to the government and the government decides.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: Is Mr. Spivak finished?

MR. SPIVAK: Well, what I would like to do is, you know, I want to see the committee facilitated, I don't want to in any way delay the presentation, and those were the only two con-  
conventional matters that I think that we . . .

MR. CHERNIACK: Well, Mr. Chairman, I'd like to firstly just suggest to Mr. Spivak, this question of capital incurrence I really believe is not the function of the auditor but rather of government and Legislature, and I would hope that when I present the Capital Estimates that we can discuss this very aspect, and I agree with the auditor that capital or current is pretty much what you decide to call it at the time and it's not that clearly defined. And I think that's a worthy matter for discussion. I just suggest that it should be discussed, that's all I'm saying about that.

I wanted to ask two questions of Mr. Ziprick. One is a little bit provocative in that I read in Hansard that there was a suggestion made, Mr. Ziprick, that your statement revealed, that



(MR. CHERNIACK cont'd) . . . . your report revealed that you were crying out for help, and I would like some opportunity for you to respond to whether there is that cry for help in your mind.

The other question--Well, I do say that because I don't know whether it meant a shortage of manpower or whether it meant that you were frustrated and needed assistance from outside to tackle your job, and I do want it responded to if you will.

The other question is more general and that is related to Mr. Spivak's question. I wonder if you could define for us how you visualize the difference between your responsibilities to the Manitoba Legislature and the people of Manitoba, and those of the Auditor-General and his responsibility to Parliament and to the people of Canada. And I ask that only because Mr. Spivak assumed in one of his questions that, unlike the Auditor-General, you do or do not do something. Those are my two questions.

MR. CHAIRMAN: Mr. Ziprick.

MR. ZIPRICK: Well as far as crying for help, I didn't really intend the report to be in any way indicative that we're crying for help. We have the staff that we feel is necessary to carry out the responsibilities that we are required to carry out. What I was trying to get across in this report is that just like the things that we discussed about these capital matters, that there shouldn't be a confusion, there shouldn't be a feeling that maybe in some areas we should be in a position to make comparisons between what was intended and what was actually done, because the way some of these things are presented we cannot make that comparison, and so if we cannot get at the intent or get at what the Legislature really intended, then naturally we just assume that the responsibility has been delegated to the government to carry out and then whatever the government decides as to what the money is going to be used for, that's fine. From there on we just see that it's spent for that purpose and properly disclosed. So that it wasn't a concern as far as, you know, what are we able to do and that it was just to try and indicate to make sure that there wasn't a feeling by the members that we are maybe doing more in some of these areas than we can really do. It was an attempt at communicating as to how far and what responsibilities we carry out.

The second question as far as the Auditor-General of Canada and our approach, I was at a convention in September where all the parliamentary auditors met and we had some lengthy discussions on that, and our responsibilities in the legislation are generally the independence protection and that is pretty well the same right across Canada for most of the provinces and the Auditor-General. As far as the kind of audits that we carry out, are by and large pretty well the same that we carry out. The style of reporting is somewhat different. The main style of reporting of the Auditor-General of Canada rests in what Mr. Spivak brought up, these non-productive expenditures. He says that he's got a directive from the Public Accounts Committee of Canada, that he is required to report every item that he observes, whether in his judgment it's significant or not, he's required to bring it forward and list it and bring it forward to the committee. So that, as I understand it, these are the essential differences.

As far as the audit techniques and that, we communicate quite substantially back and forth on various audit approaches and that, and they fall pretty well in line. I might just add here that they're predicting--in the United States and the Controller General of the United States and some of the states, they now have branches in their audit section that does nothing but efficiency audits, and these branches are staffed by people in addition to chartered accountants, such as engineers and other people that can determine standards and then measure the performance against those standards. Now, neither the Auditor-General of Canada nor do I feel that we have that kind of authority within our present legislation to go and start these kind of branches and carrying them out. And to my knowledge I don't--only one province - I think it's Nova Scotia, I just wouldn't want to be completely held to it but I think it's Nova Scotia - has the permission in their act whereby the auditor, the Provincial Auditor there, can hire, with the approval of the Lieutenant-Governor-in-Council, engineering advice and other kinds of advice if he feels it is warranted. But to my knowledge there is no other province, or Canada itself, that has a provision or authority to carry out that kind of an audit.

MR. CHERNIACK: I just thought it would be of interest to the committee if Mr. Ziprick informs the committee of the present inquiry that's taking place - I don't know if it's called inquiry - on behalf of the Auditor-General. I think there's a Manitoban who's one of the--I think the committee would be interested.

MR. ZIPRICK: Yes. This might be very interesting. The new Auditor-General, and

(MR. ZIPRICK cont'd) . . . . when we met in September he told us about it, he had found this area so grey and so confusing that he felt, well, it should be cleared up, so he's established a committee of three members, two chartered accountants and a lawyer, and has directed them - and the terms of reference are fairly broad - to sort of review all the responsibilities of the Auditor-General's office, including the reporting and that. They are to visit three countries and observe what's going on in there. I think it's France, Britain and United States. They have been in contact with us. I've been asked to make a presentation; we've already made a presentation. They're coming back for--just come back for some more substantial information. They're pulling this together and they're going to present their observations and their views of the function of this office, its objectives and purposes. We're looking, forward with a great deal of interest to their report, and when it does become available we'll study it very carefully, and naturally we'll try and update ourselves in accordance with the latest that's available. But there again, I would feel, and they are looking into this area of the possibility of these efficiency audits by teams of people that are not just professional auditors, and if, let's say, they're our recommendations, I'm sure that legislation should be placed on the books before any of us starts starting out in that area because it could be a fairly costly area and it should be reasonably controlled and understood what's trying to be accomplished.

MR. CHERNIACK: Lorne Campbell's one of the . . .

MR. ZIPRICK: Yes. Mr. Campbell, Mr. Belanger, he's from McGill University I guess, and Mr. Wilson, a recently retired chartered accountant from a large firm. And they are in the process of it now. One thing the Auditor-General told us when we were down there, that he wanted this to proceed expeditiously so it wouldn't be dragged out for a long period of time because he wanted to make some changes and he wasn't going to start making any significant changes until he received the report. So that he said, well, he was looking for about seven or eight months and I understand that they're reasonably on target and probably by this fall I imagine that the report will . . .

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: My question is, your budget for the year for your department is virtually the same as it was last year, according to the Estimates. Now, all other departments or the average department in government, expenditure is up by some, depends how you look at it, either 15 to 25 percent. Did you request a higher budget?

MR. ZIPRICK: The reason that it appears that way, you see, when we were re-organized from a Comptroller-General to a Provincial Auditor situation, there were certain duties that were carried on in the payroll section that really should have been under the Department of Finance, so during this past year we had transferred five people from that payroll section which was really a sort of a processing part that was beyond auditing, it was better stationed in there, so these five people were transferred to the Department of Finance, then we hired four additional people for auditing, so in effect we have four more people this year than last year, but as a result money-wise we're one person less because of this transfer. And then, you see, we had several retirements in the past year. As you know, the Provincial Auditor retired himself and then there's the senior, the Auditor of Disbursements retired and other senior men. They were all at the top of the classifications and when we recruited, you see I moved up to the Provincial Auditor's spot and my assistant came in the lower category, so I was at the top, so there's about \$17,000 that resulted from these being in lower classifications and, as a result, this gives the impression that we didn't go up but in effect we increased by four people and this difference in money.

MR. ASPER: But you're going to be required to audit this year approximately 25 percent, depending on what the capital estimate comes in at, more than you audited last year. You're going to be auditing a billion dollars as opposed to 700 or 800 million, yet your staff or your cost of audit doesn't go up proportionately, which is unusual I would think. Are you satisfied that you have adequate staff to do the job you would like to do? That's really the question.

MR. ZIPRICK: Yes. Whatever we ask for we get. In an expanding, growing situation you're continuously catching up, but it's not necessarily because - well, even if you had all kinds of money, in many instances it's getting the right kind of people. They're in short supply and it's a question of training ourselves and that, and this is what we try to do. But we appreciate the expansion, we try to gear up on that. It's difficult to overstaff because if you overstaff in anticipation then you've got morale problems because they might not have the challenging kind of work to do, so you can't do that. So what we're trying to do is strike a happy medium, be

(MR. ZIPRICK cont'd) . . . . staffed in a way that we can meet our obligations, and in our judgment we feel we are doing the kind of audit that is normally expected.

MR. ASPER: Well, you don't report, nor has the Provincial Auditor ever reported to the Legislature that I can recollect, any waste. There's no specific report that I can think of in the last number of years which says that in the course of our audit we discovered that X dollars had been spent but ought not to have been spent, or there was a loss occasioned by faulty procedures and so on. Now surely in a corporation of a billion dollars there is waste; there has to be waste. There's in the private sector, there's in our own private lives. The real point, I think, that the Leader of the Opposition was trying to elicit from you is that you don't really, you don't regard it statutorily as part of your responsibility to report on waste.

MR. ZIPRICK: Well as a matter of fact I don't agree with you because this year we say in one section that we feel that the kind of banking procedures that were being used to fund the school divisions in our estimation there could be substantial losses.

MR. ASPER: Yes, but that's an inefficiency. I mean waste in the sense that--well, for example, last year there was a debate in the Legislature suggesting that six bridges or five bridges had been built on the northern road route which were not being used and which the opposition suggested was waste. Now . . .

MR. ZIPRICK: This is the area where, you know, we'd feel that this kind of judgment to a degree is beyond the scope of a professional auditor. There are engineers who determine the flow of traffic as to where it should be placed, the department, people and that. Now maybe it's not being used right, now, maybe it could be foreseen into the more distant future. Now, if we started getting involved in an expression, a professional opinion as to, you know, are the roads being built in the right place and that, we would have to get involved to study the road system, the long-range road approach to the moving and communications of people and all that, and we just--a professional auditor is just not qualified to do that. So if we were going to get involved and be critical as to whether the roads are in the right place or not, we would have to be staffed with people who are capable in communications and could assess and say well yes, this bridge should have been delayed a few years, a year or two or should have been started sooner because it's creating bottlenecks here and this kind of stuff. No we don't undertake that and as a result we are very loath to comment on these kind of things because we might be placing ourselves in, sort of giving an impression that we are professionally competent beyond what we really are.

MR. ASPER: I have a final question to the Minister of Finance if he'll answer it. It stems from the Auditor's answer to the question I asked. In plain terms, if we deem it part of our responsibility, as I do, to check, through this committee or as a member of this committee, individual items of expenditure, the question I put to the Auditor was - can I come to his office and ask him if there's an expenditure of \$5,000 paid to Jones who lives in Milwaukee, I want to know - (Who?) there isn't, I'm using it as an example - I want to know why the public of Manitoba paid Jones \$5,000 in Milwaukee - what did he do and how did we get to Jones? And he says he would not give us that information, he said that would have to come from the Department of Finance. Perhaps to you or to the Deputy, is that information available to us, can we come and say, we want to know?

MR. CHERNIACK: I don't recall in my twelve years in this building, I don't recall ever being refused or refusing to give reasonable information along that line. I use that word "reasonable", I really don't remember refusing to give information, but there may be, you know I've got to say, that there may be some occasion when I would say this is going beyond what I think you are entitled to ask for. But I don't remember ever having had to say that yet, and therefore, I have to say that I believe that you can get whatever reasonable information you want, can get from our department by a phone call, by a letter, by dropping in. That's my experience.

MR. ASPER: Mr. Chairman, I welcome that statement.

MR. CHERNIACK: Well it's never been denied to anyone.

MR. ASPER: Well, Mr. Chairman and Mr. Minister, I certainly in the next twelve months will avail myself of that opportunity . . .

MR. CHERNIACK: You won't be the first.

MR. ASPER: . . . and report to you, and that will save us a lot of time in committee, too.--(Interjection)--I say that should save us a tremendous amount of time . . .

MR. CHERNIACK: Well it was always known, any time a question is asked in the House or elsewhere, Mr. Anderson reminds me, and of course we have certain information that is confidential, we can't give out.

MR. ASPER: I understand that, but through Order for Return and that technique in the House, taking as notice and so on, we found that several months elapsed between asking for the information . . .

MR. CHERNIACK: I thought it was done for a different purpose when it's done publicly.

MR. ASPER: Yes it is. I think it should be noted that the purpose of this committee, just as any other audit committee that is charged with the responsibility of scrutinizing a billion dollars of accounts is certainly to attract the attention of the ultimate beneficiary of our work, the public. And I make no apology for any disclosures to the public we make.

MR. CHERNIACK: And make no accusations.

MR. SPIVAK: Mr. Chairman, this stems really from one of the questions asked by Mr. Cherniack, and only because we're dealing with the conceptional aspect and only because we're trying to make the comparisons between how the Auditor-General functions and what he considers his function, how other jurisdictions function because I think there was mention made by Mr. Ziprick on it. I want to make this very clear, because I have a Saskatchewan audit in front of me and I do not want to particularly get into this in detail because I think there will be an opportunity for that. But the Provincial Auditor in Saskatchewan indicates in the audit payments that were not made without proper authority, that's published. There is no obligation on your part to do that to this committee?

MR. ZIPRICK: Oh yes, as a matter of fact if there was a payment without authority we would feel obliged to bring it to the attention, yes.

MR. SPIVAK: Of the government or of this committee?

MR. ZIPRICK: The Legislature, in my report.

MR. SPIVAK: Therefore then you're saying that if there is no reference in your audit, or in your publication of any payments made without proper authority, we then must assume, and take it for granted, that every payment that was made was made with authority?

MR. ZIPRICK: As far as I'm concerned, to my knowledge every payment that was made was in accordance with authority, if we were concerned it was cleared through the legal officers and if they said it was not legal then the payment didn't go forward.

MR. SPIVAK: I wonder if I can just complete my one question here, I want to make it very clear. You are completing an audit after the fact, therefore at that point you would be asking the legal officers to give you an opinion as to whether the actual payment was within the legal authority or not. Is that correct?

MR. ZIPRICK: Well, I must say that this is where we have additional responsibility in addition to what the Auditor-General has - I'm sorry that I didn't point it out. We're obliged to wherever practical pre-audit expenditures under the Provincial Auditors Act and we do this, so essentially . . .

MR. CHERNIACK: . . . before payment . . .

MR. ZIPRICK: Before payment is made. And so this is where it comes in, that if a payment is brought forward that we feel does not have legal authority we turn it over for legal . . .

MR. SPIVAK: But what you're basically saying - cause I want to understand this clearly. He, referring to Saskatchewan Provincial Auditor, he's referred to a number of specific payments that were made without proper authority. The fact is that there is nothing contained in your audit report that would indicate this; so therefore I then can take it that means that all payments have been made with proper authority insofar as provincial audit is concerned?

MR. ZIPRICK: I can't guarantee that they were all made, because we could make a mistake or there's something - but we know of no payments that, at least I know of no payments that were made that did not have the authority.

MR. SPIVAK: All right, then I want to come back to the Capital payments.

MR. CHERNIACK: Of this, . . . Mr. Chairman, I don't really know this answer clearly. As I understand it, all except certain categories, possibly, of payments are made only after you have cleared them. Am I right or wrong, you know I'm not that sure.

MR. ZIPRICK: Yes, Yeh.

MR. SPIVAK: Only certain categories.

MR. CHERNIACK: Well most . . . categories are not. I really don't know

MR. ZIPRICK: All payments that are paid through the central system, flow through the

(MR. ZIPRICK cont'd) . . . . auditor of disbursements, that's under my direction. The payments of certain accounts, accountable advance accounts and that are made without pre-audit and these are then cleared afterwards on a post-audit basis. The Act says that by arrangement with the Minister of Finance certain - wherever it's not practical we can arrange to not pre-audit but we ascertain the kinds of controls that are in existence.

MR. SPIVAK: Allright, now again dealing with that, if your statement does not include any payments made without proper authority--and again I have to assume that they were made with proper authority to the best of your knowledge . . .

MR. CHERNIACK: That's right.

MR. SPIVAK: Does that include the whole range of Crown corporations that are audited by yourself as well?

MR. ZIPRICK: No, the Crown corporations that we audit, we do all on a post-audit basis. We would certainly take very strong issue if there was any payments or expenditures that they made that they were not authorized to, and as a matter of fact I would say that unless they're just small and insignificant that we would not certify to their statements without bringing it to somebody's attention that there'd been expenditures made that were not properly authorized. But we don't do it on a pre-audit basis, in the Crown corporations we do it on a post-audit basis.

MR. SPIVAK: But again, would you feel it's your obligation to bring it to this committee or to bring it to the government and the Minister? What I'm suggesting, based on your report, it would indicate that there were no payments that were made without proper authority either within the Crown corporations or within the general administration of the government, because there's nothing like that reported to this Committee or to the Legislature. Now is that correct or not?

MR. ZIPRICK: Going by recollection, I don't recollect any one of the Crown corporations that we've reported on, that anywhere that we were concerned about authority that we didn't get satisfaction that there was authority, it was properly approved by the boards and whatever have you, and if there is any concern we certainly would take issue with it.

MR. SPIVAK: I want to ask one other question. Was there ever any other retroactive authority asked for by yourself or was there retroactive authority ever determined by yourself in the audit that was provided?

MR. ZIPRICK: Retroactive authority? Oh you know there have been situations that through oversight expenditures have gone forward and we've noticed afterwards that this has happened so we asked and got the authority on a retroactive basis.

MR. SPIVAK: You don't feel there's an obligation on that part to report that particular item to the Legislature?

MR. ZIPRICK: It would depend on the seriousness of it. You know, if it was a serious breach then we would certainly report it.

MR. SPIVAK: Well what would determine just a serious breach at this point in your opinion - is it the dollar values that we're talking about or the actual . . . ?

MR. ZIPRICK: Well it's a combination, dollar value and a matter of principle involved and to a degree the attitude of the people that we discuss. If they would say well look you know we don't care, you may think so and that, but we're not going to correct it and that might be too big an item, as a matter of principle we take issue and say, now look we feel that you have contravened and you've got to correct it. On the other hand, if there's a complete acknowledgment that there is an oversight and immediate steps were taken and that, then it would be only something that would be material and have material effect on how the affairs of the government were run and controlled, that we would take issue with.

MR. SPIVAK: Has there ever been an example where you've brought the attention of such a particular retroactive authority requirement or need to the Minister and as a result of the direction of the Minister, the retroactive authority has been given by the Crown corporation?

MR. ZIPRICK: Oh I can't tell you any specific but I know, I'm sure that these have happened. Yes. Yes.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, earlier on in the discussion here I think Mr. Ziprick was more or less asking the committee how far, you know, how far does the responsibility of the auditor go in disclosing what should be put before the committee and what should be made public and so on, and I in reading his report gathered from his remarks in here that he felt a sort of a great deal of compulsion to not disclose things wherever, you know, personal things were

(MR. CRAIK cont'd) . . . . involved.--(Interjection)--Well it's on page 23. I mention the quotation here because I felt you were asking the question, Mr. Ziprick as to how far am I supposed to go in actual disclosing. But you say here that, "We approach our audit work in an understanding, co-operative and objective manner with a view to bringing about remedial action as quickly as possible". . .

MR. CHERNIACK: What page?

MR. CRAIK: Page 23. "without exposing individuals concerned to any more penalties than are absolutely necessary." I would think, you know, this implies that you're really interested in not exposing individuals who may in fact be breaking the law, or the act, deliberately but you prefer to get the thing settled and straightened out on a financial basis, but you don't feel that you should get involved in any of the moral aspects of whether the person was right or wrong or should be exposed to the public.

MR. ZIPRICK: No. Essentially there it's from an audit point of view it's a highly judgmental area. You have to sort of go by feel as to what's reasonable and what's not reasonable. Now if you find that there's been some misdemeanour and that that's been created by somebody through lack of understanding or oversight and that and you bring it to their attention and they take immediate steps to correct it, it's not consequential and that, well then we feel that it would not be in the best interests of the auditor or the public in general to make a big issue out of it because if you start doing that then the next time you try to get co-operation like that from the officials you probably won't get it. They will just have a negative reaction to you. So on the other hand, when they see that something is serious that you have to take very stern action and even to the point of exposing them, but if it's of the kind that maybe that individual themselves may not think so but the other people, his associates and that feel that you're being reasonable and fair then there's no problem. But the moment you start to become a hatchetman and going at everybody then your audit situation can become difficult, and it's a question of can you do something really positively or can you.

MR. CRAIK: And the question that the committee faces though or the elected people face is to what extent should misdemeanours be exposed to the public eye so that the judgment is passed in that way rather than a financial correction that you may ask for. Let me ask you a specific question. Have you ever had anyone double-billing expenses that were incurred on government business and where you knew it was done deliberately?

MR. CHERNIACK: Deliberately?

MR. ZIPRICK: The way we follow is anything that we discover that might have any kind of criminal implication at all, we immediately bring it to the attention of the Attorney-General. Usually the Attorney-General assigns one of the RCMP Inspectors with our Auditor and they go ahead and take a look at it and they review it. Usually when it gets to that stage any questioning that's done is done by the RCMP officer and a person is warned and that that whatever he may say may be taken into court. And after the review is made a report is made by the RCMP to the Attorney-General, my auditor makes a report to me, we put it together and determine, and then as to whether the individual is charged or not rests substantially with the Attorney-General's Department as to whether the matter should be brought to court or shouldn't be brought to court. If there's a feeling that there's not enough evidence to convict a person of a criminal act then it's not just brought. On the other hand, if there's a feeling that there may be enough evidence it's brought. So anywhere that we hit on anything that may have criminal implications these are the instructions to the auditors, that they must immediately bring it to the attention of myself and my assistant and that, and we then pursue this other course so that . . .

MR. CRAIK: Have you had a particular case where that happened?

MR. ZIPRICK: Oh we've had a number of cases that have happened.

MR. CRAIK: Where that's happened?

MR. ZIPRICK: Oh yes. It happens . . .

MR. CHERNIACK: May I say, Mr. Chairman, on that point, that I understand my department has always had the same instructions, they've never been changed, that they do the same thing without my knowing of it. That if there's anything like that it's reported to the Attorney-General and to the Bonding Company immediately. Whether it comes from the Auditor or through the Department of Finance, it's automatic.

MR. ZIPRICK: So I can assure you that anywhere there's at all possible criminal implications, we are not the judges as to whether there should be criminal action. What we're dealing

(MR. ZIPRICK cont'd) . . . . with here is errors in bookkeeping or errors of other kinds, you know, made mistake in payments or errors in not following through checking vouchers and these kind of things, that we will deal with the individuals and carry it up the ladder only as high as we feel is justified in the circumstances. One, is so that we do not take the senior man's time unduly when it's not warranted; and two, is that we do not act sort of, or the individual feels that we're just acting in a way to undermine his effectiveness.

MR. CRAIK: Right, but Mr. Chairman, you know, the point of my question is we now - from the questioning here I'm satisfied that we have a number of cases where people have stolen from the government, presumably deliberately. These are documented but we don't know about them unless there is a criminal proceeding that makes it public through the courts.

MR. ZIPRICK: That's right.

MR. CRAIK: So as members of this committee we have no way of knowing that, you know, and my point is that as members of the committee we do have a responsibility to know, discover and, you know, illuminate whether there is a sufficient degree of honesty being exercised in the operation of the government, and unless we get it through the Auditor we're going to have difficulty ever knowing this. And I think that your question was: how much should I disclose.

MR. ZIPRICK: Well, now, there again, in these instances I think there is this slight difference between our act and the Auditor-General's Act, and the Auditor-General says something to the effect that any bit of money that's lost whatsoever, by any official, that he's supposed to list it in his Act, and they just make up a little schedule that's presented. I think the Saskatchewan Act has the same provision and, if you look at the Saskatchewan Provincial Auditor's he has a little schedule of losses sustained. Now, I might say we don't sustain any losses as such, because we're bonded and it's recovered, so that the money is recovered. But in any event . . .

MR. CRAIK: Should there not be a statement, though, say, indicating the amount of recovered losses through bonding?

MR. ZIPRICK: As I say, the other acts do direct it and if we were directed we'd have no difficulty preparing that kind of statement. But I can assure you of the amount that's involved and that sort of stuff, it's really quite insignificant.

MR. CHERNIACK: \$48,000 in the last three years.

MR. CRAIK: And this is through--\$48,000 through the tightening of an act so where people have double billed the government or exceeded their expense in . . .

MR. ZIPRICK: Anywhere there was possible criminal involvement.

MR. CRAIK: Yes. How many cases would be involved in the \$48,000.00?

MR. ZIPRICK: Oh, I don't know. I guess, just going from . . . is it 15 a year, probably, on the average?

MR. CHERNIACK: Well, I just saw the report yesterday, 48,000 inside and outside theft from government--total 48,000 paid in claims from the bonding company in the last three years. Is that right?

MR. CRAIK: Yes. Any indication of how many cases were involved in the 48,000?

MR. CHERNIACK: Oh, lots. You know \$100.00, \$150.00--they were that kind.

MR. CRAIK: Any large cases?

MR. CHERNIACK: There was one, as I recall, well you know--one, as I recall, of either \$2,000 or \$5,000.00. There was one defunct. For burglary. Recovery of audit costs, I see, included in that.

MR. CRAIK: Any estimation of how much has been recovered from the individuals that have been discovered?

MR. CHERNIACK: You mean, by the bonding company?

MR. CRAIK: No, by the government. From individuals who have been discovered as double billing the government.

MR. ZIPRICK: The government doesn't recover any recoveries that are made or made by the bonding company.

MR. CRAIK: No, I mean, but the government wants to recover . . .

MR. ZIPRICK: Oh, you mean on the basis of settlements?

MR. CRAIK: Yes, that the Auditor has discovered and . . .

MR. ZIPRICK: Well, there's very few settlements because usually criminal action is taken, and the . . .

MR. CRAIK: Well, the bonding company, you wouldn't certainly go, would you, to the bonding company in a case where you discovered a theft from the government by an employee,

(MR. CRAIK cont'd) . . . . and, you know, then the employee decides that he would now pay it back since he's been discovered?

MR. ZIPRICK: There's very very few of those, because the only conditions that this would happen is when there would be really doubt, in some instances, you know, from petty cash, and that sort of stuff. There might be some money missing and a chap says, "Yes, I forgot it. I took some for this, this, and I didn't quite put it back." Well, obviously you're not going to make it so that he'd put the money back into petty cash. But wherever there was any sort of deliberate attempt, and that sort of stuff, generally speaking there is a charge.

MR. CHAIRMAN: Mr. Toupin wants to speak on this point.

MR. TOUPIN: Well, Mr. Chairman, apart from what, you know, we see in the Department of Finance in the Provincial Auditor's report that we have before us, there are in-House, you know, such audits being conducted. I can cite just a few examples in my previous department - I haven't got examples in my new one - where, you know, such things did occur and they are reported to the Attorney-General or action is taken directly within the department. You have, as an example, the Medical Review Committee of the Health Services Commission, that calls in doctors who have over-billed, double-billed and so on, and corrective actions are taken, and in some instances this is publicized and the public is made aware of this. Another example could be a social allowance recipient that is not reporting an amount in an excess to what is allowed on the regulation, say either the \$20.00 per month that he's allowed to keep over and above his social allowance, the 70 cents an hour or the 30% of his private earnings. And if he doesn't report that, that is an offence. And you know, these corrective actions are taken within the department.

I think what the Committee, Mr. Chairman, is seeking is a co-ordinating type of role here to try and bring to light all that's happening within the Provincial Government and to have a reporting system as far as individual departments are concerned. You know, that could be had, in my mind, in regard to a discussion of the estimates.--(Interjection)--Right. Mr. Chairman, if I may, in regards to the Auditor himself, again I've had experiences with the Provincial Auditor where these things have been brought to my attention by the Auditor or by officials in my department. If it comes by means of an official of my department because of an audit in-House procedure, action is taken by the Minister or the Deputy Minister and I'm not aware if the Auditor becomes involved. Really I'm not.

MR. ZIPRICK: Yes, we look at the reports and that, and the same way with this Medical Review Committee we've got authorization for our senior man, and these are highly confidential. So we agreed that our senior man on the job looks at these committee reports, reviews them, and determines that in his judgment the kind of actions that are being taken are fair and reasonable, and if they weren't, he would discuss them with me and we would certainly review it with the chairman of the commission concerned and see what was being done about it. And in our judgment the kinds of actions that were taken were fair and reasonable; we certainly have no hesitation in making it known in our report to the Legislature that in our judgment what's being carried on over there is not fair and reasonable and businesslike.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: Mr. Chairman, I just want to add a couple of points. One is on this double billing and the statement by the Provincial Auditor about disclosure, exposing individuals. There's one case I recall of a travel expense that was a ticket for, I don't know for transportation, which was billed to the department and the person travelling not knowing it was billed to the department, included that amount in his expense account. The Auditor picked it up and it was reported back and by the time it came to me--it comes a little later to me than through the department--the department had already checked it through and found that it was a completely innocent double billing--one by the supplier of the transportation, one by the consumer or the recipient of the transportation, each thinking that, or each billing the department, and it was picked up by the Auditor. Once it was clarified that this was a completely innocent error, and it was corrected immediately, then the Auditor certified to me that he was satisfied, I would never be party to exposing or giving his name at all. And yet there was a double billing. That's one point I want to make.

The other is that we talked about voucher without authority. I'm told by Mr. Anderson that every month just about every department gets back a list of payments made--approved rather, by the Auditor and vouchers returned for authority. They're not paid, because there may be authorization lacking, somebody's signature is missing. I've seen that too. But it's



(MR. CHERNIACK cont'd) . . . just not paid. It's sent back to the department for the voucher being properly authorized and then it goes through, and that is a constant thing, as I gather. It happens all the time in, as Mr. Asper says, in an operation this size it's got to happen. And it does happen. But because of the pre-audit it's not even paid in later . . . but that I suppose can happen as well. But usually it is caught before it is paid. And that's why I come to my third point and I'm wondering if Mr. Ziprick knows whether in Saskatchewan they have a pre-audit or not.

MR. ZIPRICK: No. No, they've done away with it now.

MR. CHERNIACK: Then maybe that is why their report shows payments made without authority whereas yours wouldn't, because they don't have the pre-audit. Is that a fair conclusion?

MR. ZIPRICK: Yes, that could be a fair conclusion. But it doesn't mean that occasionally we don't find in our post audit review, some instances where payments had gone through, including our pre-audit, and when we find that, we take the appropriate action, and if we found that we cannot get the right kind of action it would certainly be reported to the Legislature.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Well, Mr. Chairman, my questions were inspired by some earlier remarks of Mr. Ziprick, but they seemed also to have been the subject of Mr. Craik's questioning, so I don't want to be repetitious there. It was the word "seriousness" of the irregularity and the judgment that Mr. Ziprick and his department would have to apply in those cases, to determine what action they would take. But normally they would first take it to the department or the Minister and endeavour to get explanations or corrections if necessary. And if that were not possible now--my question really is, Mr. Ziprick, is this requirement of judgment on your part an onerous task? Is it one that puts you in a very, sometimes difficult position? And I'm thinking of the difference in your position and I would feel a more difficult position than the Auditor-General, in that he is somewhat relieved of this necessity for judging each case and determining the way in which it will be handled by being required to present in list form, those irregularities to the Public Accountant's Committee.

Now, is there some merit in considering that type of action here? Is there a deterrent in a requirement that would necessitate the listing of all such irregularities for the consideration of the committee to decide whether or not it was . . . serious? Is it? I don't know. But I'm suggesting that if this is not taking place and if there is a constant review made, is it possible that people test the audit defences from time to time? And if they are not picked up, then it is something they might resort to again. If they are picked up, they realize that things are being conducted in the proper manner, and so on. So, you know, I'm thinking of this kind of thing happening; if the man in the store were the security guard, we're saying going around the store and catching children, saying now, "You must put that back, that's shoplifting," he's doing a good service there. But they may simply wait for the time when they feel that they know enough about his activities and his methods to be able to properly breach the defence system. I'd like you to comment.

MR. ZIPRICK: Yes. That sort of thing does, you know--we've taken a look at it and as a matter of fact I've discussed it with the Auditor-General on that. Now, in this case, of course, in these kind of things he doesn't have to exercise judgment and so one thing it does do is that to a degree it keeps the officials off his back, because then he's just doing a job that he's required to do, and if the officials feel he's a bit of a heel doing it, well, there's nothing he can do about it. He does it. As far as how effective it is to get things done and that sort of stuff, there is some concern. And I think that probably this is one reason that there is an enquiry going on to get appeal for some of this thing. And I'm in this area. Frankly, this is the area that I'm looking for this report of this committee to come out and say as to, you know, what's the best thing to do, this or that? We find that the way we've been doing it from our assessment of getting things done and being effective is an incentive to get things done the best possible way, and that seems to work quite well. We've been, I can in all honesty say that we get a very, very good response. The people generally want to correct things as quickly as possible and react pretty quickly. I don't know. I don't have a feel exactly how it goes on in Ottawa in that regard. I know that there are some complaints of that, that this kind of reporting brings on a general slur over the whole service and gives the feeling that, you know, what's the point? Regardless of what you do, you'll still be slurred kind of attitude. I don't know how prevalent it is, how effective, and in this area, really, I hope that this committee that's looking into the Auditor-General's responsibilities addresses itself very carefully. And if it provides

(MR. ZIPRICK cont'd) . . . . some guidance and some reasoning and that, it will certainly be appreciated. And if it becomes apparent that there's some advantages in that, we have no aversion to changing it. But until that happens, whatever's been left to our judgment, we'll continue to exercise that judgment what we feel is in the best interests of getting things done and also being concerned about making sure that the important things do get to the committee or to the Legislature.

MR. MCGILL: Mr. Chairman, again to Mr. Ziprick. Would you feel then that if this committee were to direct such kind of reporting to the committee, where it would become a requirement from your department, do you feel that it would be a deterrent to recurring kinds of oversights and mental lapses, the kind of thing that people forget to return petty cash withdrawals, and so forth? Do you think that sort of thing would be a deterrent and do you think it would make your job somewhat easier of accomplishment?

MR. ZIPRICK: Well, you know, on the feel that I have now, I would say that it's not likely to be too much of a deterrent, because once you start reporting and it's reported generally and that, there is a sort of a feeling, well, it's known; where we use our reporting system is sort of a club of last resort, and we say, "Look, we expect this corrected, and if it's not correct we're going to report further down the line. But the way we report is going to be pretty pointed and indicating that you are not willing to comply in it." On that basis just the threat of the reporting becomes a very, very effective club. Once you've sort of "cried Wolf!" for quite a long time and that, it gets so that, well, they just sort of say, well, at least I would feel that you could get into the situation. They'd say, "Well, so report. What's that? There'll be some discussion on that, but that's as far as it will get." So that we've always felt that when we get to the stage of the reporting we won't spare the kind of publicity that will be brought to bear, because otherwise if you just treat it relatively lightly and keep crying wolf continuously, then even if you have something worthwhile, . . . chances are nobody'd listen to you because they feel, well, it's just another cry. But, you know, it's the feeling that I now have. I'm sure that this committee, as I say, I'm looking forward - I'm sure they'll probably have some observations on this and I'm really looking forward to it. It's a difficult area regardless of however you do it. But there's certain specific things said, well, don't exercise your judgment when you find these, just place them in the report in this way. Naturally that would make our job that much easier, because then we don't have to worry as to whether, you know, what the consequences or whatever have you. When we are told to do it, this is what we'll do.

MR. MCGILL: Mr. Chairman, just one final question to Mr. Ziprick. Again, the word seriousness and determination of the degree and so forth. I would take it from your report that the most serious matter that you have dealt with this year would be that of the financing methods of the school divisions, since it is the one that is given prominence in your report to the Legislature. Would you say that that is the most serious problem that you have come across in the year under review?

MR. ZIPRICK: The most serious that wasn't effectively attended to, and brought into proper control.

MR. MCGILL: But there were more serious problems that you were able to take up with departments or Ministers that were corrected to your satisfaction?

MR. ZIPRICK: You know, I just couldn't . . . some of them, you know, you just don't know. You're running across a system that appears to be breaking down, there are signs of errors coming up that, you know, and errors are usually just symptoms of something else. So you see a series of symptoms that are building up and that management or department may be breaking down - we try to move in as quickly as possible and working with the deputies and the ministers institute corrective action as quickly as possible. Now, I'm sure that some of them if they weren't attended to could have developed into some pretty serious matters. But if they were real concerned and they were showing signs that they had gone that way or about to go that way, we'd have no hesitation in using the report to the Legislature. . But if they are got under control and being attended to and acted on, then we feel that we have accomplished our main mission and we'll leave it at that.

MR. MCGILL: I'm not quite sure, Mr. Chairman, if I understand the explanation that Mr. Ziprick gave. Is it possible for you to give an example of the kind of direction that you were able to give to bring a potentially serious error under control, something that has been completed in the past, and isn't - do you have an example of that kind of thing - errors more serious than this that you brought in your report today?

MR. ZIPRICK: Well, I think if I started giving specific examples that we have corrected I'd be exposing an organization to more problems that should really be exposed. So I wouldn't want to refer to specific examples. I can indicate that what would happen is, let's say, in a management responsibility area there could be, you know, weaknesses in supervision and that, and things are starting to go wrong and errors are appearing and that. We put it all together, we sit down and analyze it and come to the conclusion that these are the areas of weaknesses, if it's agreed to by the senior officials and the minister, then the corrective actions are taken and the thing is corrected. And we feel it's now functioning all right. So I would say, in my judgment, it would be wrong to expose an organization to public criticism when it's now functioning all right.

MR. MCGILL: Mr. Chairman, did I understand Mr. Ziprick to say that he reviews management decisions in order to straighten away things that he sees going wrong with it?

MR. ZIPRICK: Yes. Well, management decisions, that's in the structuring of carrying out of a function, you know. We have the general manager, controller and that. We see that - let's say, the organization, we see that they have proper budgeting procedures and that the expenditures are matched against budgets, that there's explanation, and that this kind of control is being used to carry out the function in a businesslike way. Now, if we find that the budgeting procedures are not too effective, were breaking down, and they're not matching and when there's explanations, or should be explanations, and they're not being acted on, we would certainly make enquiries as to why none of this stuff is being carried on effectively in a businesslike manner. Then steps would be taken to strengthening the budgeting procedures, if the accounting is not too effective, or it's very late and doesn't produce the required result for effective decision-making, steps would be taken to speed it up or that, might need additional accounting staff or whatever have you. But this is the kind of areas that we do go in, because we feel that, you know, the effectiveness of accountability can only be determined if the thing is run properly. Usually the volumes are so great that we cannot start from every cheque and voucher and go through and say, well, you know, now we've seen all the expenditures and they were supported by, signed, and goods and services were received, that all the records and everything is all right. This is not the modern approach to auditing. You approach it through the effectiveness of the management system and the controllership function, and if it's effective, then you test its effectiveness through sampling, and if you establish through the sampling that it is effective and that, then you can rely on the records and the reporting that produces. Then we review the reporting, determine the variances, see how they arise, get reasonable explanations, and on that basis we're satisfied that there's been reasonable accountability.

MR. CHAIRMAN: Thank you. Mr. Spivak.

MR. SPIVAK: Well, I think because we're dealing now, and really what's developed is sort of the scope of what the Provincial Auditor is doing, I wonder if I can ask some questions with respect to the whole range of moneys that are handled by the government that are not within the audit itself, if I may explain what I mean by that. As an example, the Department of Co-operative Development manages, I think, some 15 co-operatives. Those budgets are not within your audit at all?

MR. ZIPRICK: No. No, they're not within their direct audit. Any public money involved in it, we take a look to see the supervisory approach that's being carried out . . .

MR. SPIVAK: But the only thing you would audit would be the costs of the Department of Co-operative Development, not the management by them, of the moneys that they handle?

MR. ZIPRICK: No, no.

MR. CHERNIACK: For example? May I ask, Mr. Chairman, the moneys that they handle, public moneys, are these not audited by the Provincial Auditor?

MR. ZIPRICK: I think what Mr. Spivak means is if there's a grant given by the Province of Manitoba. . .

MR. SPIVAK: That's public money, I'm not denying that.

MR. ZIPRICK: . . . to a co-operative, that's being run and audited by somebody else as far as the co-operative is concerned.

MR. SPIVAK: Well, you don't even know whether it's being audited by someone else.

MR. ZIPRICK: Oh, yes. If there are grants given or loans given then we actually look at the financial statements. We look to see who the auditor is, we look to see if there's you know, any adverse reports on there to see that, you know, the public money has been used in a manner that should have been used; and if it's a loan, that there is reasonable evidence for protection that this loan will be repaid.

MR. SPIVAK: Are you suggesting, Mr. Ziprick, that as the Provincial Auditor, you have actually examined the auditor's statements of the Fishing Co-operatives who've received grants from the government?

MR. ZIPRICK: Yes. The department - now, as I understand it, and I'd have to recheck, but the department has a group of inspectors, and then some of these co-ops have their own auditors. Am I right? Some of them have their own auditors, some of them rely purely on the department's inspectors. Now, the financial statements come forward, they're held in the department and one of the assignments of our auditor is to take a look at these financial statements, and if there's loans that are in there, that they show up in there, that the observations of the auditors on the way things are run, what's there and that, does not in any way jeopardize the loan. And if it does, we would then take more stronger action.

MR. SPIVAK: But you don't actually audit the management charges of the Department of Co-operative Development to the co-operatives themselves, or the manner in which the expenses are paid for by the co-operatives themselves?

MR. ZIPRICK: No. The co-operatives are run, have a management and they're audited by other auditors.

MR. CHERNIACK: I'm sorry, again I don't understand.

MR. SPIVAK: I just wanted to - because I want the Minister of Finance to understand that, I'm not trying to mislead anyone, I want to understand this directly. My understanding is that the Department of Co-operative Development have their personnel, who, in fact, manage the co-operatives and charge the co-operatives their expenses involved in the management, which is not within the purview of the Provincial Auditor?

MR. CHERNIACK: Is that correct?

MR. ZIPRICK: No, these would be employees of the actual co-operative, not of the department. Now, the department provides assistance in the management, but as far as we're concerned, in every instance I would say, that I know of, that the manager is a manager of the co-operative, he's not an employee of the department.

MR. CHERNIACK: If he were an employee of the department, would you then be auditing his . . .

MR. ZIPRICK: Oh, I would say, we'd certainly take advantage . . .

MR. SPIVAK: If he's an employee of the department, his expenses would be audited by the Provincial Auditor; if he leaves the department for any period of time and becomes involved in the actual operation of the co-operative, then it's not subject to your audit?

MR. ZIPRICK: No, a manager that's subject to working for the Board of Directors of the Co-operative, and takes his instructions and they run the show, we don't have anything to do with them. Now, if the department assigns an employee to assist in the management, what we have done is we've sort of satisfied ourselves that he hasn't taken full control, that he's just assisting and the board and the management over there has still got control of the situation. If, at any time they took full control, the department took full control, then we would assess the . . .

MR. SPIVAK: Can I ask, if grants were given by the Provincial Government to the co-operatives, would you follow the money through in terms of seeing that the money itself was applied for the purposes it was given?

MR. ZIPRICK: We would depend on the other auditors to do that.

MR. SPIVAK: But if the auditors were the internal auditors of the Department of Co-operative Development would you normally follow through?

MR. ZIPRICK: I'm not too familiar in the details of it.

MR. SPIVAK: Well, that may be a question that you want to at this point just have notice on it.

MR. ZIPRICK: I'd have to take as notice and talk to the auditors, because it's getting into . . .

MR. SPIVAK: Well, my purpose wasn't to become in the specific . . .

MR. CHERNIACK: A specific order, it seems to me, that when we're dealing specifically with co-operatives, that the proper place is when we come . . .

MR. SPIVAK: No, but you see, my purpose at this point was mentioning it only as an example, not to get involved in the specifics. Because I want to put it to the Provincial Auditor, that there really is a range of programs in which government money is involved, that realistically are only superficially within the purview of the Provincial Auditor, and are not capable of being followed through, and I think that all I'm trying to do is to establish that point so that

(MR. SPIVAK cont'd) . . . . there's no misleading, and I don't think do this in any deliberate way, but no misleading of the exact scope of what's capable. Because I would then put to you that with respect to the Manitoba Development Corporation, the Communities Economic Development Fund, to the Manitoba Housing and Renewal Corporation, to the Manitoba Agricultural Credit Corporation, that with respect to the provincial audit, you audit the operation, but you're incapable of auditing the exact flow of the money out to the whole range of corporations and individuals that receive it; you may audit the ability of the money to be paid under whatever appropriation or approval has been given, but beyond that, that's where you stop?

MR. CHERNIACK: Well, the ones you've mentioned, Sid, are they not audited by the Provincial Auditor?

MR. SPIVAK: Yes, but not . . .

MR. ZIPRICK: Mr. Spivak means one step further removed, and just as an example: for instance, grants to Children's Aid Society, payments to the school division. Now, we don't audit the records of the school division but we examine the auditor's reports and the financial statements that come back.

MR. CHERNIACK: A bill come back to the MDC and Economic Development, you know, all that stuff. Aren't you the auditor for those?

MR. ZIPRICK: Yes. In the MDC we audit the MDC itself. But let's say the payments to Flyer Coach, they're . . .

MR. CHERNIACK: Who audits Flyer Coach?

MR. ZIPRICK: There's another set of auditors.

MR. CHERNIACK: Do you see their statements?

MR. ZIPRICK: Their statements are on files, they have . . .

MR. SPIVAK: Let's distinguish what we're talking about. What the auditor sees is the financial statement, he doesn't see the audit. So therefore, in effect, the flow of the money through, the flow of the money through is not within his purview. I want to just establish that. I think that's understandable, I don't think that's the capacity.

MR. CHERNIACK: That's right.

MR. SPIVAK: But is there not a range of government programs in which grants are given to individuals and to groups of people that really are not again in the same category, that are not really beyond your control and the followthrough?

MR. CHERNIACK: Such as what?

MR. SPIVAK: Well, pensioner's program, as an example.

MR. CHERNIACK: Pardon?

MR. SPIVAK: The pensioner's program. Do you audit the pensioner's program complete? Do you follow through on every pensioner's program that is provided under the . . .

MR. CHERNIACK: You mean the pensioner's home repair program?

MR. SPIVAK: Yes, that's right, pensioner home repair program.

MR. ZIPRICK: Yes, that's audited by us completely.

MR. SPIVAK: You audit the payment out by the government to the pensioners under the pensioner's program?

MR. ZIPRICK: Yes. The rules there, if I remember correctly, is that the pensioners make applications. The applications are reviewed by the department, and if they're found to be acceptable then the pensioner is told that he get three tenders, I think, and the lowest tender is supposed to be selected. Then the department gives clearance to go ahead and when the job is done and the pensioner okays and the department says they've inspected the work, then the payment goes forward.

MR. CHERNIACK: Is it pre-audited by you? Is that one of your pre-audits?

MR. ZIPRICK: Before payments are made, all that's clear. Now, we don't go out and inspect the work.

MR. SPIVAK: But I gather what you're saying is that you rely on the internal auditor or administrator within the department who would then instruct you that this is ready, this is ready, this is ready, this is ready.

MR. ZIPRICK: All this is, of course, we couldn't start doing it 100 percent, it's all on a test basis. The department has laid down a regulation that their officials before they approve they must see three tenders and that. Now there's also exceptions where sometimes it's not practical, and we look at these. But our auditor will go and select a block of payments and he will go through and see that all these different steps have been complied with, that there was

(MR. ZIPRICK cont'd) . . . . tenders and the lowest tender, and that there's report from the officer that he had inspected the work of the contractor and it was found satisfactory, and then the payment went forward. So, we take a look at that selected group. Now, if in that group we find that these requirements have not been complied with, well, naturally, that's when the trouble begins, and we try to find out why, and why wasn't it being followed. But first of all, we determine that the kind of rules and regulations that are laid down are reasonable, would provide the kind of control that would be businesslike and then we do it on a test basis, follow through to see that it's being carried out.

MR. SPIVAK: Is there any range of moneys that are allocated by way of grants or loans in the whole variety of government programs, including programs such as STEP, and I can add a number of others, that are not within your purview, or you would not be in a position to satisfy this committee that you at least have examined in the normal audit manner?

MR. ZIPRICK: Well, you know, when we get into the area of grants and that, all we see is that the grant is made to an organization that's established, got a system, and got auditors and that. And thus the grant is approved and they're entitled to the grant. Then after, there's a followthrough and we just check on the department, but the instructions are that the department is supposed to afterwards see audited statements and see that the money has been spent for that purpose. Now this is as far as we go. We do not go to that organization there and audit their books and check to see, in effect look at vouchers and that to check that the grants have in fact been spent the way they have been. In that instance we rely on other auditors. Now we feel within our instructions and the way the situation is now, this is as far as we are obliged to go. If there is a feeling that we should go further, it's fine, but that would involve additional costs.

MR. SPIVAK: You haven't had a situation where you've had any concern, in which you wanted to go further and have gone further?

MR. ZIPRICK: The instructions are to the auditors and that, that anywhere they find areas of concern, they're supposed to bring it further down the line to attention, and if we became concerned that money was abused that we would move in there pretty quickly and may take the RCMP with us.

MR. SPIVAK: And if the department was concerned, they would then bring it to your attention immediately. That would be their obligation.

MR. ZIPRICK: Well, generally speaking we work very closely and if the department is concerned they don't usually strike out unduly on their own, they bring it to our attention and they work out with the auditor concerned as to the most effective kind of approach to take, to determine whether this had been properly handled or not.

MR. CHAIRMAN: Mr. Toupin.

MR. TOUPIN: Well, Mr. Chairman, again I'd like to follow up on what Mr. Spivak mentioned awhile ago in regards to the itemized audit, you know, that seems to be a concern. I know it is in regards to any government grants that are made to different agencies, and I'd like to cite two examples again, you know, to elaborate what really does happen and I'm sure--and I'd like to ask a question at the same time. In citing my first example, let's say that the Co-operative Promotion Board makes grants to co-operatives. Now, the audit team in the Department of Co-operative Affairs makes an itemized audit of that co-operative - it can be a credit union, it can be a consumer co-operative - that a grant has been made through the Co-op Promotion Board, and the report system is made to the Department of Agriculture, is made to the board of directors of the credit union, and you have access to that itemized audit made either directly by the audit team in the Department of Co-operative Affairs or by a chartered accountant, because the Act leaves it open for either. In the same way for the Children's Aid Societies where grants are made in the amount of millions of dollars by the Department of Health and Social Development, there is an audit procedure within the department itself which I assume you have access to. And if there are corrective actions to be taken either by the department or by the co-operative or the Children's Aid Society, that can be had in different ways. It can be had by the department, by the board of directors of the co-operative in question, or through you. Is that true?

MR. ZIPRICK: Yes. That's essentially the procedures that are being followed, and as to what course would be taken would depend on the seriousness of the situation and who is implicated. If high officials on the board would be implicated, you certainly wouldn't ask them to do the checking. On the other hand, if it's a lower official we wouldn't necessarily be wanting to be concerned about it, so you have to take a look at each situation, its position, and then

(MR. ZIPRICK cont'd) . . . . determine the course of action.

MR. ASPER: I want to go back to the scope of the audit basically to the question I raised earlier as to management audit or audit for waste. And I say this, Mr. Ziprick, having sat on a number of audit committees, my experience there and I think it applies to this committee and to you, is that the first thing you go for, you look for, when you're talking about the subject of extravagance, waste or abuse of office, abuse of spending power, you look at, in government, political expense that ought not to be government expense, you look at expense account living to determine whether there's abuse of expense allowances, you look at the question of favouritism in contracts.

Now, I cite an example and I ask you how you, how you deal with this. I gave an example of travel agencies, that some \$500,000 were spent on travel agencies last year. Do you audit, do you report to us, first of all, why one travel agency is given the business over another? For example, they all charge the same fees; we know that; it's a standard fee. You have Travel Unlimited in your accounts receiving \$72,000 and you have Continental Travel receiving \$13,000.00. There is some--do you do any tests to determine why . . . ?

MR. CHERNIACK: How much did Bonnycastle get?

MR. ASPER: Bonnycastle? Forty-nine. Now you've got Travel Unlimited getting 72, Miles Gordon getting 9, you've got Bonnycastle getting 49, you've got Continental getting 13. Those are examples and they abound throughout. What tests do you make to determine why one company is being favoured over another, getting more business pro rata? Do you do any tests on that?

MR. ZIPRICK: Well, the auditors try to be as alert as they can to these kind of situations, and if there's any indication that any one person may be favouring a certain area and that, we generally--maybe we are not in a position to exercise undue judgment ourselves but we try to bring another independent person who is familiar, let's say, in travelling and allocating travelling, and say to him now, "You know, we are auditors; we don't know too much about this but you're familiar with this. Now why is it? Is it reasonable or not?" And if he tells us and says, "Yes, I think it's reasonable," because of these and these reasons and that, so we've got an observation from an independent person that seems to have no axe to grind, who knows the business and so we would say, fine, it seems reasonable.

MR. CHERNIACK: Mr. Chairman, on a point of order on this. There seems to be a suggestion by Mr. Asper that there's some kind of slippage or government waste, whereas he also said that the travel agents all charge the same. Well now, what is it that the auditor ought to be concerned with in relation to who gets the business? For example, Air Canada got \$119,000.00. Should the auditor be investigating anything more than the actual cost or is Mr. Asper suggesting that there is wastage or lost money, slippage, some misuse of public moneys?

MR. ASPER: No, no. The question is one of four sectors I defined, the first one being favouritism by government to suppliers. My question is: do you test favouritism and if you find favouritism--as these figures indicate, they suggest that the government wants to do--for example Assiniboine Travel doesn't have any government business. Continental does and so on, you know. Some get, some don't. Then some get proportionately very substantial contracts while others get nominal contracts, comparatively. My question--well supply, services business. My question is: does the auditor check to determine if favouritism . . .

MR. ZIPRICK: Well I would say that in this area just the way I see it now, what we do is we would sort of determine, as I mentioned before, how are these orders placed and how is it priced to a degree. We don't care where the business is placed. We don't feel that it's our concern. We are concerned that the price that is being obtained is the best possible price.

MR. ASPER: Well that's really my question. You don't report on favouritism ignoring the price factor?

MR. ZIPRICK: No, not really. We would not get involved. If we're satisfied that the price is the best possible price, well then the decision rests with the officials on that as to whether we're going to do business with this or that person. We would have no say whatsoever as to who the business should go to.

MR. ASPER: The second aspect of that is where you get into--now I'm coming to the concept of expense account living. You have this year, in the year under review, you report approximately \$150,000 of taxi fares in the City of Winnipeg, just in the City of Winnipeg. Now do you do any audit to determine whether any of those trips could have been taken by bus, whether those trips were necessary, whether trips were taken, you know, on a rather lavish

(MR. ASPER cont'd) . . . . basis as opposed to a basis consistent with prudence and thrift?

MR. ZIPRICK: Well the approach on the expense account is this, that the Management Committee of Cabinet has laid down the guidelines and the sort of the level of expenses. Some of them are specific, some of them are in a general way. What we do is we review the expense accounts to see that they comply with this, and if they don't comply with that they're rejected and . . .

MR. ASPER: But you make no report as to whether or not there is undue expenditure then. You simply say, well this was authorized and it was spent, and you get . . .

MR. ZIPRICK: You mean as to whether the trip should have been taken or not?

MR. ASPER: Yes, or whether somebody . . .

MR. ZIPRICK: Well, you see, this area, as far as the expense accounts I can assure you that each one of those expense accounts has all been prepared and the kinds and amounts of expenditure on there and that, meet with the guidelines and the specific items that were set out by the Management Committee. Now, as to whether the trip should have been taken or not or, there should have been--when there's three trips taken there should have been only two or that, we have no way of really assessing that except that we do insist that there is internal control of one person checking on the other one, and if a chap is travelling and a director is taking, you know, trips in this area and that, and he's okaying these trips because for these and these reasons, we would not accept these as being complete and finished on his signature. There would have to be a signature of a more senior person that would say, yes, I'm satisfied that these trips were necessary to have been made. And that signature being on there, that's fine. In some instances, if we are concerned, we'll insist that they be signed by a Minister, and it is brought up and okayed by the Minister that that trip was necessary. and so only within that context that we rely on other supervisory senior people and the Minister, to say that these trips were necessary in their judgment and should have been made. We don't evaluate ourselves and say, "Well look, in this case we feel that only two trips could have done what you've done with three trips."

MR. ASPER: Or somebody on a lunch hour from the building or from a government office taking a taxi downtown to do some shopping and come back or something like that. You don't--if that's authorized you don't make any further check on it.

MR. ZIPRICK: Well it's within the departmental control, there's a good control system that one group is checking on the other and that no undue authority rests with any one individual that they could more or less do as they please with somebody else in a senior position taking the responsibility for it.

MR. ASPER: And if somebody takes the responsibility, that's really the end of your work?

MR. ZIPRICK: Essentially, yes. Only I would say, you know, if there was gross or what seemed to be gross abuse or a lack of concern by the senior officials, at some point or other the auditor would become suspicious and would then make much more noise and we'd carry it much further. But it's a highly judgmental area and you can only . . . when it becomes apparent that there is gross abuse, but when there's every evidence that whatever is being done is being done in good faith, the people that are signing it and directing it we have other evidence that they're good managers, capable people working in the public interest, signing in good faith, we would not question it. Not whatsoever.

MR. ASPER: What about staying on expense account living, hotels, restaurants, cocktail lounges? Do you test to see whether those entertainment expenses are reasonable? For example, you have this year, you're reporting \$166,000 spent in Winnipeg hotels. That's up 140 percent over the past four years. Wouldn't that to you suggest that there's a certain amount of extravagance that should be checked?

MR. ZIPRICK: Well you know, we question it. It's reviewed. There again it's highly, you know, how effective is it? And the policy first of all has to be set by the Management Committee of Cabinet. All these expenditures are within the set policy of the Management Committee of Cabinet. Now as to whether the department should carry on so much or not, if we're concerned we will direct it to the Management Committee of Cabinet to ask for their judgment. After their judgment is brought to bear and it's found reasonable, we let it go at that. It's only again in extreme situations that we would take action of our own, because when you do tangle beyond that point you're really questioning the integrity and the sincerity of people that really have nothing to do and pretty well just as independent to those transactions as you



(MR. ZIPRICK cont'd) . . . . are, and know more about the affairs that are going on than you are, so it's an area that we have to exercise good judgment and discretion. But I can say this, that the auditors are continuously alert and that if some areas seem to be getting carried away we certainly take action and bring it up to the higher level.

MR. ASPER: But if the higher level authorizes it that's the end of it as far as you're concerned? You don't in your report or no report . . .

MR. ZIPRICK: There again it would be the attitude at the higher levels, the degree. Let's say we were really concerned that the expense account living was getting out of hand and the Management Committee of Cabinet and senior officials were sort of into that trend, you know, "Don't worry let's live it up," that we would certainly take action and bring it to the attention of the Legislature to say that, look, as far as we're concerned we think the situation is really getting out of hand, that there is undue waste and abuse in that area, and we suggest you do something about it. But barring that, we rely on the officials and their integrity.

MR. ASPER: The last category was--and I recognize, I suppose this would be very difficult to audit, but take an example - and I put this as hypothetical but because it's been raised in the Legislature I put this example. A government decides it wants political staff, political organizers, and so it puts people on contract or staff who have job descriptions and job functions and actually carry out to some extent those jobs, but are expected to spend a quarter or a third of their time doing political work for the government of the day. Now you would then receive audit information that Jones was paid a salary, Jones is an information officer, or whatever category he falls into, and Jones' salary was authorized and that's the end of it. My question is, do you do any functional tests to determine whether or not Jones is spending a quarter of his time in political work, or Jones is really working for the public of the province as opposed to the Party in office?

MR. ZIPRICK: No, there again, it would be the same sort of thing, it would be an element of degree to . . . if normally there's certain assistance given and that sort of stuff, and we certainly don't - we'd need a staff that would be ten times as big if we got involved in all these areas, so . . . But if in some areas we were really concerned, that, you know, people were on the province's payroll but they were working outside of the province's area of concern, and public concern, that we would certainly take issue. So, it's all a matter of degree, and we certainly, you know, would not start putting stop watches and time watches on people to the extent . . . but on the other hand, in any area that becomes apparent in our judgment would be an area of concern because it was carrying on to that degree, we would take a much closer look at it and ultimately it could be a report, yes.

MR. ASPER: Well, you've heard the suggestions or the complaints that have been made in the Legislature on this subject. Have you conducted any tests to determine whether those complaints have substance?

MR. CHERNIACK: Named persons?

MR. ASPER: I'm thinking particularly last week of the Department of Northern Affairs debate in which several members made the allegation that members of the Northern Affairs staff were in effect political organizers, being paid for by the public purse.

MR. CHERNIACK: May I ask, would it be correct that if Mr. Asper or I or any other member of the Legislature asked you to look into whether or not Stuart Anderson is doing partly a political job, that you would then investigate that?

MR. ZIPRICK: No, not really. You know, what I'm saying is . . .

MR. ASPER: . . . try another line.

MR. CHERNIACK: I believe you're capable.

MR. ZIPRICK: No, it's again now - you know, as we know the department for instance, Northern Affairs, organized the senior people, there's chains of command and line of authority and that sort of stuff. Now as to whether they're carrying out from a technical side the objectives of that program and that, we are not in a position to judge, because we're only auditors, we're not - if they're let's say involved in a transportation or in engineering problems or whatever have you, we could not say well, you know, how much time they spent and how much should this time produce and that, that's up to their superiors, their engineers and that to judge.

MR. ASPER: That was my point. We really can't look to you, we, or the public can't look to you to report to us on that subject of whether or not public funds are being paid to people who are doing partially political work. Your report doesn't deal with that?

MR. ZIPRICK: Yeah, partially, I'd agree, if there was an all out group and that we would certainly act, but within the partialities and that, no.

MR. ASPER: Okay.

MR. ZIPRICK: We cannot refine it in that way.

MR. CHAIRMAN: Mr. Malinowski.

MR. MALINOWSKI: Mr. Chairman, coming back to the comments which Mr. Asper just made about these travel agencies, he mentioned one was getting more business and the other less business. Maybe it would be a good idea if we would establish, we as a government, our own travel agents, so then we will be self-controlled. How's that, Mr. Asper?

MR. ASPER: He probably will anyway, whether I . . .

MR. CHERNIACK: Well we sure would if we could.

MR. CHAIRMAN: Gentlemen, it's almost 12:30. I don't know whether there's any point in moving on to the point by point discussions of the accounts at this . . . Mr. McGill, did you have . . .

MR. MCGILL: Mr. Chairman, I wonder if there would be some agreement that we might have an opportunity to look at the transcriptions of the testimony given here today, in anticipation of the next meeting. I don't know when you're intending to call it. I wonder how many days it takes to get the transcription.

MR. CHERNIACK: Well, I suppose all we could do is ask Mr. Reeves to see to it that whenever it's ready it should be given to the Chairman for distribution.

MR. CHAIRMAN: Is it the function of the committee to decide when the next meeting is, or . . .

MR. CHERNIACK: Well, it's really the House Leader who consults with the Whips.

MR. CHAIRMAN: Okay. Committee rise.

