

**MEETING STATUS: PUBLIC**

**LEGISLATIVE ASSEMBLY**

**SESSION: 62/1**

**PRINCE EDWARD ISLAND**

**Motion No:**

**Year: 2004**

**VERBATIM TRANSCRIPT OF  
HOUSE COMMITTEE PROCEEDINGS**

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**COMMITTEE: STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**DATE: Tuesday, March 23, 2004**

**SUBJECT(S) BEFORE THE COMMITTEE:**

**Consideration of the 2003 Report of the Auditor General to the Legislative Assembly.**

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**NOTE:**

**This Transcription has NOT been edited nor subsequently compared with the original tape. It is intended to provide an indication of Committee discussion only and is NOT certified by the Legislative Assembly to be a true copy of the discussion.**

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**COMMITTEE**

**MEMBERS PRESENT:** Ronald MacKinley, Chair  
Jim Bagnall, Vice-Chair  
Wayne Collins  
Wes MacAleer  
Wilbur MacDonald  
Dr. David McKenna  
Richard Brown for Hon. Robert Ghiz

**MEMBERS ABSENT:** Cletus Dunn

**GUESTS:** Colin Younker, Auditor General  
Allan Moore, Audit Director  
Jane MacAdam, Audit Director

**STAFF:** Charles MacKay

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**Tuesday, March 23, 2004**  
**2:00 p.m.**

**Tape No. 1**

**Ron MacKinley (L)Chair:** Call the meeting to order. The Vice Chairman has brought up that him and Mr. MacAleer would like to leave about . . . what time.

**Jim Bagnall (PC):** Quarter to four. We have another meeting at four. So if we could wrap up proceedings at quarter to four today if that's alright with the committee.

**Ron MacKinley (L)Chair:** Fine. Approval of agenda. Is there any new items?

**Richard Brown (L):** Mr. Chairman.

**Ron MacKinley (L)Chair:** Yes.

**Richard Brown (L):** At last meeting it was brought up about the Infrastructure Program and the new infrastructure programs and I've done a little research and if I may.

There is a number of programs under Infrastructure Canada available to provinces and municipalities across this country, Mr. Chairman. And according to the information that I've got there's billions and billions of dollars in these programs that are available. One such program, Mr. Chairman, is called the Introduction to Infrastructure Canada, but there is the Canadian Strategic Infrastructure Fund .

**Ron MacKinley (L)Chair:** Now what's your point.

**Richard Brown (L):** Well last meeting, Mr. Chairman, there was comments made that there was no money available for roads and highways and that.

**Ron MacKinley (L)Chair:** Right.

**Richard Brown (L):** But I have since found out that there is \$2 billion set aside in the Federal Budget 2001, an additional \$2 billion budget set aside in the budget 2003.

**Ron MacKinley (L)Chair:** So what do you want to do with that, bring it up later.

**Richard Brown (L):** I'll be tabling this. The most interesting part of this Mr. Chairman is that under the infrastructure program there is a specific category that says highways and railroad infrastructure. Investments may be made in large scale projects that facilitate the movement of goods and people in and on Canada's National Highway System or highways that are connected to the National Highway System and maintain railroad networks for the purpose of increasing production economic benefits and safety to Canadians.

Mr. Chairman, under this particular program the Government of Nova Scotia applied for funding under this program.

**Ron MacKinley (L)Chair:** Just one thing, Mr. Brown, would you like to add this to Other Business. Like we got to approve the agenda.

**Richard Brown (L):** No problem Mr. Chairman. I will be tabling this document. Every other province seems to have got highway money but us.

**Jim Bagnall (PC):** It's Highway 1. It's not Highway 2.

**Richard Brown (L):** No, no under this program.

**Jim Bagnall (PC):** National highways.

**Richard Brown (L):** Yes, but under this program you can . . . Nova Scotia got the Route 101 down to Windsor, New Brunswick got Route 2, Trans-Canada Route 2. Saskatchewan got a (Indistinct) of money.

**Jim Bagnall (PC):** Yes, but it's not Route 2.

**Richard Brown (L):** If you guys would have applied under this program (indistinct)

**Ron MacKinley (L)Chair:** Can I have some order here. I think we are here for the Auditor and we'll have this session under Other Business when the Auditor is not here. If we could use this time up to the most, maximum when he's here. So we will start with Mr. Younker.

**Richard Brown (L):** Tons of money.

**Ron MacKinley (L)Chair:** Now has anybody got any questions on information come back from Mr. Younker? I want to thank you, Mr. Younker, you and your department for getting us to a notice before the meeting.

Is everybody familiar with the information that was given to you yesterday.

**Wayne Collins (PC):** Today is the first I've seen it but . . .

**Ron MacKinley (L)Chair:** Well it was on our desk yesterday. Now you are going to have to . . . that's a thing you have to take up with your Caucus Chairman or your organization. You can't blame Mr. Younker for that. Now you got a question.

**Richard Brown (L):** One question. The preferred shares of the corporations, when will that be known?

**Colin Younker (Auditor General):** We are still waiting on the organizations.

**Richard Brown (L):** How long do you think it will be?

**Colin Younker (Auditor General):** They needed some time.

**Richard Brown (L):** Working on it. They don't know what investments they have in corporations?

**Colin Younker (Auditor General):** They're getting a list prepared for us.

**Richard Brown (L):** Well, hopefully they are not my investments broker. Thank you.

**Ron MacKinley (L)Chair:** Now if we could approve the agenda just before we start here.

**Some Committee Member:** So moved.

**Ron MacKinley (L)Chair:** Alright that's for the record. When contracts are awarded . . . 4.28. Why weren't contracts tendered? The contracts were not required to be tendered under the *Public Purchasing Act*. So what you're telling us, Mr. Auditor, the Highways Department can give out \$700 and some thousand dollars say \$2.9 million to four individual companies split up, I won't get into it, without going to tender?

**Colin Younker (Auditor General):** Yes.

**Ron MacKinley (L)Chair:** What about the Procurement Agreement that they sign with other provinces?

**Colin Younker (Auditor General):** This is exempt under the *Public Purchasing Act*.

**Ron MacKinley (L)Chair:** Yes, but is there also a Procurement Agreement signed with the three Maritime provinces. Is it exempt under it too?

**Colin Younker (Auditor General):** It has exemptions under it but I'm not sure on that.

**Ron MacKinley (L)Chair:** You're not sure.

**Colin Younker (Auditor General):** Not sure on that.

**Ron MacKinley (L)Chair:** Could you check into that...

**Colin Younker (Auditor General):** (Indistinct) .

**Ron MacKinley (L)Chair:** So would you check into that to see if it's exempt under the Procurement Agreement?

**Colin Younker (Auditor General):** This is the Atlantic provinces?

**Ron MacKinley (L)Chair:** Yes, the Procurement Agreement. Is this the way, like I mean I'm not saying this governments but has other governments been the same way here that highways were exempt from the *Purchasing Act*? In other words they don't have to tender. They can just negotiate, hand it out?

**Colin Younker (Auditor General):** We didn't compare with other acts.

**Ron MacKinley (L)Chair:** Alright, could you find out if that's, there's been a change or it was that way previous when I was there back under the Liberals and that.

**Colin Younker (Auditor General):** I think this Act has been around for a while.

**Ron MacKinley (L)Chair:** What?

**Colin Younker (Auditor General):** This has been around for a while, this Act.

**Ron MacKinley (L)Chair:** And do you think that's a good idea or would you recommend as an Auditor it should be tendered?

**Colin Younker (Auditor General):** We didn't look at the whole tendering process. We'd have to look at the tendering process

**Ron MacKinley (L)Chair:** Would you have a look at it and report back to us. Like our job here is for the value of the dollars for the taxpayers of PEI. So if we can save, like if you can put out \$3 million worth of tenders and save 10 per cent, there's \$300,000.00 right there. But maybe this is the way to go, just , I don't know.

You got back on the snow removal answers. Has anybody got any questions on any of that information in front of you?

While I'm waiting here, alright under 4.52. Provide examples of deficiencies noted when the equipment was inspected. Faulty lights—these are equipment that was suppose to be ready to go out and plow snow because they signed a contract, correct?

**Colin Younker (Auditor General):** Yes.

**Ron MacKinley (L)Chair:** They had bad lights, I can see bad lights, maybe a bulb out or something. Bad tires, that's hard to miss. As well as suspension, what do you mean by suspension? Did they have any suspension under these plows or what? We can laugh about this but this is pretty serious stuff. My answer is well it's suspension, what was the problem with the suspension?

**Colin Younker (Auditor General):** I don't have the details on suspension. But there is probably --

**Ron MacKinley (L)Chair:** I would assume suspension would be broken springs or broken carrying . . . steering, I think you would need a steering on a plow. And brake problems, I think we'd need brakes to start --were lists of the defects.

Defects lists were not signed off when they were repaired. Defects lists were not consistently signed off. So anyway they came out and inspected the equipment. They found faulty lights which anybody could of had faulty lights, bad tires, there's no excuse for having bald tires or cracked tires. There is no excuse for having no suspension or broken suspension. You would have to have at least have a steering wheel, but it didn't work and brake problems on these plows that are plowing the roads.

All equipment other then loaders require to be available November 1<sup>st</sup>. So when they signed these with these contracts to plow the snow there were these deficiencies. Under the contract, I don't have it here in front of me, but I did read that if their equipment is not up to par, there is a penalty. Could you give me the snowplow contract?

**Jim Bagnall (PC):** Am I your secretary?

**Ron MacKinley (L)Chair:** You're not doing anything. I don't know why you asked for all these information, nobody seems to read it before they come here.

**Jim Bagnall (PC):** I have it all. At least I have it. Where's yours?

**Ron MacKinley (L)Chair:** Mine is up stairs. With my researcher going over it. I figured you guys would have it. But I remember glancing over this.

**Jim Bagnall (PC):** I'll look after you honourable member. I know you are not prepared but I'll look after you.

**Ron MacKinley (L)Chair:** Prepared enough. Under the snowplow contracts there is a clause if the equipment is not up to par when they inspect it, there's a penalty of so much a day until it's fixed. How many contractors were fined a penalty?

**Colin Younker (Auditor General):** We didn't check to see which ones were.

**Ron MacKinley (L)Chair:** You didn't check.

**Colin Younker (Auditor General):** No, we didn't go that far.

**Ron MacKinley (L)Chair:** Like if say for instances there's a clause there that if the equipment is not up to spec, the contractor's supposed to have it November 1<sup>st</sup>, these are supposed to be ready, November 1<sup>st</sup> and then have the 15<sup>th</sup> like that's but it's supposed to be ready. If it's not ready by November 1<sup>st</sup> there is supposed to be a penalty.

Could you check and could you give us, find out how many penalties were imposed on these contractors and how much they . . . because that's money that is really owing to the province. You sign a contract, a hand picked contract I might say. Everybody seems to want these snow contracts. There is a provision in the contract for penalties if the equipment is not up to par when they inspect it. Alright here it is here. Inspection of equipment. Number 11, 4.4, a representative from the department will inspect the contractors equipment, ensure equipment readiness prior to November 15<sup>th</sup>, failure to have equipment ready by November 15<sup>th</sup> shall result in a penalty of \$200.00 per day, per piece of equipment said penalty be documented from the first installments.

So Mr. Auditor, I just thought that when you found out there was problems then ...when I asked you to get this, I figured you would of just looked at. Because there could be thousands of dollars here that was never collected. I don't know. So I'll let you find that out.

**Jim Bagnall (PC):** No where's it says anywhere in any information we have Auditor General that the equipment was not ready by November 15<sup>th</sup>. They were inspected between that and they weren't, there was some minor things that had to be completed before that date and I don't think we have anything showing that none of it was not completed by November 15<sup>th</sup>.

**Ron MacKinley (L)Chair:** The thing is, when you sign this contract this is...

**Jim Bagnall (PC):** And they have til November 15<sup>th</sup> to have their machinery ready and they were inspected in between...

**Ron MacKinley (L)Chair:** No.

**Jim Bagnall (PC):** Yes they do. Read the contract, I read it.

**Ron MacKinley (L)Chair:** November 1<sup>st</sup>.

**Colin Younker (Auditor General):** The inspection has to be ready by November 1<sup>st</sup>, but they have until November 15<sup>th</sup>.

**Jim Bagnall (PC):** Yes, exactly.

**Colin Younker (Auditor General):** Our recommendation was that the contracts be adhered to and that the deficiencies are corrected.

**Ron MacKinley (L)Chair:** Yes, but is the equipment not supposed to be ready, except for loaders on November 1<sup>st</sup>.

**Jim Bagnall (PC):** Inspection was to take place . . .

**Ron MacKinley (L)Chair:** Listen I got the Chair, just a second. You can go later. Is the equipment supposed to be ready on November 1<sup>st</sup> other then loaders.

**Colin Younker (Auditor General):** Yes.

**Ron MacKinley (L)Chair:** Yes. Alright, now ,

**Colin Younker (Auditor General):** But then they have til November 15<sup>th</sup>.

**Jim Bagnall (PC):** That's exactly right.

**Colin Younker (Auditor General):** They have until November 15<sup>th</sup> then to get the equipment ready.

**Jim Bagnall (PC):** Yes, exactly.

**Ron MacKinley (L)Chair:** But then if it's not ready by November 1<sup>st</sup>, they are fined \$200.00 per day.

**Jim Bagnall (PC):** No, after November 15<sup>th</sup>.

**Ron MacKinley (L)Chair:** After November 15.

**Jim Bagnall (PC):** You got to read the contract.

**Ron MacKinley (L)Chair:** Well failure to have equipment ready by November 15<sup>th</sup> will result in a

penalty of \$200.00 per day per piece of equipment. So find out how many pieces of equipment there was a penalty charged to other than loaders. Now does anybody else got any more questions?

**Dr. David McKenna (PC):** If the extended season is beyond April 15<sup>th</sup>, I think the contract goes to April 1<sup>st</sup> or whatever, what, how do you determine the payment that these people will receive, is that described pretty well in the agreement. Or do we go beyond April 15<sup>th</sup>?

**Colin Younker (Auditor General):** It's on page 13, the contract. And if it's beyond April 15<sup>th</sup> the department will again pay for work on a rental bases provided the invoice submitted by the contractor, in the case of department, authorization date, type of work carried out. So it's a provision in the contract after April 15<sup>th</sup>.

**Ron MacKinley (L)Chair:** Now, a question was asked to you, is it common practice for Executive Council to overrule the Lending Agency and go 100 per cent financing. You answered that question back to us here. That's on that hog farm of Mr. Lank's, Lank Incorporated.

**Jim Bagnall (PC):** The guy who told you off at the committee meetings.

**Ron MacKinley (L)Chair:** It's right in front of us.

**Colin Younker (Auditor General):** It was in our 1999 Annual Report.

**Ron MacKinley (L)Chair:** Yes.

**Colin Younker (Auditor General):** And the loan was actually through IIDI.

**Ron MacKinley (L)Chair:** Yes.

**Colin Younker (Auditor General):** And the Lending Services provided the assessment of the loan.

**Ron MacKinley (L)Chair:** Yes.

**Colin Younker (Auditor General):** For IIDI and they presented the two options to the Executive Council. They made the decision in that case.

**Ron MacKinley (L)Chair:** And then you finished

up here. Our last audit, the Lending Authority was reported in 2001 Annual Report. For the loans approved and examined we did not observe any instances where Executive Council overruled the recommendations of the Lending Agency. What do you mean by that?

**Colin Younker (Auditor General):** Well that's our last audit, the Lending Agencies was up to our 2001 Annual Report. Up until that time we didn't see any example of where Executive Council overruled recommendation of the Lending Agency.

**Ron MacKinley (L)Chair:** So in that 1999 report are you saying Executive Council didn't over ruled the Lending Agency?

**Colin Younker (Auditor General):** The Executive Council was given both oppositions. They made the decision on that file. It was an IIDI loan as well.

**Ron MacKinley (L)Chair:** Pardon.

**Colin Younker (Auditor General):** It was IIDI loan .

**Ron MacKinley (L)Chair:** Yes, which was handled through the Lending Authority lending people on behave of IIDI. And you haven't got a list . I think Richard you brought that up earlier?

**Richard Brown (L):** Yes, Mr. Chairman.

**Ron MacKinley (L)Chair:** So we'll continue on. Has anybody got any questions?

**Colin Younker (Auditor General):** We are on page 66. Inventory. We looked at the inventory government departments which maintained various types of inventories to support their programs and operations, ranging from bridge materials, equipment parts to forestry seedlings and text books.

In 1994, end of 1993 to 1994, government discontinued recording inventories and supplies in the Public Accounts . . .

**Jim Bagnall (PC):** Excuse me, what page are you on.

**Colin Younker (Auditor General):** Sixty -six.

**Jim Bagnall (PC):** Thank you.

**Colin Younker (Auditor General):** . . . to conform with a recommendation of Public Accounting Board.

Inventories of supplies are expensed for the purpose of the Public Accounts but are maintained as inventories for control purposes. Those maintained by government departments are listed Exhibit 7.1. There's approximately \$4.4 million as of March 31, 2002. The only inventory in Exhibit 7.1 that is recorded as an asset in the Public Accounts is the Properties Purchased for Resale.

We done audits of inventory in 1987 and 1993 and we recommended that Treasury Board establish a policy for the management and control of inventories.

Treasury Board approved a policy in 1995. The objective for the Treasury Board Inventory Management Policy is to encourage the efficient management of inventories, improve securities of asset and ensure that accounting for inventories is carried out in a manner such that all requirements for adequate control and accurate, timely information are met. Under the Policy, inventory is defined as any stockpile of goods which have a material value.

The Policy requires departmental management to determine the appropriate levels of inventory to support departmental operations; minimize the cost associated with carrying the inventories; maintain and account for inventories in accordance with all applicable acts and regulations, as well as directives issued by Treasury Board or the Comptroller, and provide adequate physical control over inventories to protect against loss, theft, damage and misuse.

We reviewed inventory practices in each of the departments that maintained inventory and expected to find inventories managed in accordance with Treasury Board Policy. This would include maintaining appropriate inventory levels, following appropriate accounting practices and providing adequate security. The observations which follow relate to the Department of Transportation and Public Works which maintains the majority of the inventory.

Inventory policy requires that appropriate quantities be maintained to support departmental requirements. The process should consider the

costs of acquiring inventory and the costs of storing it over time.

We noted inventories in the Department of Transportation and Public Works where the inventory levels require review. These included bridge materials, garage parts and signs.

The bridge materials inventory was approximately \$750,000 at March 31, 2002. Approximately \$550,000 in materials was used during the year. The ending inventory was high relative to annual usage. Contributing to the high value of inventory was a large supply of guardrail components acquired for a replacement program that was subsequently cancelled.

The Department operates garages at Charlottetown, Summerside, and Bridgetown with inventories of approximately \$500,000, \$260,000 and \$230,000, respectively at March 31, 2002. The major stock items are parts \$890,000; tires \$75,000; and fuel, \$25,000. Year-end inventories of parts have decreased since our last review. While this is an improvement, current levels are equivalent to approximately six months usage.

Sign shop inventory is high relative to the number of signs used each year. At March 31, 2002, there were approximately 11,000 completed signs in stock, approximately double the number used in 2001-02. The sign shop used approximately \$250,000 of supplies and ended the year with inventory of approximately \$360,000. The level of inventory required to meet annual demand should be reviewed.

And our recommendation was that the Department of Transportation and Public Works should take steps to reduce inventory levels of bridge materials, government garage parts, and sign shop materials.

**Richard Brown (L):** Mr. Chairman?

**Ron MacKinley (L)Chair:** Go ahead.

**Richard Brown (L):** Thank you. The recommendation, when we're talking about reduction in inventories, have you taken into consideration that reduction . . . like a lot of people say, a lot of accountants go out and say, you know, let's reduce our inventories just in time inventories were general motors, you know, like

I've done work down at the government garages and that and have you analyzed the time it takes, if you reduce your inventories to a level then you are spending all your time, people running out and getting parts. Especially this time when you got Caterpillar, and the big distributors on the Island since the fixed link saying we will reduce our parts here and I find sometimes the problem may be that the parts aren't available or the equipment is needed on the roads or in the middle of winter and you have your staff out running around trying to find a part for the piece of equipment.

**Colin Younker (Auditor General):** We didn't do a detailed analyzes. But we recommended that the department have a look at it and bring the levels down to a good level.

**Richard Brown (L):** Personally to me I'd prefer , I don't mind the levels, the inventory levels being up a little higher because that makes the parts available when they are needed. A lot of the time these recommendations of reducing inventories especially with government garage parts and that you end up spending more time and more money and more down time running around looking for parts. That's just my comments, Mr. Chairman.

**Wilbur MacDonald (PC):** Could I have a question?

**Ron MacKinley (L)Chair:** Mr. McKenna first.

**Dr. David McKenna (PC):** My question is what do you consider an appropriate amount of inventory for each of these, the garage, for the sign shop and for the bridge materials? What would you think would be an appropriate amount of inventory to carry?

**Colin Younker (Auditor General):** We didn't look at an appropriate amount, but when you are looking at the bridge material where they have \$750,000 on hand at the end of March. And the purchases were about \$550,000 that they used during the year. So somewhere underneath that would be an appropriate level. It's something they should look at and determine themselves based on their usage, how much inventory they are using. And there may be some parts where they have to maintain them because they are difficult to get.

**Richard Brown (L):** I remember one time at the government garage they were criticized, they

criticized the guy using binoculars to read the readings out in the meters. I think he should of been commend, he came up with an innovative approach to save time and to save money.

**Wilbur MacDonald(PC):** I'd like to ask a question.

**Ron MacKinley (L)Chair:** Mr. MacDonald.

**Wilbur MacDonald (PC):** In the book, what do you call the book, the finance book?

**Richard Brown (L):** The Blue Book.

**Wilbur MacDonald(PC):** We never see any thing about inventory. I've been around here a long time and this is the first time I ever saw and I mean inventory can make a big difference to a department. For example the Department of Transportation and Public Works, there is a big change between March 31, 2000 and 2001 to 2002. You would think that would become part and parcel of a financial thing as we go through the book as to, you know, like the Department of Transportation I'm thinking like as far as their budget is concerned but it's never any where within government that we see as a MLA

**Colin Younker (Auditor General):** Back in page 66, one of the recommendations of the Public Sector Account Board is that the inventories be written off as purchased.

**Wilbur MacDonald(PC):** Inventories be written off as purchased?

**Colin Younker (Auditor General):** Yes. So it's written off as an expense that's purchased. The only reason is that the balance doesn't change substantially from year to year.

**Wilbur MacDonald(PC):** Okay. But on the other hand, I understand that now, but on the other hand for example you say the sign shop but I would think this year I've seen signs that are just in terrible shape. There will be, I hope they're really going to work right now on getting signs because I haven't seen it so bad in a long time, the signs. They really got a wrecking this year. With so much snow and now we have the snowplows can go so fast, they can knock signs down. We have to really go to a better system I would think. A stronger post somewhere off to the side, not anywhere's handy where the snow will hit, because they are just

being destroyed left and right. I suppose some of them will appear. I know I went looking for one of them one day because some of the districts put the extra thing on, you know, welcome to and I couldn't find it. Later on when it melted, I found it, I got out the shovel and it's all destroyed so there is going to be a lot of signs destroyed this year. So I guess it depends on the weather to in some cases.

**Ron MacKinley (L)Chair:** Mr. Collins.

**Wayne Collins (PC):** Yes, thank you Mr. Chairman. From 7.11, Auditor General, you mentioned the high value of inventory and a lot of it, contributing factor was the large supply of guardrail components. A program that was subsequently cancelled. I'm curious, do you know whatever happened to that large supply of guardrail components or are they still to be used?

**Colin Younker (Auditor General):** They are to be used, they hope to use them up over the three year period.

**Wayne Collins (PC):** Over a three year period. That many they had. Alright thank you.

**Dr. David McKenna (PC):** One final question, getting back to the nursery stock. Are we still as governments stocking nursery supplies or are we out of that business now. Do you know? I remember seeing something last year they were trying to get rid of all the inventory in that area.

**Colin Younker (Auditor General):** Not sure.

**Dr. David McKenna (PC):** You are not sure.

**Jim Bagnall (PC):** It wouldn't be on this report anyway.

**Dr. David McKenna (PC):** It's right here.

**Colin Younker (Auditor General):** Section 8, Equipment - Treasury Board Policy provides direction to government departments on the management and control of government equipment. Equipment includes furniture, office equipment, computers, printers, software, small motorized equipment, and lab survey and test equipment.

During 2001-02 expenditures by departments on

equipment were \$5.5 million, including computer equipment leased under the Evergreen Program. A summary of equipment expenditures is presented in Exhibit 8.1.

The Treasury Board Management Control Policy was approved in February 1996. It is intended to assist management to optimize the investment in equipment, maintain efficient and effective controls, and ensure economical purchasing. The following minimum procedures are identified - conduct a physical count, at least annually; include equipment greater than \$250.00 until declared surplus, as well as equipment rented or leased, record detailed inventory descriptions; identify surplus obsolete and damaged equipment; investigate discrepancies against prior inventory and exclude equipment accounted for by another department.

In examining the equipment inventories across government we expected to find complete and accurate records that were verified by an annual inventory count in accordance with Treasury Board Policy.

The Treasury Board Policy requires that a physical count of equipment inventory be conducted at least annually. The Policy indicates that as part of inventory procedures, the current inventory count should be compared to the inventory

## **Tape No. 2**

**Colin Younker (Auditor General):** Treasury Board Management Policy was approved in February 1996. It is intended to assist management to optimize the investment in equipment, maintain efficient and effective controls and ensure economical purchasing. The following minimum procedures are identified: conduct a physical count, at least annually; include equipment greater than \$250 until declared surplus, as well as equipment rented or leased on a continual basis; record detailed inventory descriptions; identify surplus, obsolete and damaged equipment; investigate discrepancies against prior inventory; and exclude equipment accounted for by another department.

In examining the equipment inventories across government, we expected to find complete and accurate records that were verified by an annual inventory count in accordance with Treasury Board

Policy.

The Treasury Board Policy requires that a physical count of equipment inventory be conducted at least annually. The Policy indicates that as part of inventory procedures, the current inventory count should be compared to the inventory records so that discrepancies can be investigated and errors or losses identified. Most departments did not reconcile inventory listing to agree with an annual inventory count. We noted that some departments used their inventory count as the new inventory listing.

Treasury Board Policy requires the inventory to include equipment greater than \$250 until it is declared surplus, as well as equipment rented or leased on a continual basis.

We found that inventory records of recent computer equipment acquisitions leased under the Evergreen Program were available to all departments. Inventory records for computer equipment acquired outside the Evergreen Program were maintained by approximately half of the departments.

Records for furniture equipment other than computer equipment were kept in a variety of formats. A few departments provided detailed inventory listings although most departments provided partial listings or none at all. Where equipment inventory records are kept, they ranged from completely manual to largely computerized.

Our Recommendations:

As required by Treasury Board policy, departments should complete an annual inventory count of equipment. When updating inventories, inventory count should be compared against previous inventory records and purchases. Any discrepancies should be followed up and explained. In accordance to Treasury Board policy, departments should maintain complete records of all furniture and equipment.

Most equipment is kept in government buildings or off site in locked warehouses. File servers and related computer equipment are high value items which are found to be maintained in secure locations. Other equipment such as desktop computers have little security beyond the general security over removal of equipment from buildings.

We reviewed claims over a five year period for equipment related loss reported to the Risk Management Section of Provincial Treasury. There were 11 claims totaling \$30,000 for computer equipment and 16 claims totaling \$13,500 for other equipment.

Our Recommendation:

Departments should review procedures for protecting equipment against loss or damage.

**Richard Brown(L):** Mr. Chairman.

**Ron MacKinley (Chair) L:** Yes, Mr. Brown.

**Richard Brown(L):** I notice in the Auditor Generals Report he lists any stolen stuff, it's a requirement that he has to list any violations or any things that were stolen I guess, any cases and charges of assets being missing. Is it a requirement for you to do that?

**Colin Younker (Auditor General):** No, we're not required to do that.

**Richard Brown(L):** Do you think it's a good requirement? Like I notice in his annual report he says according to section such and such this much stuff has been gone missing and.... I notice you said it here, eleven claims. But in next year's report you're not doing the equipment we wouldn't know what went missing.

**Colin Younker (Auditor General):** No. We would only go in and do equipment every so many years.

**Richard Brown(L):** Okay. Again I guess, you're saying do a furniture inventory each year too, how many chairs and everything?

**Colin Younker (Auditor General):** Yes.

**Richard Brown(L):** Do you think that's practical?

**Colin Younker (Auditor General):** Once the list is made it's fairly easy to keep, it's initial list.

**Richard Brown(L):** I know they've tried it in other areas and other governments and it costs a lot of money and what benefit do you get out of it? Somebody stole a chair. I'm asking for your opinion. Do you think we get the (Indistinct)?

**Colin Younker (Auditor General):** Well some of them do have it now and some don't.

**Richard Brown (L):** How much does it cost in other areas?

**Colin Younker (Auditor General):** If it's in the policy, we'd have to change the policy. If you don't want it you'd have to change the policy.

**Richard Brown(L):** Alright, so you don't recommend changing the policy? How much would you want to spend on this kind of a system then?

**Colin Younker (Auditor General):** I'm not sure how much you're going to spend. We're just saying the policy is not being followed. If somebody wants to change the policy then they can.

**Richard Brown(L):** But we change policy based on your recommendations. We look for your insight into these areas in knowledge, expertise. If you don't think government should be doing a particular thing or it's a waste of money you're to tell us this.

**Colin Younker (Auditor General):** That's our recommendation yeah.

**Richard Brown(L):** Okay, thank you.

**Ron MacKinley (Chair) L:** Mr. Collins.

**Wayne Collins (PC)Chair:** Thank you, Mr. Chair. Auditor General in 8.15 when you talk about claims to the Risk Management Section of Provincial Treasury, can you tell me a little bit more about the nature of that claim. Is this an insurance claim to government that would seal for--what is the nature of the claim, does it state someone spilled coke down the computer thing and it just went fritzzy and all fell apart and therefore damaged by accident. Is that a claim or what do you mean by claim?

**Colin Younker (Auditor General):** Well it could be for both loss or damage and the claim is made to the Risk Management Section which is self insurance.

**Wayne Collins (PC)Chair:** Self insurance.

**Colin Younker (Auditor General):** I don't have

any details on the claims with me as to what would be in each claim.

**Wayne Collins (PC)Chair:** So you don't know if it's theft, damage, whatever.

**Colin Younker (Auditor General):** Could be theft or damage. It's listed as a loss.

**Wayne Collins (PC)Chair:** Thank you.

**Ron MacKinley (Chair) L:** Mr. MacAleer.

**Wes MacAleer (PC):** Just your chart on exhibit 8.1., I just wanted clarification on computer equipment, 4.3 million. Does that number mean that the government own \$4.3 million worth of computer equipment and is that a value that's put on there at cost or how does that derived at?

**Colin Younker (Auditor General):** That's our lease and purchase cost for the year.

**Wes MacAleer (PC):** That's the lease and....that's the actual outflow of money, 4.3 million?

**Colin Younker (Auditor General):** Yes.

**Wes MacAleer (PC):** We should have a breakdown on that whether or not...that's all departments is it?

**Colin Younker (Auditor General):** That's all departments. It would include leased, purchased, servers, switchers, software licenses.

**Richard Brown(L):** That's why Bill Gates is a billionaire.

**Wes MacAleer (PC):** So that would include the Evergreen Program at that time?

**Colin Younker (Auditor General):** Yes.

**Wes MacAleer (PC):** You don't have a breakdown of the Evergreen contract do you?

**Colin Younker (Auditor General):** No.

**Ron MacKinley (Chair) L:** Mr. McKenna.

**Dr. David McKenna (PC):** I have two questions. Number 1, I don't know what the Evergreen

Program is but maybe if you can fill us in on the Evergreen Program and I have another question following that.

**Richard Brown (L):** It wasn't very much. For some it was.

**Dr. David McKenna (PC):** At the time, it wasn't a good program?

**Colin Younker (Auditor General):** (Indistinct)

**Dr. David McKenna (PC):** My other question is, this list on exhibit 8.1, is it all government? Does it include crown corporations, health boards?

**Colin Younker (Auditor General):** Departments only.

**Dr. David McKenna (PC):** Okay. I was on the Health Board before I came into government and we could not...there was never an actual listing of inventory, you couldn't physically do that as Richard was indicating over there. Just so many separate items that you could not list in that so I don't know how we can feasibly do it in government without taking a full time departments just to look at the numbers. Chairs moved from one floor to another floor, from one department to another department, I don't think it would be fiscally possible for the time involved to do all that. I just wonder if maybe we should change the Treasury Board Policy or whatever policy that is there to make it as accurate as we can within reason. You just can't attach the system to do all that.

**Ron MacKinley (Chair) L:** You were on the Health Board if I could ask the question and you do an inventory as long as you....like he Queen Regional Health Board, your inventory would be for creation of a reasonable health board.

**Dr. David McKenna (PC):** Right oh yes. But that's still a lot of items like you look at....

**Ron MacKinley (Chair) L:** Like if you moved a set of beds or chairs from one room to another that wouldn't....you still got the inventory, they're still in your possession.

**Dr. David McKenna (PC):** But you still have all kinds of items you would never even count like blankets, face cloths, all those other things. You

wouldn't believe the number of items out there that wouldn't be counted as inventory. Parts of equipment that are lying around. I mean beds can get moved from one institution to another institution.

**Ron MacKinley (Chair) L:** Yeah, but you think they'd sign in and sign out on them.

**Dr. David McKenna (PC):** I guess if you got someone there to do it.

**Ron MacKinley (Chair) L:** I mean it's typical inventory. You must have somebody in management, you just can't phone somebody up and then say I want a bed they're going to move it for that person. You'd have a list of everything that is purchased. You could start an inventory today and do it from then on.

**Dr. David McKenna (PC):** Well yeah but I think when the Queens Region was formed, there was no actual set of list of inventory that came into the region saying, this is what you actually owned. I mean that was never there. From there right in, you could probably figure it out.

**Ron MacKinley (Chair) L:** You could start one anytime you wanted, inventory....

**Dr. David McKenna (PC):** Yeah, it would be an approximation, it would never have been an actual reading.

**Ron MacKinley (Chair) L:** Well you wouldn't be missing stuff out of the Region Board would you? You shouldn't be. How would you know it was missing unless you had an inventory?

**Dr. David McKenna (PC):** A writing pen could walk home once in awhile.

**Ron MacKinley (Chair) L:** What?

**Dr. David McKenna (PC):** A writing pen could walk home once in awhile.

**Ron MacKinley (Chair) L:** I don't think we're talking writing pens here. Not with the millions of dollars you guys are in debt, I think there is a little more than writing pens. Anyway, continue.

**Colin Younker (Auditor General):** The next

section I have is Appropriations page 95. We had gone over the public accounts, March 2002, where we stopped last August.

**Wilbur MacDonald (PC):** What page are you on?

**Colin Younker (Auditor General):** Page 95.

**Richard Brown(L):** Mr. Chairman.

**Ron MacKinley (Chair) L:** Yes, go ahead.

**Richard Brown(L):** The Auditor has indicated we have gone over this but it's my understanding that when the House was prorogued and when an election got called all the work of that committee is null and void and over with. Is last years report going to be a part of this years although it's null and void according...do we not go over this again as a new committee?

**Ron MacKinley (Chair) L:** Well the people that are here will make up the report for the House. Is that not correct?

**An Hon. Member:** Yes.

**Ron MacKinley (Chair) L:** The people that are here will make up the report.

**Jim Bagnall (PC):** I think what he's asking though Ronnie is that, before the election we went over portions of the Auditor General's Report and then after the election our committee was dissolved and there was a new committee formed. He's asking if we should go over the portions of the report that our committee did last Spring rather than now. I think that's....

**Ron MacKinley (Chair) L:** Well I think this is why we're right back to 1999. Like when the Public Accounts were called, it was up to the members to be up to speed that are here, whether they were here before or not. Then it's up also to the members to bring the questions here forward. Like I know you weren't here, Mr. McKenna wasn't here, Mr. Collins. So if there's anything back on the report you want to go over, this is the time to bring it up because we're going to be the ones responsible to make the report to the House, this group of people that are here are the committee.

**An Hon. Member:** I thought you said two questions.

**Ron MacKinley (Chair) L:** You can go back anywhere's you want to go back.

**Richard Brown(L):** My questions are that...I guess just general on Public Accounts. Why can't you get the Public Accounts statements out earlier then December of every year, January, Volume II? Like we take the requirements under the corporations you know under cedar.com. If I'm a public corporation I have to have the statements done to put on....I'm trading on the TSE or that. I'm filed relatively early. Microsoft and other corporations have them done within three months of year end. Maritime Electric has them done within three months. It's taking us anywhere from six to seven to eight months some times to get our financial statements done. It's been a recommendation of previous auditors that this is unacceptable. You are the Auditor General, you sign off the documents.

**Colin Younker (Auditor General):** But we don't start to audit until we get the information to audit. We can't do our work until we get the statement (Indistinct).

**Richard Brown(L):** So can you report to this committee?

**Colin Younker (Auditor General):** We have made a recommendation here though, Richard that we are looking for timely financial statements. We get the information and....

**Richard Brown(L):** This was done in March 2003 and still we received this report at the same time pretty well. Like this year we received it in December, no I guess it was tabled in November, Volume I or December, Volume I and we didn't get Volume II until November. This is just to me, it's we're dealing with such old information that it becomes impractical.

**Colin Younker (Auditor General):** I agree with you. That's for a recommendation.

**Richard Brown(L):** So how do you get the information?

**Colin Younker (Auditor General):** Well somebody would have to make a legislative deadline before they'd have to be out in Public

Accounts.

**Richard Brown(L):** So what do you think would be the best timing if we were going to make a legislative change?

**Colin Younker (Auditor General):** Well if you go through, when the other jurisdictions have them done, I think by November, I think they could be done by November.

**Richard Brown(L):** So you think they should be tabled in the first session or the Fall session right off the bat. Have you asked the government, or the departments why they haven't got their statements done in time?

**Colin Younker (Auditor General):** Well, we just recommended, we just (Indistinct) and we've recommended each year--for a number of years Allan?

**Allan Moore:** Quite a few years.

**Colin Younker (Auditor General):** Quite a few years to get the information earlier and that's gone forward from this entity to the House.

**Richard Brown(L):** But do you request and said, did you get your books done yet?

**Colin Younker (Auditor General):** We can ask but they'll give them to us when they're ready.

**Richard Brown(L):** So you have to make a legislative change to bring it up to require the reports to be done early?

**Colin Younker (Auditor General):** We recommend them (Indistinct) that maybe the way to do it.

**Richard Brown(L):** I guess just one other question was, in the pension plan 10.42 on Page 91, I understand the accounting procedures were changed for pension plan accounting?

**Colin Younker (Auditor General):** Yes. That was from the funding to the accounting method. The accounting method is accepted under PSED as the method that you can use and the recorded (Indistinct).

**Richard Brown(L):** And you notice in 10.45, the teachers' superannuation plan and your recommendation is that this has to be dealt with and has it been dealt with since your report?

**Colin Younker (Auditor General):** What I understand is that the last payment, the extra payment is going in April 1994 and that they are going to look at it and that's the last I've heard back on it.

**Richard Brown(L):** So up to date, nothing yet.

**Colin Younker (Auditor General):** Nothing finalized yet.

**Richard Brown (L):** I guess that's it for those sections.

**Wilbur MacDonald(PC)Chair:** Is the closing of the books got something to do with this? How long does the government keep its books open after March 31<sup>st</sup>, the preceding year? Is there a period of time there?

**Jim Bagnall (PC):** To July 31<sup>st</sup>.

**Wilbur MacDonald(PC)Chair:** Is (Indistinct) for six months?

**Allan Moore:** No it's definitely not six months. They can do it as timely as they want to.

**Jim Bagnall (PC):** But they have up to six months do they not? I know a corporation does.

**Allan Moore:** Well all Crown Corporations have to have audited financial statements finalized within three months of their year end. So that's where Crown Corporations....

**Colin Younker (Auditor General):** We're thinking maybe corporations, they're filing their tax returns at six months, that's their deadline.

**Ron MacKinley (Chair) L:** Well we got to go easy on this government because look, they had an \$8 million deficit when the House closed and now they're over 107. Like they've have problems with their books Mr. MacDonald. We got to let them get back on their feet, poor guys. They didn't know they had a deficit until the election was over. Go ahead.

**Richard Brown(L):** In 10.40 okay, you indicated some years ago the amount of the obligation at the time was \$345 million. I guess at that point and time, pension liabilities were not included in the financial statements....

**Colin Younker (Auditor General):** Up until that point and time.

**Richard Brown(L):** ....yeah, up until that point and time. But they were included in notes to the financial statements, they weren't on the balance sheet but they were noted.

**Unidentified:** (Indistinct)

**Colin Younker (Auditor General):** Well the pensions were added in 1994 for the first time and they were reported as an obligation at that time, the first time on both the operating and the consolidated.

**Richard Brown(L):** So when that was brought in, that \$345 million put on the balance sheet, how would that have been put on? Was it a net loss for the year? Was that recorded like a net loss or....

**Colin Younker (Auditor General):** It was adjusted through the net debt.

**Richard Brown(L):** Through the net debt.

**Colin Younker (Auditor General):** Through the net debt.

**Richard Brown(L):** Okay. So it wasn't considered part of that deficit for that year?

**Colin Younker (Auditor General):** No, it was part of net debt.

**Richard Brown(L):** It was part of net debt for that year, okay. I know Newfoundland, they're going on in Newfoundland about the billion dollar debt but they're taking 345 million or 338 million or something of pension debt in through that, too.

**Colin Younker (Auditor General):** I'm not sure how they're doing that.

**Richard Brown(L):** But it didn't necessarily have....there is nowhere the rules state that the \$345 million had to come through the income

statement or....

**Colin Younker (Auditor General):** Through net debt.

**Richard Brown(L):** Through net debt statement okay.

**Jim Bagnall (PC):** You asked us a question there on this section a minute ago before you started asking questions, was that whether you wanted us to go through that line by line again or would you just accept it?

**Colin Younker (Auditor General):** Just accept questions.

**Ron MacKinley (Chair) L:** So what are we doing, are we going back over it?

**Jim Bagnall (PC):** He already did this section last spring.

**Colin Younker (Auditor General):** Richard had some questions.

**Ron MacKinley (Chair) L:** Anybody got questions on the latter part that weren't here, what we'll do is we'll continue on with this and then we're out of here at a quarter to four, so at 3:30 we'll open it up for any questions on the previous report that some of you weren't elected to.

**Richard Brown(L):** Now I can see why you were made chairman.

**Ron MacKinley (Chair) L:** No I'm just saying that, no just to keep it....and I still got one on that hog operation, I'm still not clear on it. But anyway, I'll have one for you on it again, we'll get that one straightened out, give Mr. Lank the benefit.

**Colin Younker (Auditor General):** Page 95, Appropriations. This was our audit appropriations for the year ending March 31<sup>st</sup>, 2002. It included a review of the system and the procedures for the administration for the administration of the Province's annual budget. This required an audit.

**Jim Bagnall (PC):** Page 95.

**Ron MacKinley (Chair) L:** So we jumped and did some of this.

**Jim Bagnall (PC):** Yeah, we did that before.

**Colin Younker (Auditor General):** This required an audit of appropriations approved by the Legislature and special warrants approved by Executive Council on the recommendation of the Treasury Board.

The *Appropriation Act* provides the spending authority for government and is approved by the Legislative Assembly annually. Appropriations for 2002 were approved in the *Appropriation Act 2001*. If additional funds are required during the year, special warrants are issued by the Lieutenant-Governor in Council.

Schedule A, to provide a comparison of appropriations to actual expenditures in accordance with the classifications in the *Appropriation Act 2001*.

Section 16(h) of the Audit Act requires me to list in detail appropriations made by special warrant and the purpose of such appropriations. Details are shown in Schedule B attached to this report.

For the 2001-2002 fiscal year, special warrants totaled \$47.9 million compared to \$85.6 million in 2000-2001. Of the special warrants issued for 2001-2002, \$6.6 million were offset by revenue and \$0.5 million was offset by funds sequestered from appropriations. The result was a net increase in provincial appropriations of \$40.8 million.

Exhibit 11.1 indicates the gross special warrants and special warrants net of any offsets for the last five years.

According to the *Financial Administration Act*, with the exception of special warrants, payments are not to be made out of the Operating Fund without the authority of the Legislative Assembly. The Budget Estimates are prepared annually for the Legislative Assembly to serve as detailed support for the appropriations approved in the *Appropriation Act*. The *Financial Administration Act* provides for special warrants to be used when the Legislative Assembly is not in session, a payment is required for the public good, and there is no available appropriation. It is a requirement that special warrants be approved in the next session of the Legislative Assembly by way of a Supplementary Appropriation Act.

In 1999, we recommended that the Treasury Board develop explicit criteria to determine when special warrants are appropriate under the *Financial Administration Act*. Provincial Treasury accepted our suggestion and agreed to review the *Financial Administration Act* to determine if criteria need to be developed to provide additional guidelines for the use of special warrants. In the December 1, 2000 interim report of the Standing Committee on Public Accounts it was noted that the Committee specifically discussed and reiterated this recommendation.

**Ron MacKinley (Chair) L:** Yes, Mr. Brown.

**Richard Brown(L):** Thank you, Mr. Chairman, Special Warrants. I guess if you plotted a chart right back to the day when Special Warrants were started to use, you'd probably see a bell curve around every election time. What reason did the Department of the Provincial Treasury give you that they don't need to do any criteria here?

**Colin Younker (Auditor General):** We really have no reason just that they didn't feel it was necessary to develop.

**Richard Brown(L):** What kind of criteria would you have as auditor?

**Colin Younker (Auditor General):** Well it says in the...when it's required for the public good and there is no available appropriation. The example we found is that the special warrants were used to set up the Special Projects Fund and there was \$23.5 million appropriated at the end of each year to set that fund up. That type of transaction they don't see as necessary under a special warrant.

**Richard Brown(L):** Do you think it's good to set up these funds outside the budget, like 23.5 million was put in one year and 23.5 put in the next year and then it was Executive Council or a committee of Executive Council that decided how that money was to be appropriated to the various departments?

**Colin Younker (Auditor General):** Well we consolidated the Special Projects Fund in with the consolidated financial statements. It is shown with the consolidated financial statements.

**Richard Brown(L):** But do you think that's good?

**Colin Younker (Auditor General):** I'd just as soon see that paid down in net debt for the year as opposed to going into a Special Projects Fund.

**Richard Brown(L):** Because then the Legislature really doesn't have any say over how that money is spent once it's thrown into those special funds.

**Colin Younker (Auditor General):** It's done both ways. Sometimes it is done through the *Appropriation Act* where the money is spent out of the Special Project Fund, so that goes back in through the operating budget in the year and is spent out and then sometimes it goes through as a special warrant. It goes through both ways.

**Jim Bagnall (PC):** Is that the money we talked about that we built the new hospital with and we built the Cancer Treatment Centre with?

**Colin Younker (Auditor General):** It's been under expenditures like that.

**Mr. Bagnall:** I think that is put aside so that we can actually do those projects when the money was available.

**Ron MacKinley (Chair) L:** Mr. MacDonald.

**Wilbur MacDonald(PC)Chair:** Yesterday I happened to be watching (Indistinct) the new Minister of Treasury was talking about the estimates and he said when he was talking about the new grant for cattle and he said that's exactly what it is, it's estimates. No one he said, can figure out exactly what you got to do for the coming year because of....and the Feds are much more than the provinces is because they don't know what's going to happen next month, or two months from now or six months. So we pass estimates, too and that's what they are, estimates. Although special warrants and the special warrants has been around as long as I've been around. . .

**Ron MacKinley (Chair) L:** A long time.

**Wilbur MacDonald(PC)Chair:** . . .I think they have to be there or government for example on the potato issue, on the cattle issue, all those things you don't know what's going to be ahead. You don't know if a bridge is going to fall down next week, or you have to repair a bridge and so on. So special warrants have become, I suppose they can be overused, there's no doubt about that. But

certainly they are very much a part of government and they have to be passed in the House. I think it's something that Opposition people including myself, I've been in Opposition, look forward to the special warrants so you can hammer away at government a little bit because they've used them. But it is part of our democracy now and I don't know how else they could work.

**Ron MacKinley (Chair) L:** There is a great difference between special warrants in the province and special warrants with the federal government.

**Wilbur MacDonald(PC)Chair:** Oh, I agree with you.

**Ron MacKinley (Chair) L:** The federal government has got a surplus and we're in a deficit.

**Wilbur MacDonald(PC)Chair:** Well the federal government has operated on special warrants for as long as we have and there is lots of occasions when they weren't in surplus they were in debt.

**Ron MacKinley (Chair) L:** Well we're in circles now, thanks to Paul Martin.

**Wilbur MacDonald(PC)Chair:** We'll know more this evening how much of a surplus.

**Richard Brown(L):** Mr. Chairman.

**Ron MacKinley (Chair) L:** Yes, go ahead.

**Richard Brown(L):** Honourable member I agree with you. But in budget after budget ,we see a contingency fund set up. We, in the legislature allow contingency funds. There was one in last years budget for \$2 million. Just whatever the government of the day decided how to spend that contingency fund. Then they burnt all that contingency fund up and then started going in to special warrants. But the auditor has recommended a number of times Employment Development Agency for example, where \$1.5 million is budgeted and we end up last year, \$2.5 million in special warrants going through.

**Ron MacKinley (Chair) L:** Last year was election year for them, you got to give them....every year that happens though.

**Richard Brown(L):** Yeah, but the auditor said that. The auditor said budget appropriately.....

**Jim Bagnall (PC):** Nobody is arguing that.

**Richard Brown(L):** Well it wasn't done last year. And the recommendation was, one of his recommendations in the prior year was to budget appropriately. What I'm saying is when this document is tabled in the legislature....

**Ron MacKinley (Chair) L:** It don't mean anything.

**Richard Brown(L):** ....if three weeks later we're going to issue a special warrant after the legislature closes to up EDA or up other projects, then what is the use of this book?

**Ron MacKinley (Chair) L:** Mr. McKenna.

**Dr. David McKenna (PC):** Are you saying you want to help people at the time in need? You can't predict what's going to happen.

**Richard Brown(L):** Oh, come on now honourable member. You're telling me \$1.5 million is set up in EDA and look, I've no problem. But set it up in the budget process. Set it up here. Don't wait until after the Legislature closes and shove a special warrant through for \$1.5 million, where year after year after year has seen it. At some point and time you got to say hey, this is a need. Was the money wasted? Was it wasted? No, I'm not saying it was wasted, but it wasn't accounted for. It was done in the special warrants. Look, I've no problem. But when the budget comes through this year I'd like to see it in then, the appropriate amount instead of saying, when I call up looking for help for some people in my district and saying this person needs work. Oh, we ran out of money, we ran out of money, we have no money left. But yes, there is a special warrant going through for \$1.5 million or 500,000 that I don't find out about. If there is no money left, we'll let the legislature put the appropriate amount in. But year after year we're seeing that it's low balled in EDA projects and it's needed there. I don't question the need there a bit.

### **Tape No. 3**

**Richard Brown (L) (Cont'd):** But when members start phoning up and say, look, we have some constituents here that need to get on to these

programs. Oh, we have no money left. We only were given \$1.5 million, but yet some members say, well, there's a special warrant coming through. Just keep riding it. And I'm saying, if we want to be fair to all districts across Prince Edward Island, let's be fair and put the proper amount in and I guess the auditor recommended that time and time again.

**Ron MacKinley (L) (Chair):** I think what Mr. Brown has alluded to is that—for the newer members—is that as long as I was a member, EDA goes through for maybe \$1.5 million to \$2 million whatever. And then every year, consistently, there's one, or two or three million dollars of special warrants are issued through the year. So what he's suggesting, what the auditor is suggesting is look, let's—if we're going to use \$3 million, put it in the budget when you go through the House cause there's been a consistency like that over a number of years and an election year like you guys last time will put an extra million in there to go (Indistinct). We know you're going to use it so—but be consistent with the budget.

Like the problem you have is, as I see and probably, I don't know about the auditor's, but you know when you go through the House like last spring and you're talking a small deficit and everything is great and then all of a sudden, you've signed a loan guarantee for Polar Foods for \$14 million and then within three months later, they're bankrupt, I mean, you got a problem with your financials. I don't know if it's Mr. Murphy or the people working under him but there's major problems there. It just doesn't add up. I wouldn't expect the Premier to understand the figures because he was a bean farmer and having to count beans and that, but you wouldn't expect if Richard was there to understand the figures, I mean, no, but you got to get some professional help there. What you need is some professional help because the budget, what we approve in the House year after year is just sort of a joke when reality sets in.

That's where the problem, we know you need special needs. But we also know, as Mr. MacDonald alluded to, you should put enough money in to fix the bridges they haven't done right in the first place rather than piece meal them bridges together that are falling down. They should have been fixed up in the first place. But these are just some of the things we're up to, Mr.

Auditor, and what you have suggested is that they should plan more ahead for what they're doing.

**Colin Younker (Auditor General):** There should be strict criteria for special warrants.

**Ron MacKinley (L) (Chair):** Yes, go ahead.

**Richard Brown (L):** Mr. Chairman, I notice—some people might say I don't have much to do but in New Brunswick in Public Accounts they require, and other provinces, I'm not sure how many, require that the special warrants also be listed in the Public Accounts book. They're not listed in this book. We have to wait for your statements to see the consolidated or the total amounts of special warrants and your book may be a lapse by three or four months after this.

**Colin Younker (Auditor General):** Possibly.

**Ron MacKinley (L) (Chair):** Just another question before we go any farther.

**Richard Brown (L):** Would you recommend that it should be in the Public Accounts also, the special warrants?

**Ron MacKinley (L) (Chair):** Mr. Auditor, just before. . .

**Dr. David McKenna (PC):** I think those special warrants come to the House, don't they, Mr. Chairman. . . (Indistinct).

**Richard Brown (L):** I'll express that to you. In the last sitting of the Legislature in November of this year, okay? It was open. The books were closed. The books were published. The books were passed out and what did we see two or three weeks ago? More special warrants going through for a set of closed books. They should have been tabled in that last sitting of the House, but they weren't. Let's—the \$6 million one that went to Polar, that wasn't tabled in the last sitting of the Legislature.

Do you know how much work we had to do to find out about that \$6 million? You had it listed as debt, not a provision for loss, debt. Then we had to wait for Volume II to confirm it. I'll make the plan here. I know what the plan was. We'll present the new budget. We'll have the Auditor General's Report, then we'll put the special

warrant through in the March sitting of the Legislature. There will be so much confusion over the deficit, over the budget and that and this \$6 million will slide right through. Well it didn't slide right through.

**Wilbur MacDonald (PC):** Explain to me how the books were closed in March. . .

**Ron MacKinley (L) (Chair):** March 31<sup>st</sup>.

**Richard Brown (L):** These books were published and two special warrants went through.

**Wilbur MacDonald (PC):** No, no, you said the books were closed with the six million that was in special warrants two weeks ago. What books were closed?

**Richard Brown (L):** These books.

**Wilbur MacDonald (PC):** 2003, 2004, 2003, the three books don't close until March 31<sup>st</sup>.

**Richard Brown (L):** These books have a \$6 million debt in there. There's a six. . .

**Wilbur MacDonald (PC):** Explain to me how you can pass money and the books are still open and you're saying they're closed.

**Ron MacKinley (L) (Chair):** Well the year ends March 31<sup>st</sup>.

**Wilbur MacDonald (PC):** I'm asking the honourable member.

**Richard Brown (L):** Was there special warrants issued last week on these set of books?

**Colin Younker (Auditor General):** Yes.

**Richard Brown (L):** There you go.

**Wilbur MacDonald (PC):** This book is published—I didn't get it. This book was published. . .

**Richard Brown (L):** This book was published last November, and before this book should have been published, it should have—I agree with you. The supplementary appropriation bill should have been presented in the last sitting of the Legislature

but it wasn't because it was that \$6 million Polar grant, appropriation or provision. But in these books, it was done under debt.

**Ron MacKinley (L) (Chair):** It's right there.

**Richard Brown (L):** And you got your \$12 million loan guarantee here and then I had to wait for these to come through to find the 6 million and if that would have been tabled in the last session of the Legislature, that special warrant, we would have known at that time.

**Wilbur MacDonald (PC):** Did we pass any special orders in the December sitting?

**Richard Brown (L):** No.

**Wilbur MacDonald (PC):** I thought we had..

**Unidentified:** Yes, we did.

**Richard Brown (L):** Appropriations?

**Wilbur MacDonald (PC):** (Indistinct)

**Richard Brown (L):** Yeah, but \$12 million dollars wasn't passed.

**Ron MacKinley (L) (Chair):** No.

**Richard Brown (L):** \$12 million just was passed a couple of weeks ago, for books that were printed, published and sent out to the people and that's why my comment today is that we should enforce—this Public Accounts Committee should say that special warrants should be listed in the Public Accounts book also. Because otherwise, I have to go through the acts of the Legislature to start reconciling the budget to the blue book. Because quite honestly, to me this blue book, this book means nothing. It's a political document. This is the document that states. . .

**Wilbur MacDonald (PC):** It does mean something.

**Ron MacKinley (L) (Chair):** No, it doesn't.

**Wilbur MacDonald (PC):** Just like the federal minister says, it's the essence. . .

**Ron MacKinley (L) (Chair):** No, we're not—the

federal minister is not the same thing.

**Wilbur MacDonald (PC):** Well, it's the same thing. We're doing estimates too. We do them every year, it's estimates. We don't do—we do the estimates.

**Richard Brown (L):** Okay, so when this year comes and when this book is issued next week and if EDA is in there with \$1.5 million or 2 million or 1 million and I move a motion to add it or double it because the need has been shown over the last number of years that this is needed, I hope then the support of this committee will be there.

**Wilbur MacDonald (PC):** Well, it depends on whether the need is there, or if we find the need is there.

**Richard Brown (L):** So how do you determine the need?

**Wilbur MacDonald (PC):** There's your answer to your question. How do you determine the need?

**Richard Brown (L):** Well, over the last six or seven years, the need has been shown. Each and every year, we double or triple the amount of EDA money.

**Wilbur MacDonald (PC):** It seems to me that you're arguing both ways.

**Richard Brown (L):** No, I'm not.

**Wilbur MacDonald (PC):** You're arguing that everything should be in the estimate book and yet, we have special warrants in case the need is there, and we don't know what the need is going to be this year. The unemployment rate is down. We've done a tremendous job.

**Ron MacKinley (L) (Chair):** The unemployment rate is up.

**Wilbur MacDonald (PC):** It's down to 11 per cent. It used to be 18, so the need may not be as much. I hear of companies. . .

**Richard Brown (L):** So why does the need always appear right after the House closes?

**Wilbur MacDonald (PC):** It's not necessarily right after the House.

**Ron MacKinley (L) (Chair):** Well the thing is, this is enough arguing on this but I just want to point this out. Every year since your government has been in. . .

**Jim Bagnall (PC):** Every year since it has been formed, what you guys formed. . .

**Ron MacKinley (L) (Chair):** Every year

**Jim Bagnall (PC):** And you were part of the government.

**Ron MacKinley (L) (Chair):** Every year, your EDA goes a way up from what goes through the House.

**Wilbur MacDonald (PC):** I think your argument. . .

**Ron MacKinley (L) (Chair):** Now listen, it goes a way up. Now if your sound business, run it like a business value for dollar, you needn't tell me, the Minister of Development should recommend it. He can't come in and say, well we need 1.5 million but the last eight years or six years it's been running \$3.5 million. So in other words, they should put at least \$3 million in there because you know the need is there before you start. You can't approve the budget. In other words, Mr. Brown is right. It's just a joke when you get in there. That's what it is, Mr. MacDonald.

**Wilbur MacDonald (PC):** It's not a joke.

**Ron MacKinley (L) (Chair):** Well, that's why your \$107 million in debt. That's why you're near bankrupt. Like you guys have made an awful mess of the finances of the province, the worse in the history of the Province of Prince Edward Island. So I don't know why you're trying to defend it.

**Wilbur MacDonald (PC):** I've been here for awhile. We've had estimates ever since I came here. We've had special warrants ever since I came here. It all has to go through the House at one point or other. It can't . . .

**Richard Brown (L):** After the fact.

**Wilbur MacDonald (PC):** . . . well that's the way it's been run for years.

**Ron MacKinley (L) (Chair):** Well, why do you want to go. . .

**Richard Brown (L):** It's been done that way for years and maybe that's why we're \$1.2 billion in debt. And I'm not blaming this government or the previous governments. I'm just saying this special warrant stuff has come a pretty easy, too easy for governments to take advantage of and that's what I'm saying. It's too easy to say, well let's publish a book. Let's get ourselves a good press release. Let's get on the road. Let's tell the people of PEI we got a \$8 million deficit and things are great but once the House is closed, well we start issuing special warrants. I would recommend, I think that this committee should recommend that any special warrants come back through this committee and that special warrants be explained to this committee before they are issued.

**Wilbur MacDonald (PC):** I think now you're trying to be the government.

**Richard Brown (L):** No.

**Wilbur MacDonald (PC):** When you become a government, you can do that.

**Ron MacKinley (L) (Chair):** Mr. MacDonald. . .

**Richard Brown (L):** Mr. Chairman, there's one, you know, you look back in parliamentary history, okay? There's one thing parliament, 50 per cent of their time is spent on or a lot of their time is spent on, is appropriation, is giving the Crown the money to do the things, okay? The government does not get the money. We authorize the money. What you're saying is, oh government prints the money; makes the money; does the things.

**Wilbur MacDonald (PC):** No, they don't do that.

**Richard Brown (L):** And this Legislature, through its elected representatives, appropriates the money and that's why I have always argued when the Appropriation Acts comes through, you got section 1 that says, Okay, we're going to spend \$895,232,000. And then section 2 of the act says, oh, notwithstanding section 1, we can spend whatever we want outside of that too.

**Wilbur MacDonald (PC):** What you're saying then is that you should be part of government?

**Richard Brown (L):** No, I'm not saying.

**Wilbur MacDonald (PC):** But you said, you just said that you want the government to take the special warrants. . .

**Ron MacKinley (L) (Chair):** To the Legislative Assembly.

**Richard Brown (L):** That's right.

**Wilbur MacDonald (PC):** . . . for this committee to be approved by this committee before—that's in other words. . .

**Ron MacKinley (L) (Chair):** Yeah, special warrants.

**Wilbur MacDonald (PC):** . . . you're going to put a handcuff on government, on any government.

**Richard Brown (L):** Well, I think I would argue that point, by putting a handcuff on it? We may not be 1.25 billion in debt by now. Maybe some outside accountability and not secrecy done behind cabinet doors on issuing a special warrant.

**Wilbur MacDonald (PC):** Who's elected by the people of this province?

**Richard Brown (L):** We are.

**Ron MacKinley (L) (Chair):** We are.

**Wilbur MacDonald (PC):** The whole, yes, I agree but there is a government elected by the people of this province.

**Ron MacKinley (L) (Chair):** Yeah, but you're not the government.

**Wilbur MacDonald (PC):** And it's their responsibility to carry out the affairs of the province. When we start to say to government that we are going to control you, then we've. . .

**Ron MacKinley (L) (Chair):** Well, that's the way it works.

**Richard Brown (L):** Mr. MacDonald. . .

**Ron MacKinley (L) (Chair):** I can't believe this.

**Richard Brown (L):** . . . you better go back and read parliamentary history. The parliament is responsible for the money.

**Wilbur MacDonald (PC):** That's true, I agree.

**Richard Brown (L):** Parliament appropriates the money. . .

**Wilbur MacDonald (PC):** I agree.

**Richard Brown (L):** . . . for government to operate, okay? And far too many governments in this country are going that way and saying, well, we're government. We don't have to go through parliament.

**Wilbur MacDonald (PC):** Oh no, they have to go through parliament.

**Ron MacKinley (L) (Chair):** No, but a fact is a fact. What he's trying to say. . .

**Wilbur MacDonald (PC):** Oh, I know what he's trying to say.

**Ron MacKinley (L) (Chair):** But I'm trying to get a point across to you and I'll just take the floor for a minute here. And I'm not going after your government or the previous government, it's been done under different governments. I remember special warrants coming in but we are the Public Accounts committee for the province. We have the Auditors here. We've got tremendous staff and the auditor is working very hard. We can make a difference in this committee if we really want to. If you want to go and follow government what they want you to do in a committee, well there's not going to be any changes. But we can make a difference, not on ourselves so much but on the young people that are coming up in the Province of PEI. We are in a \$107 million deficit.

The Minister of Finance is pulling the hair out of his head, wondering what to do. He was left that mess by the Provincial Treasurer who never ran again. Some people said she should have been taken back and made to face the music. But the thing is, is times are not good and when times are not good, we, as a committee, should be telling government what they should do if—the Legislative Assembly, we report to the Legislative Assembly. We have nothing to do with government. You

don't have anything to do with government. You're not in government. Government is the members in cabinet. We're Members of the Legislative Assembly. If we come out with good ideas, like Mr. Brown or somebody is suggesting here. I put a resolution through on that, Mr. Brown, one time that special warrants should come to Public Accounts. It was voted down. We mightn't be in the mess we're in and forget about the water under the bridge, both parties are guilty of it.

All I'm saying is, we can make a difference here. If you want to make a difference rather than just coming in and keeping a seat warm. This is just as simple as that. It's up to us. It's up to you people on this committee. I mean, the majority of people on the committee can vote. We make a recommendation, then it's got to pass the House. At least if we get to the House, at least we've done our part. Then it's up to the Members of the Legislative Assembly to agree with us or not. But all I'm saying is what we're doing is, we're tying the auditor's hands. We're tying everybody's hands here but government, and they just spend like they're above the law and it's not the right way. Now, Mr. Younker, I have a question for you.

**Unidentified:** (Indistinct)

**Ron MacKinley (L) (Chair):** Just wait, I got a question for Mr. Younker.

**Unidentified:** (Indistinct)

**Ron MacKinley (L) (Chair):** No, I'll give you a question in a minute. What about the 2004 report, is it done?

**Colin Younker (Auditor General):** The speaker has the 2004 report.

**Ron MacKinley (L) (Chair):** The speaker's got the 2004 report. You see, we're still on the 2003. The speaker has got the 2004 report. I mean. . .

**Unidentified:** (Indistinct)

**Ron MacKinley (L) (Chair):** Well, the precedent has been set by the previous speaker, the day the House opens, she tables the report. The speaker has it, but yet the speaker said and I can quote from the Journal Pioneer, that he was representing the premier in Florida. The speaker doesn't represent the premier in Florida. He represents

the members of the Legislative Assembly. So I mean that's a question that's got to be brought up with the speaker too. Like you got to take the rules of the House and try and follow them.

The speaker represents the people, the members from the Legislative Assembly. He has a report. That was changed. One time, it used to go to the speaker and the provincial treasurer. We got that finally changed in the House. We made a little step there. But this is all we're saying, let's give the auditor some tools to work with rather than coming in here year after year and people after us, same old report, government don't listen, MLA's don't stick up for the auditor, case closed. Now you can go ahead.

**Wilbur MacDonald (PC):** All you're saying is, you want to handcuff government and you're talking about handcuffing. . .

**Ron MacKinley (L) (Chair):** Somebody's got to handcuff them.

**Wilbur MacDonald (PC):** . . . No, government has a responsibility to carry out its duties as it is elected to do so. Our responsibility is to scrutinize government. That's why we have an Auditor's Report and we scrutinize government. We can make recommendations, fine but I personally, would never try to handcuff government into special warrants and say that's it got to go before a committee who probably—that would mean an investigation that we would be carrying on behind them. For example, if there's some kind of an emergency, we would have to investigate that, just as government has to investigate it. We would be handcuffing government is what you're trying to say and I don't agree with that at all.

**Ron MacKinley (L) (Chair):** No, it wouldn't and if they keep going the way they're going. . .

**Wilbur MacDonald (PC):** Just a minute, I have the chair, Mr. Chairman, if you don't mind.

**Ron MacKinley (L) (Chair):** No, I have the chair, you have the floor.

**Wilbur MacDonald (PC):** If you don't mind, thank you.

**Ron MacKinley (L) (Chair):** Go ahead.

**Wilbur MacDonald (PC):** If government is going to carry out its responsibilities and the final people who will say if they're doing it right or wrong is the electorate. So why don't we let government carry out its responsibilities. If it asks for special warrants, we have the opportunity, everyone of us, and we take advantage of it in the Legislature to scrutinize their reports, all their special warrants. And I just think it's very wrong for this audit committee to think that they can handcuff government and that's exactly what you're trying to do. Because it is the Auditor's responsibility, as I see it, Sir, is to scrutinize what government has done.

I noticed yesterday that they'd take two departments to the Committee as a Whole. The rest of the departments go to committees in Ottawa and each year, the Leader of the Opposition picks two departments, as I understood it yesterday. So it's a different system they set up. But let's not handcuff government. For example, there could be an emergency come up where they have to issue money and they would have to—you fellows—we would have to call the audit committee together. We'd be into a discussion. Maybe we'd want to bring people in. We could just hold the whole works of government up.

**Ron MacKinley (L) (Chair):** Well, that's up to the . . .

**Wilbur MacDonald (PC):** And I don't think you'd ever get that in any government.

**Ron MacKinley (L) (Chair):** Well the thing is, just to rebut you, Mr. MacDonald, you've been here for quite a number of years.

**Wilbur MacDonald (PC):** Yes.

**Ron MacKinley (L) (Chair):** The way I—the resolution I had on the floor was that special warrants would come before this committee and we could scrutinize it. We can call this committee together within a matter of a day or two and we'd come in. The people on the committee would decide if we want to go farther. At least, we'd scrutinize it. Now, and we're members of the Legislative Assembly. Like if you take a budget down, that budget you got there, we can ask every question. Where you're going to spend that money? What's it spent for, and all that. A special warrant is after the fact, right? It's the same thing,

shut the barn door when the horse is out.

**Wilbur MacDonald (PC):** No, it doesn't.

**Ron MacKinley (L) (Chair):** Oh yeah, the same thing as shutting the barn door after the horse is out because you can't bring the horse, you got to keep the barn door closed in order to let the horse out if you want to let him out. So Mr. MacDonald, what you're saying is, is almost like a dictatorship that there's going to be a cabinet sit on the 5<sup>th</sup> floor, it's going to control and spend what they want to spend and then oh, after they spent it, we can't take the money back. They're not going to pay it out of their own pocket. So we can't take it back. All we're asking for is to come before Public Accounts and we look at the special warrants before they spend it.

I know one thing, if a minister was there and let's say, there was a Liberal government in power and I was still on this committee, I wouldn't be the chairman, but the thing is, you'd want to know if the Development minister was coming in and he was off that much every year on the EDA job. I mean, we all know that there could be a problem with a bridge wash out. We all know there could be a problem with something like that, that you need a special warrant and that's why they're there, for emergencies. But the problem this government is doing, is using special warrants not as emergencies because it's not an emergency to get somebody a job because they already knew when we went into the House that the jobs weren't going to be there in the first place because the track record is right there. So put it down up front.

Special warrants are to be used in emergency cases only, period. But what governments have done and I'm not only saying your government today, the Conservatives, but the Liberals also, were starting to use it as like a slush fund for themselves for whatever they decided they wanted to spend it on. And what we're trying to do is make a difference in this province here as being MLA's and we've got good auditors here in front of us that can help us. But if you're just going to let the whole government do whatever you want to do. . .

**Wilbur MacDonald (PC):** That's not what I said.

**Ron MacKinley (L) (Chair):** That's what you said. Anyway, Mr. Brown, no, Mr. Bagnall.

**Jim Bagnall (PC):** There's been a lot of discussion here on special warrants but auditor, is that not a lot, 90 per cent of your special warrants, isn't that the cash-in and cash-out federal dollars that are coming in that we have to spend money beforehand and it comes in and aren't special warrants set up to deal with that?

**Colin Younker (Auditor General):** It's part of it. Last year, there was 47 million in gross and there was seven million of offsets. There's still a \$40 million net.

**Ron MacKinley (L) (Chair):** So it's not 90 per cent of it. It's a long way from 90.

**Jim Bagnall (PC):** The program like, it seems to be that everything in this whole conversation is gone around EDA and there seems to be some sour grapes around the table on EDA but we'll forget about that for the time being, and let's get to the. . .

**Richard Brown (L):** (Indistinct) sour grapes for the people (Indistinct)

**Jim Bagnall (PC):** . . . let's get to the—you had your chance, I didn't interrupt you.

**Richard Brown (L):** No, I apologize.

**Jim Bagnall (PC):** Thank you.

**Richard Brown (L):** But you insinuated.

**Jim Bagnall (PC):** I didn't say anything.

**Richard Brown (L):** I do have sour grapes about—when that money is being used to buy votes, that's what I (Indistinct)

**Ron MacKinley (L) (Chair):** Mr. Bagnall's got the floor, go ahead.

**Jim Bagnall (PC):** Thank you. This EDA program, this whole thing that the honourable member seems to be getting very upset about is a program that his government set up. It's a program that his government turned around and put into effect back in '93 and he's been. . .

**Richard Brown (L):** (Indistinct)

**Jim Bagnall (PC):** Are you through?

**Ron MacKinley (L) (Chair):** Just one thing here, just to get a hold of this, just one thing, if you're going to make statements, vice-chairman, it was Jim Lee who started it under Leo Walsh.

**Jim Bagnall (PC):** No, it was not.

**Ron MacKinley (L) (Chair):** And we continued it.

**Jim Bagnall (PC):** No, you guys started the EDA program.

**Ron MacKinley (L) (Chair):** We didn't, you guys started it.

**Jim Bagnall (PC):** Anyway, but it was set up.

**Ron MacKinley (L) (Chair):** It doesn't matter, I know who started it, we'll continue then.

**Jim Bagnall (PC):** It was set up for a program and what's happening is it was set up and it was okay while they were in power. But now that we're in power, it's not okay anymore and I guess, I don't know why, I guess Pat Mella argued the same question when she was in Opposition that it should be done. So they're arguing it when they're in Opposition and that's fine. So like the program is there for a need and you know, they put so much dollars into it. If the need is more, I can understand why there's more money added to it. But the whole purpose of EDA and I guess that's where this whole jest is really coming from is for people with need that we can try to help and we can't always help everybody. I wish I could. I mean, I had. . .

**Ron MacKinley (L) (Chair):** You can't even help those fishermen.

**Jim Bagnall (PC):** . . . I had an office full of people looking for EDA and I mean, I don't have any EDA. I wish I did but I don't. So it's there for a need. I wish we had a special warrant right now going through to help me out because I have a lot of people looking for assistance that I can't help. A lot of people can't find work.

**Ron MacKinley (L) (Chair):** Tell them to move up to my riding, I'll get them work.

**Jim Bagnall (PC):** It's a great program. I wish I could, honourable member. I really wish I could because I have a lot of people that would like work but the whole purpose of this program and as the honourable member knows, with the EDA program is to assist people that needs some help. And I wish I had umpteen dollars in it because right now, there's a lot of people out there that need help that I'm not even able to do anything for it because I got nothing there for them.

So the whole purpose of this thing is, in the EDA, is to help people. And if special warrants have to come in to bump up what's there, then I have no problem with that because I think that's a need and it's a thing that we have to do in some situations so I've got no problem with that at all and I think the government has to be able to give them the option to do their business and to follow this up. I can't see where we can tie anybody's hands in trying to help people. That's all I have to say.

**Ron MacKinley (L) (Chair):** Go ahead.

**Richard Brown (L):** In no uncertain terms did I say during my discussions that I'm opposed to the EDA program, Mr. Chairman. I think it's an excellent program to assist people in times of need, okay? But I think the EDA program has gone astray at some point in time, okay? And I commend the people that work in EDA because they've tried on a number of occasions to revamp the system, and they were, as I understand it, rejected. Now we talked about need, okay? The member has just indicated that he has a great need in his district. I have a great need in my district too, Mr. Chairman, and it has been said around that this helps people. Then why are we constantly year after year in the budget under estimating it then, Mr. Chairman? That's all I brought, Mr. Chairman.

For a matter of fact, in the last sitting of the Legislature, when the Minister of Industry was up talking about the EDA program, I offered to have a non biased-partisan committee to look into the EDA program. I offered that. Our caucus said, let's look into it and see how we can make it better but it was rejected. It seems every time we want to make something better between the two-party system here on PEI or the three-party system and you say, let's do away with politics and let's just think about the people first here. Let's think about what we can do for them first instead of what we

can do for our political parties. But that was rejected. Hopefully, when it comes around to the budget time again and I propose this again, that the members of this committee will get up and say, yes, let us have a bipartisan committee and let us look into EDA and let us look into how we can approve it for the people of Prince Edward Island. And if there's not enough money being put into EDA, let's put a proper amount of money into EDA and let's set the program up properly. That's all I'm saying, gentlemen, here.

You know, you think it's great but all I'm going to tell you, in my district, in my district and I know in a lot of other districts throughout this province, it's pretty hard to go to a door and knock on somebody's door and they have nothing and there are Islanders out there that have nothing. And I know a lot of us are going to say, hey, no problem. They should find work. Well we're shutting down fish plants. We're shutting down other things on PEI. Okay, it's hard and all I'm saying is, I want equal treatment for my district. My district should not be discriminated against because they voted Liberal. That's all I'm saying. And I will keep doing the weeks and the numbers each and every year to see that that doesn't happen to my district.

I remember one time Pat Mella got up in the Legislature and said, you prove that your district is poorer than my district, or you have a bad district, you know, problems in it. Well I went and got the Statistics Canada data and I proved that my district was the most neediest district in the province. Did it help any? No. So what was the program used for? Not to help people but to help the party. That's all I'm saying and as the chairman said, it goes by both parties. I bet even if the NDP got in, they'd do the same thing. But at some point in time, we got to put the need of the people ahead of the need of the party. That's all I'm saying.

**Ron MacKinley (L) (Chair):** David.

#### **Tape No. 4**

**Dr. David McKenna (PC):** Thank you, Mr. Chairman. I just wanted to suggest to the member over that there has been changes made to EDA, if you've been talking to the people at EDA. The government listened to the concerns last fall that were brought up in the House and around the caucus and we've changed the age requirement at

EDA. Younger people should not be going to EDA. There's other elements out there they can look at for employment or skills training or whatever. So I think that's a positive step for the program. We don't want to make a dependency from people on EDA either.

**Ron MacKinley (L)Chair:** So what's the age, David?

**Dr. David McKenna (PC):** The age is under 30. Anyone under 30 can no longer apply for EDA.

**Ron MacKinley (L)Chair:** Under 30 you can't get it.

**Dr. David McKenna (PC):** Yes. And the other things we've made, we've gone to more of a program where you go there to look at what your skills are. Not just come there to get a job. Where best are you suited to for employment. I think that's end of it they're looking at right now. I think that's probably a far better way to go than just looking for a job. I look at the list every week. There's 200 jobs available in Queens County that I get every month from EDA. And I talk to people—these are the jobs that are available in Queens County. I give them the names of people to apply for or go down to see someone at EDA. I mean the jobs are out there. There's lots of people in the private sector looking for workers and I have people coming to me that they're looking for work and I got people calling back, look I got a job here at such and such a place because of that recommendation you gave me.

So I think it's working better. I think it's a lot better system and I think maybe, yes, there could be more improvement but really the jobs out there are more in the private sector than they are in government. We both know that. We have a limited budget in government. We can't keep providing more and more jobs out there all the time but if we can make the environment better that the public sector groups can provide the jobs there's the answer right there and I think that's what's happening. I'm not a fan of Special Warrants. I would love to see Special Warrants eliminated but that's not a reality. We know it's not a reality.

Look at just last winter we went to the, the potato farmers were meeting out in your district there and they were looking for 34 million bucks at the time and they were all upset, they were very stressed

out because there was no market in potatoes but our government stepped in. We had to make some special warrants to find new markets for the potatoes. I think if we hadn't done that—it was a special need. We got the excess potatoes out of the way and maybe the Honourable Member here that's the chairman probably benefited from the program, I don't know.

**Ron MacKinley (L)Chair:** What program's this. Tell us about it. Tell us about.

**Dr. David McKenna (PC):** You know what program it is. It's too late now the potatoes are all gone.

**Ron MacKinley (L)Chair:** No, but what program and how much you put in?

**Dr. David McKenna (PC):** It was a transportation subsidy for the non-traditional market.

**Ron MacKinley (L)Chair:** I've seen the minister announce the program to Russia but there's not boats in yet. I don't see any of them here and I don't see any in Summerside. Maybe he's hallucinating or something.

**Dr. David McKenna (PC):** Those boats have come and gone.

**Ron MacKinley (L)Chair:** I don't know what he's doing.

**Dr. David McKenna (PC):** Boat are here and gone. You're a little late.

**Ron MacKinley (L)Chair:** No, it was just a week or so ago in the paper there was a Russian deal coming up. I don't see it.

**Dr. David McKenna (PC):** They've been gone. Some of them (indistinct).

**Ron MacKinley (L)Chair:** There's still potatoes left in a lot of warehouses.

**Dr. David McKenna (PC):** At least the government made an effort and we had to do that through a special warrant. But that was an exceptional need that had to be done out there and that's my point. We have to have them even

though I'm not in favour of a special warrant but they have to be done from time to time to help the industry out.

**Ron MacKinley (L)Chair:** Mr. MacDonald?

**Wilbur MacDonald (PC):** Also say that EDA, it's the training too. I think Mary's done a wonderful job bringing people in, finding out what the training is, trying to train them, get them on to the private sector and I think the success there has been very good. And there is certain people, as you said, that will probably, because of age or because of education may not be able to do that. But I think that's a big thing we have to do is try to take the young people, especially the middle aged people because they say nowadays you may have to train three times in your lifetime. So let's take them and get them trained.

Not too long ago I was representing the Premier at Holland College where they have that federal program. Ninety two per cent of the people who get through that program there get jobs and that's located in the Sports Centre of Holland College and anybody who wants to go out there, there's a number of people, I know they have a lot on the waiting list. So I think if we can retrain the younger people or middle aged people to get into the work force that's where EDA really comes forward and I think we've made some changes in that regard for the last number of years and everybody knows that we have to retrain and if we can do that. I know there's some people don't seem to want to do that too. That's the sad part about it. I guess it's the studying and that type of thing. You know, it makes it hard for some people to get back into university or not into university or into Holland College or into different parts so I think that's something we should be pushing as MLAs and trying to get people retrained and EDA is doing a good job that way.

I know there is certain—and I agree with you—you should have the same opportunity as anybody else in your riding. I know there's a difference in ridings across the province in what's available, you know, depending on your riding. You have a city. Some people have towns and so on and it makes it harder, that's for sure. But I think if we work together on it and try to continue to maybe make some changes and we have some really good people on staff as you already indicated. There is a change taking place and it's very fortunate that

that's there and I'm very pleased to see EDA working that way because when we came in in '96 I don't think we really added much, there was no training involved and over the time we've changed that and I'm very pleased with that.

**Ron MacKinley (L)Chair:** Anyway, we're going to have to cut this discussion off.

**Richard Brown (L):** David indicated that was being changed. That hasn't been communicated to us on the Opposition side.

**Wilbur MacDonald (PC):** I'm sure if you talk to Mary.

**Richard Brown (L):** Oh, I have an appointment with Mary on Thursday but, you know, to go over this. But that should have been communicated to everybody that changes are into the system right now instead of people finding out when they're going and looking for employment. Well, has this been changed? Maybe that should have been made public.

**Jim Bagnall (PC):** I made a phone call to EDA. That's how I found out.

**Ron MacKinley (L)Chair:** Anyway, look . . .

**Richard Brown (L):** Maybe it's wrong. And just one other thing, Mr. Chairman, the 29 year age group is a great idea, great idea. But if two or three districts start hiring under it then the whole system falls apart.

**Ron MacKinley (L)Chair:** The thing is, just wait, Mr. MacDonald, Mr. Brown, the Auditor is not going to solve the EDA problem with us right here so I think . . . we have ten minutes left so I'll start with the Auditor again. This is the question section. Get your questions ready and I think EDA been enough discussion. I know that Mary Hunter is doing a good job there because I've used her for my own riding and I also asked her if she's referred people. I know in the Fall farmers are having trouble and they're starting to refer people to agriculture places where they need help. Like it's a stepping stone.

But anyway, under 4.15 of that Lank Hog Farm, we'll get to the bottom of this, "the loan covered almost a 100 per cent of the estimated cost of the project. Evaluation report by Enterprise PEI

Lending Services recommended a 20 per cent contribution by the borrowers consistent with standard practice within Lending Services. The proponents," I would assume that's the Lanks, is it, Mr. Auditor?

**Colin Younker (Auditor General):** Yes, yes.

**Ron MacKinley (L)Chair:** I can't hear you.

**Colin Younker (Auditor General):** Yes.

**Ron MacKinley (L)Chair:** That's the Lanks. Alright. "For this project"—we don't want to get Geordie all wild again—"the proponent"—that's Mr. Lank and . . .

**Jim Bagnall (PC):** He already told you off.

**Ron MacKinley (L)Chair:** Doesn't matter what you tell us. I get paid to listen to that. "For this project, requested 100 per cent financing, debt financing. This request was included in a submission to Executive Council as an option. Executive Council accepted the higher risk by approving the full amount of the loan".

So to get this clear IIDI was the one that loaned the money, right?

**Colin Younker (Auditor General):** Right.

**Ron MacKinley (L)Chair:** IIDI then went to the Lending Authority expertise for financing in a case like this. Is that what they did?

**Colin Younker (Auditor General):** They went to the Lending Agency to get them to review the loan. They didn't have the people to look at the loan. They had the people to look at the loan. They had the Lending Agency staff look at the loan.

**Ron MacKinley (L)Chair:** Yes. The Lending Agency staff then recommended a 20 per cent down payment which would be \$240,000 or something. Right?

**Jim Bagnall (PC):** They applied two options.

**Ron MacKinley (L)Chair:** No, just wait now until we get this straightened out.

**Colin Younker (Auditor General):** Yes, that

was one of the recommendations.

**Ron MacKinley (L)Chair:** That was " evaluation report by Enterprise PEI Lending Services recommended a 20 per cent contribution by the borrowers" which in that case would be about \$240,000 that should have been put in by the people that are borrowing the money which was standard practice. "The proponents for this project requested 100 per cent financing. This request was included in a submission to Executive Council as an option."

So what I'm not clear on, can the Lending Authority Service or IIDI can they recommend two ways to do it? Like you can go 20 per cent down and they recommend it or did they recommend that it be 100 per cent financing? How does that work?

**Colin Younker (Auditor General):** They presented both options to Executive Council. For IIDI, Executive Council approves the loan. So Executive Council has the approval for the IIDI loan. This was an IIDI loan. So it went forth with both options, both the 100 per cent and the 20 per cent. In this case, Executive Council made—it's an IIDI loan, so they made the decision based on both options being presented.

**Ron MacKinley (L)Chair:** Go by which?

**Colin Younker (Auditor General):** They made their decision based on both options being presented to them, Executive Council did.

**Ron MacKinley (L)Chair:** So the Lending Authority Service recommended 20 per cent down which went there.

**Jim Bagnall (PC):** They also recommended 100 per cent.

**Colin Younker (Auditor General):** They also presented that option to Executive Council, both options were presented.

**Ron MacKinley (L)Chair:** Yes, the proponent for this request . . . so did they recommend 100 per cent financing then, the Lending Authority Agency too? Like, I can't figure how they could recommend 20 per cent down and then all of a sudden recommend 100 per cent financing?

**Colin Younker (Auditor General):** They recommended the 20 per cent. Both options went to Executive Council.

**Ron MacKinley (L)Chair:** Yes, so the second option, going by this the proponent requested. So the Lank's project requested 100 per cent debt financing. So that also went before the Board. So in other words . . .

**Colin Younker (Auditor General):** Went to Executive Council.

**Ron MacKinley (L)Chair:** Yes. So in other words IIDI recommended, or the Lending Authority Services recommended a 20 per cent down payment. That went to Cavendish. Right?

**Colin Younker (Auditor General):** Both went at the same time.

**Ron MacKinley (L)Chair:** Yes, they both went at the same time. They recommended this. Is it normal procedure to send two recommendations to Cabinet?

**Colin Younker (Auditor General):** I don't have any . . .

**Wes MacAleer (PC):** Mr. Chairman, I have . . .

**Ron MacKinley (L)Chair:** Yes, but who would, the second . . . like I'm seeing here the Enterprise PEI recommended 20 per cent down, was \$240,000, but also the proponent for this project requested 100 per cent financing. So it looks to me is the Lending Authority Service recommended 20 per cent down and also as one option and the other option was the proponent, or the Lanks requested 100 per cent financing. Is that how it went?

**Colin Younker (Auditor General):** Yes. Then Executive Council . . .

**Ron MacKinley (L)Chair:** Then Executive Council approved the Lank's proposal. Is that right?

**Colin Younker (Auditor General):** They approved 100 per cent financing.

**Ron MacKinley (L)Chair:** Alright. Good.

**Wes MacAleer (PC):** I'd like to add, Mr. Chairman, to the conversation by saying that what you've described here is the situation where there's two options. One in which there is a request for 20 per cent financing and the other is 100 per cent financing. Now, I don't know the details of the loan but I will add this dimension to the discussion. The 100 per cent financing could have been approved on the basis that an equity component, that was provided by the Lanks, could have come from the ownership of assets or property which could have been built up in their business, okay, thus not requiring any equity on the part of the loan which was being applied for because that equity was present in the business that was taking on the loan. Now, I'm just saying that that could have been a factor. I wasn't a part of the decision and I don't know what the details were but I'm just saying that that could be a possible explanation for why 100 per cent of the financing was approved.

**Ron MacKinley (L)Chair:** Now, Mr. Younker, under this, just to get this mess cleaned up, just one second Richard, I have just another question for Mr. Younker. Enterprise PEI Lending Service recommended 20 per cent period. They wanted 20 per cent of the 1.2 million. That's what they recommended. The other proposal, the proponent for this project. It was recommended 20 per cent contributed by the borrowers was standard practice at the Lending Services. The proponents—I'm reading from the Auditor's Report—for this project requested 100 per cent debt financing and this request was included in the submission to Executive Council. In other words, the Lank request went to Executive Council and also the recommendations from the Lending Services. Is that right?

**Jim Bagnall (PC):** No, no, no. They all came from PEI Lending.

**Ron MacKinley (L)Chair:** Just wait now.

**Colin Younker (Auditor General):** When the loan was, it's an IIDI loan so they asked Lending Services to review it. So they reviewed it and then they made their recommendation. The proponents asked for 100 per cent financing.

**Ron MacKinley (L)Chair:** Yes. Now, who's the proponents? Let's get this straight. Lanks, is that it?

**Colin Younker (Auditor General):** Yes.

**Ron MacKinley (L)Chair:** Yes, alright.

**Colin Younker (Auditor General):** So those options went to Executive Council. At that time for IIDI loans, in 1999, when we were doing the Audit, the policy, there was no document policy but the practice was for all the loans to go to Executive Council for the IIDI programs. So this went through that method or that practice. So they looked at both those options and made the decision.

**Ron MacKinley (L)Chair:** Alright. And Cabinet made the decision to go with . . . it was Executive Council made the decision to go with 100 per cent financing. Right. Alright. Mr. Brown?

**Richard Brown (L):** Thank you. When it comes to loaning money, I know for example I had some situations when I was in partnership and we went to the bank, Mr. Chairman, you know, asking for loans and the bank at that time, we had to sign personal guarantees and I had to put up my house and everything, everything that I owned in order to get the loan approved. You know, you have to go home to your partner, you have to negotiate with your partner that what you're proposing is a good idea in order to sign, co-signing the loan and co-signing the guarantee and that insured, that kind of mechanism, insured that I worked doubly hard in order to get that guarantee off. I guess my question is, was the proponent of this project given, did he give personal guarantees? Although he did not give equity, did he say look, I have no equity but I will put my house on the line, I will put whatever I own on the line in order for this to happen?

**Colin Younker (Auditor General):** I'd have to go back to the file, Richard.

**Richard Brown (L):** So could you find out if there were personal guarantees done? Because although he may not come up with the money they should be required to put personalized guarantees. Because that forces you to work doubly hard to see that the project's done. Thank you, Mr. Chairman.

**Ron MacKinley (L)Chair:** Now, it's a quarter to four, Wayne Collins has the last question.

**Wayne Collins (PC) Chair:** Just one quick question. Other than the figures that were presented here, this information that I'll be (indistinct), the recommendation for 20 per cent, proponents looking for 100 per cent net debt financing—did you investigate anything at all about the merits of this ( indistinct) deal in terms of its necessity in the agriculture community and just to detail about what it was to fulfil? Do you know what I mean? Beyond the numbers, what do you have about the rationale for proceeding with this project?

**Colin Younker (Auditor General):** No.

**Wayne Collins (PC) Chair:** Thank you.

**Ron MacKinley (L)Chair:** Alright, Mr. Auditor and guests, they asked that we adjourn at ten to . . . it's almost ten to so we'll let you know when we . . .

**Richard Brown (L):** Want to see you again.

(AUDITOR LEFT)

**Ron MacKinley (L)Chair:** Now, if I could have a report. How are we making out with the four MPs, if I could just get report. It was brought here at this Committee that we meet with the four MPs, how are we making out to meet with the four MPs?

**Charles MacKay:** Mr. Chair, the committee clerk has contacted the offices of the four MPs and has proposed three, actually four dates - April 20<sup>th</sup> through the 23<sup>rd</sup>, any of those four dates. So she is waiting to hear back from the offices to confirm a date that might be agreeable to meeting them.

**Jim Bagnall (PC):** Has she heard back from any of them?

**Charles MacKay:** I'm not sure about that, Mr. Bagnall. I'll check.

**Jim Bagnall (PC):** What are the four dates that are proposed?

**Charles MacKay:** The 20<sup>th</sup> to the 23<sup>rd</sup> of April. She's trying to coordinate the scheduling.

**Jim Bagnall (PC):** The 20<sup>th</sup> to the 23<sup>rd</sup> of April.

**Charles MacKay:** Correct, yes.

**Ron MacKinley (L)Chair:** I would like the committee to be very lenient on trying to cooperate that we're here, like cause they are out of province. So if they can come in on some of the dates we try and cooperate that we have a majority here. Is that okay with the committee? And we'll let them pick a date that suits them. I talked to the Clerk and I said we could take one or two or four of them at once but if it's just two can make it we can always meet again and . . .

**Jim Bagnall (PC):** Should have all four of them here at the one time.

**Ron MacKinley (L)Chair:** It's going to be hard to get all four at one time.

**Jim Bagnall (PC):** Especially when two of them don't want to come.

**Ron MacKinley (L)Chair:** Who doesn't to come?

**Jim Bagnall (PC):** Well, Mr. McGuire said he had no intention of appearing before our committee. So I would assume that he doesn't want to come. Maybe we should get some subpoenas lined up too at the same time because if they don't want to appear we should subpoena them and have them here.

**Ron MacKinley (L)Chair:** I checked into that and the Clerk can allude if I'm right or wrong. A federal MP, I was told by the Assistant Clerk, they can refuse to come and they can use parliamentary privilege but what we can do, we can subpoena staff members. Now, could you explain how it would work?

**Charles MacKay:** Certainly, a federal MP could invoke parliamentary privilege to reject a subpoena from a provincial committee.

**Jim Bagnall (PC):** But we can still issue one.

**Ron MacKinley (L)Chair:** Just wait now, let him finish.

**Charles MacKay:** Yes, there would be nothing stopping the committee from issuing a subpoena.

**Jim Bagnall (PC):** Exactly.

**Ron MacKinley (L)Chair:** So if we issue a subpoena to Mr. McGuire—you said Mr. McGuire said he doesn't want to come.

**Jim Bagnall (PC):** Yes, told me.

**Ron MacKinley (L)Chair:** So Mr. McGuire told you he doesn't want to come and you're the vice-chairman. So if we issue a subpoena what happens then, Mr. MacKay?

**Jim Bagnall (PC):** He challenges it.

**Charles MacKay:** I guess it depends. Maybe the recipient of the subpoena, if deemed necessary by the committee, either may or may not appear or may invoke privilege.

**Ron MacKinley (L)Chair:** So if they invoke privilege have we got any way of getting them here?

**Charles MacKay:** I would say probably not.

**Ron MacKinley (L)Chair:** Alright. So then that's why I questioned for this meeting because I knew it was on people's minds. So then we could go to staff members that are here in the province. If we subpoenaed certain staff members then our subpoena would stand. Is that correct?

**Charles MacKay:** If they're resident here in the province, yes, the subpoena would have application.

**Ron MacKinley (L)Chair:** So we got a choice to make. We don't have it officially . . . well you're vice-chairman. If Mr. McGuire refuses to come we can look at issuing a subpoena but maybe we can't . . .

**Jim Bagnall (PC):** I think if subpoenaed he'll come. I don't think he'll run and hide. I think he'll want to come before our committee.

**Ron MacKinley (L)Chair:** Mr. Brown?

**Richard Brown (L):** I have another item just right after you're done of that item, Mr. Chairman.

**Ron MacKinley (L)Chair:** How do we . . . we've got to set up another meeting for next week.

**Jim Bagnall (PC):** Why don't we wait until they respond back to us.

**Ron MacKinley (L)Chair:** Alright.

**Jim Bagnall (PC):** Maybe they'll change their mind and they'll all show up and it'll be great.

**Ron MacKinley (L)Chair:** Yes, it'd be great. Alright. So, Mr. Brown?

**Richard Brown (L):** Mr. Chairman, we do have the 2003 Public Accounts and I have a number of questions on these public accounts and I would move a motion that this committee request the presence of the Comptroller of the Province of Prince Edward Island to be present at a meeting to be set by you and the vice-chairman to respond to some of the questions that I have.

I would move that the Comptroller of the Province of Prince Edward Island be brought before the committee.

**Ron MacKinley (L)Chair:** Is that Scott Stevenson?

**Richard Brown (L):** Yes.

**Wes MacAleer (PC):** Is there a specific reason why you want the comptroller as opposed to somebody else in the department?

**Richard Brown (L):** Yes. As mentioned earlier by the Auditor General he cannot prepare the public accounts book in time because he doesn't get the information from government in time to prepare the book in time. So I think this committee should have the comptroller in to explain to this committee why he cannot have the books done in a reasonable amount of time and that the information be made to the public in a reasonable amount of time.

**Wes MacAleer (PC):** I'll support your motion if you want to make it so that it's officials from the Department of Provincial Treasury because there may be more than one individual that we may want to talk to. What I'm opposed to is limiting it to one position because I think it's a multi . . .

**Ron MacKinley (L)Chair:** Why don't we bring . . .

**Jim Bagnall (PC):** Bring the minister in and let him talk about it.

**Wes MacAleer (PC):** There may be other people involved. That's all . . .

**Ron MacKinley (L)Chair:** Why don't we do it this way?

**Richard Brown (L):** I had a motion, Mr. Chairman, that we have the comptroller's office in or . . .

**Ron MacKinley (L)Chair:** I'm trying to get a consensus here now. Why don't we do it this way, Mr. Brown? We make a motion the Comptroller Scott Stevenson and anybody else he wants to bring in.

**Richard Brown (L):** Yes.

**Ron MacKinley (L)Chair:** How would that be?

**Wilbur MacDonald (PC):** I thought you always brought in the minister. I'm just new on the committee.

**Ron MacKinley (L)Chair:** We've been watching that parliament station, the minister's very seldom come before. It's all department people. It's your ideas from fifth floor that says you only want the ministers.

**Wilbur MacDonald (PC):** Oh, I don't know.

**Ron MacKinley (L)Chair:** Oh, I know it.

**Jim Bagnall (PC):** I can't agree with that motion. I think if we have a problem with anything we bring the minister in and discuss it. If we don't get our answers then, then this is an option that we have to deal with right now. The minister runs the department and I think if we bring anybody it's the minister, not staff at this time.

**Ron MacKinley (L)Chair:** The officials of the department.

**Richard Brown (L):** Including the comptroller.

**Wes MacAleer (PC):** Not to exclude the comptroller.

**Ron MacKinley (L)Chair:** So what is it?

**Jim Bagnall (PC):** I can't agree with that. I think we should go and see the minister first.

**Richard Brown (L):** Because why shit, see, the minister can come forward and all kinds of platitudes about what he's doing and how he's trying, you know, and I would like to hear from the department itself why they're having problems.

**Jim Bagnall (PC):** No, I can't agree with that. I think the minister is the man that's looking after his department. If the minister wants to bring the comptroller with him when he comes then fine. But if wants to handle it himself that's the way it should be done.

**Richard Brown (L):** The minister has parliamentary privilege.

**Ron MacKinley (L)Chair:** Well, see the thing is as I see it if we're going to make a difference we've got to start being able to get some of these bureaucrats in here. If we get the ministers on the floor that say one thing, like the minister who said we're going to have a balanced budget and we're going to be only \$8 million, now we're \$107. Like the minister has a major problem. If you want to put him under pressure. I have no problem with the ministers coming in but we also should say the minister and the comptroller and whoever else they want to bring in. Cause we've got to get some answers here. You people aren't here just to protect the fifth floor. You know that, Mr. Collins. You're here to protect the people that you represent.

**Jim Bagnall (PC):** Do I have the floor, Mr. Chairman?

**Ron MacKinley (L)Chair:** Mr. Bagnall's mike's on. Are you done?

**Richard Brown (L):** No.

**Jim Bagnall (PC):** Anyway, the only thing I'll say on that is we have people running our departments. Our ministers are in charge of our departments. If we've got any issues to talk about the department the first person that we bring in is the minister. If the minister so chooses to bring staff with him then so be it. But if he feels he can't respond to our questions and he wants to bring

staff with him on this issue then fine. But right now I see no thing of bringing any of our civil servants in at the present time. Our minister is there to run his department and let's give him a chance. Thank you.

**Ron MacKinley (L)Chair:** Mr. Collins?

**Wayne Collins (PC) Chair:** Yes, thank you, Mr. Chairman. The comptroller is not accountable—I'm sorry—for late arrival of information from departments. The minister is accountable for that. Let's bring the minister in. We have some sharp questioners here. I'm sure we'll be well prepared to pepper him with well focussed questions. We've got an open debate here, we have the media here. Ultimately let the people judge. And when you get right down to it, whether it's budgets or whether it's departmental estimates or whether it's special warrants there's only one form of accountability and it happens every three and a half or four years in polling booths all across Prince Edward Island and I'll respect Prince Edward Islander's views any day. Thank you.

**Richard Brown (L):** Mr. Chair?

**Ron MacKinley (L)Chair:** Go ahead.

**Richard Brown (L):** I would agree with you 100 per cent, Mr. Collins, but when . . .

**Jim Bagnall (PC):** Can we adjourn yet?

**Richard Brown (L):** . . . \$14 million is issued just before a provincial election. Six million dollars is hid there, all kinds of money, EDA money is put into place before an election. How does the electorate have an appropriate information to make a decision? Mr. Collins, that's what I said. And that's what this committee should be saying. Let us give the people of Prince Edward Island the information and if we're going to invoke ministerial responsibility, on ministerial responsibility there's parliamentary privilege. Parliamentary privilege—he can say whatever he wants.

**Ron MacKinley (L)Chair:** Listen, we've got to get to the vote because we're already . . . all in favour of Mr. Brown's motion of bringing in the comptroller, Scott Stevenson and whoever Scott decides to take with him, all in favour of doing that raise your hand. All opposed to it raise your hands. Motion is defeated.

**Richard Brown (L):** Thank you, Mr. Chairman.

**Jim Bagnall (PC):** I move for adjournment.

**Ron MacKinley (L)Chair:** Meeting is adjourned.